DBS BANK (TAIWAN) LTD

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2020 AND 2019

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

DBS BANK (TAIWAN) LTD

DECEMBER 31, 2020 AND 2019 FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

Contents	Page

pwc 資誠

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 20003440
To the Board of Directors of DBS Bank (Taiwan) Ltd

Our opinion

We have audited the accompanying balance sheets of DBS Bank (Taiwan) Ltd (the "Company") as at December 31, 2020 and 2019, and the related statements of comprehensive income, of changes in equity and of 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 at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Regulations Governing the Preparation of Financial Reports by Public Bank, Regulations Governing the Preparation of Financial Reports by Securities Firm and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Jin-Guan-Yin-Fa-Zi Letter No. 10802731571 and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in Auditors' responsibility for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's 2020 financial statements. 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.

資誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan
110208臺北市信義區基隆路一段 333 號 27 樓
27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 110208, Taiwan
T: +886 (2) 2729 6666, F:+ 886 (2) 2729 6686, www.pwc.tw

pwc 資誠

Recognition and measurement of expected credit losses of bills discounted and loans

Description

For the accounting policy for the recognition and measurement of expected credit losses ("ECL") of bills discounted and loans, please refer to Note 4(5); for the critical accounting estimates and assumption uncertainty of ECL of bills discounted and loans, please refer to Note 5; for details on bills discounted and loans, please refer to Note 6(8); for on-balance sheet and off-balance sheet items' credit risk information, please refer to Note 12(3)B. The Company's gross bills discounted and loans and its allowance for credit losses as at December 31, 2020 were NTD $256,040,163 thousand and NTD $3,395,415 thousand, respectively.

The Company's recognition and measurement of ECL of bills discounted and loans is pursuant to IFRS 9, 'Financial Instruments' and takes into account the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, and related requirements of administrative orders promulgated by the competent authority. The Company's primary considerations of the ECL calculation are the judgement of whether there is significant increase of credit risk or credit-impairment at initial recognition of the bills discounted and loans, based on the reasonable and verifiable information about past events, current conditions and assessments of future economic conditions. The Company recognises ECL according to which stage the financial asset belongs: no significant increase in credit risk (Stage 1), significant increase in credit risk (Stage 2), and credit-impaired (Stage 3). 12-month ECL are recognised for assets in Stage 1, and lifetime ECL are recognised for assets in Stage 2 and Stage 3. In addition, the Company takes into account relevant laws and regulations of the competent authority in assessment of the allowance for credit losses. Because the considerations stated above involve professional judgement, assumptions, and estimates made by management, and these amounts were material with respect to the total assets, we have thus assessed the recognition and measurement of ECL of the Company's bills discounted and loans as the key audit matter in our audit of the Company.

How our audit addressed the matter

The main audit procedures that we performed are set out below:

- Obtained and gained an understanding of the Company's internal control policies for its credit risk management and recognition and measurement of ECL of bills discounted and loans and sample tested related controls (i.e. management's periodical credit review and assessment process on collateral values).
- Held discussions with management to understand the ECL model, its methodology (including the proxies, assumptions and the reasonableness of the three stages classification indicators) and financial reporting process;
- Performed the following procedures on bills discounted and loans as at December 31, 2020:

sample tested the data inputs to ECL model, examined management's related documents on evaluating the ECL and evaluated whether the allowance for credit losses comply with the competent authority's related regulations.

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, Regulations Governing the Preparation of Financial Reports by Securities Firms and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards 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 the generally accepted auditing standards in the Republic of China, we exercise professional judgement 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

pwc 資誠

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Wei Chi　　　　　　　　Wu, Wei-Tai

For and on behalf of PricewaterhouseCoopers, Taiwan
March 25, 2021

DBS BANK (TAIWAN) LTD
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	ASSETS	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	ASSETS					
11000	Cash and cash equivalents	6(1) and 7	$ 6,183,740	1	$ 7,255,247	2
11500	Due from Central Bank and call loans to other banks	6(2) and 7	53,424,242	13	46,805,885	11
12000	Financial assets at fair value through profit or loss	6(3) and 7	16,178,040	4	17,520,809	4
12100	Financial assets at fair value through other comprehensive income	6(4) and 8	57,761,740	14	60,046,085	14
12200	Investments in debt instruments at amortised cost	6(5) and 8	7,496,323	2	7,494,898	2
13000	Receivables — net	6(7) and 7	13,811,205	3	22,236,203	5
13200	Current income tax assets		115,302	-	114,274	-
13500	Bills discounted and loans — net	6(8) and 7	252,644,748	61	251,431,677	60
15500	Other financial assets — net	6(9)	35,872	-	383,020	-
18500	Property and equipment — net	6(10)	1,595,467	-	1,715,949	1
18600	Right-of-use assets — net	6(11)	2,681,973	1	2,720,507	1
18700	Investment properties — net	6(12)	136,950	-	138,390	-
19000	Intangible assets — net	6(13)	638,208	-	777,023	-
19300	Deferred income tax assets	6(36)	364,027	-	315,729	-
19500	Other assets — net	6(14) and 7	2,402,559	1	1,667,086	-
	TOTAL ASSETS		$ 415,470,396	100	$ 420,622,782	100
	LIABILITIES AND EQUITY					
	LIABILITIES					
21000	Due to Central Bank and other banks	6(15) and 7	$ 4,649,262	1	$ 459,034	-
21500	Fund borrowed from Central Bank and other banks		159,840	-	-	-
22000	Financial liabilities at fair value through profit or loss	6(16) and 7	8,851,178	2	4,481,225	1
22300	Financial liabilities for hedging	6(6) and 7	375,213	-	255,213	-
23000	Payables	6(17) and 7	4,830,944	1	6,139,782	2
23200	Current income tax liabilities		64,259	-	-	-
23500	Deposits and remittances	6(18) and 7	350,773,928	84	363,173,446	86
24000	Bank debentures	6(19) and 7	2,809,600	1	2,999,575	1
25500	Other financial liabilities	6(20) and 7	2,005,164	1	2,776,337	1
25600	Provisions	6(21)(22)	840,539	-	784,385	-
26000	Lease liabilities		2,697,534	1	2,732,841	1
29300	Deferred income tax liabilities	6(36)	7,652	-	59,980	-
29500	Other liabilities	6(23) and 7	1,740,632	-	1,698,514	-
	TOTAL LIABILITIES		379,805,745	91	385,560,332	92
	EQUITY					
31100	Share capital					
31101	Common shares	6(24)	24,250,000	6	24,250,000	6
31103	Preferred shares	6(24)	8,000,000	2	8,000,000	2
32000	Retained earnings	6(25)				
32001	Legal reserve		1,159,751	-	1,042,965	-
32003	Special reserve		8,607	-	8,607	-
32011	Retained earnings		1,887,901	1	1,503,804	-
32500	Other equity	6(26)	358,392	-	257,074	-
	TOTAL EQUITY		35,664,651	9	35,062,450	8
	TOTAL LIABILITIES AND EQUITY		$ 415,470,396	100	$ 420,622,782	100

The accompanying notes are an integral part of these financial statements.

DBS BANK (TAIWAN) 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 SHARE)

			Year ended December 31				Changes Percentage
			2020		2019		
	Items	Notes	AMOUNT	%	AMOUNT	%	(%)
41000	Interest income	6(28) and 7	$ 7,328,088	79	$ 9,366,800	100	(22)
51000	Less: Interest expense	6(28) and 7	(2,033,261)	(22)	(4,264,781)	(45)	(52)
	Net interest income		5,294,827	57	5,102,019	55	4
	Net non-interest income						
49100	Net fee and commission income	6(29) and 7	3,234,021	35	2,904,446	31	11
49200	Gains (losses) on financial assets and financial liabilities at fair value through profit or loss	6(30) and 7	683,970	7	1,106,816	12	(38)
49310	Realised gains or losses on financial assets and financial liabilities at fair value through other comprehensive income	6(4)	17,269	-	16,587	-	4
49600	Foreign exchange gains		9,362	-	137,526	1	(93)
49700	(Impairment losses on assets) reversal of impairment loss on assets		(6,514)	-	(9,982)	-	(35)
58089	Other operating provisions	6(21)	(5,851)	-	(14,897)	-	(61)
49800	Other non-interest income	6(31) and 7	96,340	1	105,806	1	(9)
	Net revenues		9,323,424	100	9,348,321	100	-
58200	Bad debts expense and reserve on commitments and guarantee liabilities	6(32)	(886,188)	(10)	(893,706)	(10)	(1)
	Operating expenses						
58500	Employee benefit expenses	6(22)(27)(33) and 7	(4,343,090)	(47)	(4,469,197)	(48)	(3)
59000	Depreciation and amortisation expenses	6(34)	(888,471)	(9)	(950,428)	(10)	(7)
59500	Other general and administrative expenses	6(35) and 7	(2,263,924)	(24)	(2,537,585)	(27)	(11)
	Total operating expenses		(7,495,485)	(80)	(7,957,210)	(85)	(6)
61001	**Income before income tax**		941,751	10	497,405	5	89
61003	Income tax expense	6(36)	(104,826)	(1)	(108,117)	(1)	(3)
64000	**Net income**		$ 836,925	9	$ 389,288	4	115
	Other Comprehensive Income						
	Items that will not be reclassified to profit or loss:						
65201	Remeasurement arising on defined benefit plan	6(22)	($ 20,052)	-	$ 23,504	-	(185)
65204	Gains (losses) on equity instruments classified at fair value through other comprehensive income	6(4)	53,224	-	42,542	1	25
65205	Fair value change from own credit risk on financial liability designated as at fair value through profit or loss	6(16)(26)	-	-	1,393	-	(100)
65220	Income tax related to other comprehensive income not reclassifiable to profit or loss	6(36)	4,010	-	(4,701)	-	(185)
	Items that may be reclassified subsequently to profit or loss:						
65301	Translation differences for foreign operations	6(26)	(40,225)	-	(8,488)	-	374
65305	Net valuation taken to cash flow hedge reserve	6(6)(26)	(434)	-	4,574	-	(109)
65309	Gains on debt instruments classified at fair value through other comprehensive income	6(4)	88,932	1	37,858	-	135
65310	Impairment losses/reversal of impairment loss on debt instruments classified at fair value through other comprehensive income	6(4)	(179)	-	(1,130)	-	(84)
65000	**Other comprehensive income – net**		$ 85,276	1	$ 95,552	1	(11)
66000	**Total comprehensive income**		$ 922,201	10	$ 484,840	5	90
	Earnings Per Share (in New Taiwan dollars)						
	Basic and diluted earnings per share		$	0.35	$	0.17	

The accompanying notes are an integral part of these financial statements.

DBS BANK (TAIWAN) LTD
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Share capital		Retained earnings			Other equity				
	Notes	Common shares	Preferred shares	Legal reserve	Special reserve	Retained earnings	Translation differences for foreign operations	Cashflow hedge reserve	Revaluation reserve on financial assets at fair value through other comprehensive income	Fair value change from own credit risk on financial liability designated as at fair value through profit or loss	Total equity
For the year ended December 31, 2019											
Balance at January 1, 2019		$ 22,000,000	$ 8,000,000	$ 752,691	$ 3,769	$ 1,680,764	$ 20,038	($ 971)	$ 162,651	($ 1,393)	$ 32,617,549
Impact of retrospective application of new standards		-	-	-	-	30,061	-	-	-	-	30,061
Balance at January 1, 2019, after restatement		22,000,000	8,000,000	752,691	3,769	1,710,825	20,038	(971)	162,651	(1,393)	32,647,610
Net income		-	-	-	-	389,288	-	-	-	-	389,288
Other comprehensive income		-	-	-	-	18,803	(8,488)	4,574	79,270	1,393	95,552
Total comprehensive income		-	-	-	-	408,091	(8,488)	4,574	79,270	1,393	484,840
Issuance of shares		2,250,000	-	-	-	-	-	-	-	-	2,250,000
Appropriation of net income for 2018											
Legal reserve		-	-	290,274	-	(290,274)	-	-	-	-	-
Special reserve		-	-	-	4,838	(4,838)	-	-	-	-	-
Cash dividends－Preferred shares		-	-	-	-	(320,000)	-	-	-	-	(320,000)
Balance at December 31, 2019		$ 24,250,000	$ 8,000,000	$ 1,042,965	$ 8,607	$ 1,503,804	$ 11,550	$ 3,603	$ 241,921	$ -	$ 35,062,450
For the year ended December 31, 2020											
Balance at January 1, 2020		$ 24,250,000	$ 8,000,000	$ 1,042,965	$ 8,607	$ 1,503,804	$ 11,550	$ 3,603	$ 241,921	$ -	$ 35,062,450
Net income		-	-	-	-	836,925	-	-	-	-	836,925
Other comprehensive income		-	-	-	-	(16,042)	(40,225)	(434)	141,977	-	85,276
Total comprehensive income		-	-	-	-	820,883	(40,225)	(434)	141,977	-	922,201
Appropriation of net income for 2019											
Legal reserve	6(25)	-	-	116,786	-	(116,786)	-	-	-	-	-
Cash dividends－Preferred shares	6(25)	-	-	-	-	(320,000)	-	-	-	-	(320,000)
Balance at December 31, 2020		$ 24,250,000	$ 8,000,000	$ 1,159,751	$ 8,607	$ 1,887,901	($ 28,675)	$ 3,169	$ 383,898	$ -	$ 35,664,651

The accompanying notes are an integral part of these financial statements.

DBS BANK (TAIWAN) LTD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the year ended December 31, 2020	For the year ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 941,751	$ 497,405
Adjustments			
Adjustments to reconcile profit (loss)			
Bad debts expense and reserve on commitments and guarantee liabilities	6(32)	1,336,115	1,419,636
Other operating provisions	6(21)	5,851	14,897
Depreciation expense	6(34)	584,801	600,825
Amortisation expense	6(34)	303,670	349,603
Interest income	6(28)	(7,328,088)	(9,366,800)
Dividend income		(16,952)	(16,587)
Interest expense	6(28)	2,033,261	4,264,781
Gains on disposal of property and equipment	6(10)(31)	(21,135)	(34,844)
Losses on retirement of assets	6(31)	18,276	5,357
Changes in operating assets and liabilities			
Changes in operating assets			
Increase in due from Central Bank and call loans to other banks		(442,979)	(448,012)
Decrease in financial assets at fair value through profit or loss		1,342,769	4,211,436
Decrease (increase) in financial assets at fair value through other comprehensive income		2,426,501	(7,154,528)
Increase in debt instruments at amortised cost		(1,425)	(7,494,898)
Decrease in financial assets for hedging		-	6,839
Decrease in receivables		8,250,448	2,745,789
(Increase) decrease in bills discounted and loans		(2,134,556)	3,916,367
Decrease (increase) in other financial assets		49,522	(714,655)
Increase in other assets		(831,575)	(935,032)
Changes in operating liabilities			
Increase (decrease) in Due to Central Bank and other banks		4,190,228	(378,813)
Increase (decrease) in financial liabilities at fair value through profit or loss		4,369,953	(24,430)
Increase in financial liabilities for hedging		120,000	255,213
(Decrease) increase in payables		(1,137,924)	1,119,586
Decrease in deposits and remittances		(12,399,518)	(34,893,431)
Decrease in other financial liabilities		(771,173)	(1,424,445)
Increase (decrease) in other liabilities		63,253	(100,936)
Decrease in provisions		(16,188)	(11,677)
Cash inflow (outflow) generated from operations		934,886	(43,591,354)
Interest paid		(2,204,175)	(4,366,857)
Income tax paid		(138,210)	(614,345)
Interest received		7,453,187	9,508,301
Dividend received		16,952	16,587
Net cash flows from (used in) operating activities		6,062,640	(39,047,668)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(69,370)	(122,010)
Proceeds from disposal of property and equipment		-	52,408
Acquisition of intangible assets		(172,333)	(174,478)
Net cash flows used in investing activities		(241,703)	(244,080)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in fund borrowed from Central Bank and other banks		159,840	-
Decrease in financial liabilities designated as at fair value through profit or loss		-	(1,841,640)
Payments of lease liabilities	6(11)	(411,549)	(407,665)
Cash dividend paid－preferred shares	6(25)	(320,000)	(320,000)
Issuance of shares	6(24)	-	2,250,000
Net cash flows used in financing activities		(571,709)	(319,305)
Impact from changes in exchange rates		(145,357)	(119,368)
Net increase (decrease) in cash and cash equivalents		5,103,871	(39,730,421)
Cash and cash equivalents at beginning of year		46,816,670	86,547,091
Cash and cash equivalents at end of year		$ 51,920,541	$ 46,816,670
The components of cash and cash equivalents	6(1)		
Cash and cash equivalents reported in the statement of financial position		$ 6,183,740	$ 7,255,247
Due from central bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7		45,736,801	39,561,423
Cash and cash equivalents at end of reporting period		$ 51,920,541	$ 46,816,670

The accompanying notes are an integral part of these financial statements.

DBS BANK (TAIWAN) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. History and Organization

DBS Bank (Taiwan) Ltd (the "Company") obtained the approval from the regulator to set up preparatory office on February 25, 2011 and was incorporated under the Company Act of the Republic of China on September 9, 2011.

In 2012, according to the Business Mergers and Acquisitions Act and the Financial Institutions Merger Act, the Company acquired specific assets and liabilities items from DBS Bank Ltd, Taipei Branch.

In 2016, the Company acquired DBS Insurance Agency (Taiwan) Ltd (the "dissolving company") and assumes all, if any, assets, liabilities, rights, and obligations of the dissolving company as of the combination date. In 2017, the Company acquired ANZ Bank (Taiwan) Limited's retail and wealth management business and related assets and liabilities by way of demerger in accordance with Article 35 of the Business Mergers and Acquisitions Act and applicable laws and regulations.

As of December 31, 2020, the Company's operations is composed of 36 branches, 1 offshore banking unit, and the headquarters. The total number of employees was 2,179 and 2,362 as of December 31, 2020 and 2019, respectively.

The Company's core business includes accepting deposits, granting loans, investing in securities, conducting foreign exchange transactions, conducting acceptance services, providing guarantee services, issuing letters of credit, issuing credit cards and conducting trust and agency services, wealth management, life insurance and property insurance agency services.

The Company was incorporated as company limited by shares under the provisions of the Company Act of the Republic of China (ROC).

DBS Bank Ltd holds 100% common shares of the Company. The ultimate parent company of the Company is DBS Group Holdings Ltd.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These financial statements were authorised for issuance by the Board of Directors on March 25, 2021.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform'	January 1, 2020
Amendments to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note：Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform － Phase 2’

The amendments address issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. Given the pervasive nature of IBOR-based contracts, the amendments provide accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform, end date for Phase 1 relief for non-contractually specified risk components in hedging relationships, additional temporary exceptions from applying specific hedge accounting requirements, and additional IFRS 7 disclosures related to IBOR reform.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts－cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018－2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

4. Summary of Significant Accounting Policies

Significant accounting policies adopted in the financial reports are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following significant items, these financial statements have been prepared under the historical cost convention:

(A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(B) Financial assets at fair value through other comprehensive income.

(C) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency transactions

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's financial statements are presented in "New Taiwan dollars", which is the Company's functional currency.

Foreign currency transactions and balances

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Except foreign exchange gains and losses qualify as cash flow hedge accounting are deferred in other comprehensive income, foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies are re-translated at the spot exchange rates prevailing at the balance sheet date. Foreign exchange differences arising from this translation are recognised in profit or loss.

C. Non-monetary assets and liabilities measured at fair values through profit or loss in foreign currencies are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities measured at fair values through other comprehensive income in foreign currencies are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities measured at cost in a foreign currency are translated using the historical exchange rates at the dates of the initial transactions.

(4) Cash and cash equivalents

In the balance sheet, cash and cash equivalents includes cash on hand, deposits held at call with banks and short-term highly liquid investments which are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. In the statement of cash flows, cash and cash equivalents refer to cash and cash equivalents in balance sheets, due from Central Bank and call loan to other banks and investments in bills and bonds under reverse repurchase agreements which meet the definition of cash and cash equivalents of IAS 7 adopted by the FSC.

(5) Financial assets and financial liabilities

All financial assets and liabilities of the Company including derivatives are recognised in the balance sheet and are properly classified in accordance with IFRSs.

A. Financial assets

(A) Regular way purchase or sale

Financial assets held by the Company are all accounted for using trade date accounting.

(B) Financial assets at fair value through profit or loss

a. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

b. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are recognised in profit and loss. Subsequent measurements are at fair value with changes in fair value being recorded in profit and loss.

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

a. Financial assets at fair value through other comprehensive income comprise equity instruments which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Company’s business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

b. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity instruments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(b) The changes in fair value of debt instruments that were recognised in other comprehensive income and they are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. When they are sold, the accumulated fair value adjustments in other comprehensive income are reclassified to the income statement.

(D) Investments in debt instruments at amortised cost

a. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company’s business model is achieved by collecting contractual cash flows.

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

b. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

c. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(E) Bills discounted and loans

a. Bills discounted and loans include bills negotiated, bills discounted, loans and overdue loans. Bills discounted and loans shall be measured using effective interest rate method. They are allowed to be measured at original amount if the effect of discounting is insignificant.

b. When the obligor is in financial difficulty then renegotiated or restructured credit facility, the financial assets fully or partially should be derecognised under IFRS 9. The Company will derecognise the original financial asset and recognise a new asset and related profit and loss.

c. When the obligor is in financial difficulty then renegotiated or restructured credit facility, but the financial assets were not derecognised; renegotiated or restructured credit facility not because the obligor is in financial difficulty. The modification does not result in derecognition, the Company recalculates the gross carrying amount and recognises a modification gain or loss in profit or loss.

(F) Receivables

Receivables include those that are originally generated and those that are not originally generated. The former originated directly from money, products or services that the Company provides to the debtors, while the latter refers to all the other receivables. Receivables shall be measured at amortised cost using effective interest rate method. Short-term receivables without interests are allowed to be measured at original amount if the effect of discounting is insignificant.

(G) Bills and bonds under reverse repurchase agreements and repurchase agreements

Financial instruments sold (purchased) under repurchase (reverse repurchase) agreements are stated at acquisition cost. The difference between the contracted sale or repurchase price and acquisition cost is recognised as interest expense or interest income during the holding periods.

(H) Impairment of financial assets

The Company assesses expected credit losses (“ECL”) at each reporting date for debt instruments measured at fair value through other comprehensive income, financial assets held at amortised cost (including bills discounted and loans and receivables), certain loan commitments, letters of credit and financial guarantee contracts. After considering all reasonable and verifiable information (including forward-looking information): for credit assets which have no significant increase in credit risks since initial recognition, allowance (provision) is accrued based on the credit loss that is expected to result from a default occurring within the next 12 months; for credit assets which have significant increase in credit risks or which are credit-impaired, allowance (provision) is accrued based on the credit loss that is expected to result from a default occurring over their lifetime.

For credit assets, the Company assesses the loss allowance at the balance sheet date in accordance with “Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”, Jinguanyinguo No.10410001840 of FSC, Jinguanyinguo No. 10300329440 of FSC, and other applicable laws as well as IFRS 9 requirements. The loss allowance is provisioned at the higher of the amounts assessed in compliance with the aforementioned domestic regulations and IFRS 9.

B. Financial liabilities

Financial liabilities held by the Company include financial liabilities at fair value through profit or loss and financial liabilities carried at amortised cost.

(A) Financial liabilities at fair value through profit or loss

a. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in a short period of time, and derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- Hybrid (combined) contracts; or
- They eliminate or significantly reduce a measurement or recognition inconsistency; or
- They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

b. At initial recognition and subsequently, the Company measures the financial liabilities at fair value and recognises the gain or loss in profit or loss. Except for the circumstances to avoid inappropriate accounting appropriation, fair value movements arising from credit risk for financial liabilities designated as at fair value through profit or loss should be recognised in other comprehensive income.

(B) Financial liabilities carried at amortised cost

Financial liabilities carried at amortised cost include liabilities not classified as financial liabilities at fair value through profit or loss and financial guarantee contracts.

C. Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

(A) The contractual rights to receive cash flows from the financial asset expire.

(B) The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

(C) The contractual rights to receive cash flows from the financial asset have been transferred;

however, it has not retained control of the financial asset.

D. Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation of the contracts are fulfilled, cancelled or expired.

(6) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(7) Derivative financial instruments

Derivative instruments are initially recognised at fair value at the contract date and subsequently measured by fair value. The fair value includes the public quotation in an active market or the latest trade price, and the result of evaluation model such as cash flow discounting model or option pricing model. All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

(8) Hedge accounting

A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements.

B. The Company designates the hedging relationship as cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

C. Cash flow hedges

(A) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):

a. the cumulative gain or loss on the hedging instrument from inception of the hedge; and

b. the cumulative change in fair value of the hedged item from inception of the hedge.

(B) The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognised in profit or loss.

(C) The amount that has been accumulated in the cash flow hedge reserve in accordance with is accounted for as follows:

a. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.

b. For cash flow hedges other than those covered by item a. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

c. If that amount is a loss and the Company expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

(D) When the hedging instrument expires, or is sold, terminated, exercised or when the hedging relationship ceases to meet the qualifying criteria, if the forecast transaction is still expected to occur, the amount that has been accumulated in the cash flow hedge reserve shall remain in the cash flow hedge reserve until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(9) Property and equipment

A. The property and equipment of the Company are initially recognised at cost.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Cost model is applied for the subsequent measurement of property and equipment. Land is not depreciated. Other property and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately. The estimated useful lives of property and equipment are as follows:

Buildings	50 years
Accessories to buildings (Listed under buildings)	1~5 years
Machinery and computer equipment	3~5 years
Other equipment	5 years
Leasehold improvements	1~5 years

D. On each balance sheet date, the Company reviews and appropriately adjusts the residual value and useful life of the assets.

E. Any gain or loss on disposal is calculated by the difference between the carrying amounts and proceeds on disposal, which is recognised under "other non-interest income" in the statement of comprehensive income. For those properties disposed and leased back by the Company without specific leasing period, gains on disposal of assets should be deferred and amortised over 10 years in conformity with the Jinguanyinfa No.12000702070 issued by the FSC.

Otherwise, it should be deferred and amortised over the remaining leasing period. The deferred revenue is recognised under "other liabilities".

(10) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(A) Fixed payments, less any lease incentives receivable;

(B) Variable lease payments that depend on an index or a rate;

(C) Amounts expected to be payable by the lessee under residual value guarantees;

(D) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(E) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(A) The amount of the initial measurement of lease liability;

(B) Any lease payments made at or before the commencement date;

(C) Any initial direct costs incurred by the lessee;

(D) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(11) Investment property

Investment property is initially recognised at its cost and is subsequently measured using the cost model. Depreciated cost is used to calculate depreciation expense after initial measurement. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.

(12) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over their estimated useful lives of 3-5 years. Identifiable intangible assets arising from the acquisition are with an estimated useful life of 3 years.

(13) Foreclosed properties

Foreclosed properties are initially recognised at its cost and are subsequently stated at the lower of carrying amount or fair value less selling cost on the financial reporting date.

(14) Impairment of non-financial assets

The Company assesses the recoverable amount of assets with indications of impairment. An impairment loss is recognised when recoverable amount is lower than its book value. The recoverable amount is the higher of its value of use and its fair value less cost of disposal. Impairment loss is reversed when previous events of impairment do not exist or are reduced, to the extent of the book value less depreciation or amortisation before impairment loss.

(15) Provisions and contingent liability

A. Provisions are recognised when present obligation (legal or constructive) has arisen as a result of past event, the outflow of economic benefits is highly probable upon settlement and the amount is reliably measurable. Provisions are measured at best estimate of settlement of the obligation. The discount rate reflects the current market assessments on the time value of money and the risk specific to the liabilities before tax. Provisions are not recognised for future operating loss.

B. Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Company did not recognise any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

(16) Financial guarantee contracts and loan commitment

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

B. The Company initially recognises financial guarantee contracts at fair value on the date of issuance. The Company charges a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognised in deferred accounts and amortised through straight-line method during the contract term.

C. Subsequently, the Company should measure the financial guarantee contract issued at the higher of:

(A) Provisions recognised in accordance with IFRSs.; and

(B) The amount initially recognised less, if appropriate, cumulative amortisation of revenues recognised in accordance with IFRSs.

D. The Company's assessment of provisions for losses for loan commitments and financial guarantee contracts is described in Note 4(5) "Impairment of financial assets". The increase in liabilities due to financial guarantee contract is recognised in "bad debts expense and reserve on commitments and guarantee liabilities".

E. In addition to the assessment of provisions for losses for financial guarantee contract described above, the Company also assesses provisions for losses in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and other applicable laws. The greater of the two amounts is recognised and included in the guarantee liability reserve.

(17) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognised as expenses when the service is rendered.

B. Pensions

(A) Defined contribution plans

The contributions are recognised as pension expenses in the period as incurred. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

a. Net obligation is recognised at the net amount of actuarial present value of defined benefit obligation less the fair value of fund, which is adjusted with the net unrecognised gain and loss on pension and recognises the pension assets or liabilities. Defined benefit obligation is assessed annually using projected unit credit method by the actuary. The actuarial present value of the defined benefit obligation is determined using the market yield of government bonds of which the currency and maturity are the same with the defined benefit obligation to discount the future cash flow.

b. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees', directors' and supervisors' compensation

Employees', directors' and supervisors' compensation are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as charged in estimates.

(18) Share-based payment – employee compensation plan

Employee benefits include share-based compensation, namely, the DBSH Share Plan, the DBSH

Employee Share Plan and iShares (the “Plans”).

Equity instruments granted and ultimately vested under the Plans are recognised in the statement of comprehensive income based on the fair value of the equity instruments at date of grant. The expense is accounted for as employee benefit expense and payable from employee compensation plan over the vesting period.

(19) Income tax

A. The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(20) Interest income and expense

Other than those classified as financial assets and liabilities at fair value through profit or loss, all the interest income and interest expense generated from interest-bearing financial instruments are calculated by effective interest rate according to relevant regulations and recognised as "interest income" and "interest expense" in the statement of comprehensive income.

(21) Fee and commission income

The Company earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Company has satisfied its performance obligation in providing the promised products and services to the customer. Fee and commission income is accounted for as follows: income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, brokerage fees, underwriting fees, bancassurance sales commission and variable service fees); income earned for a service provided over a period of time is recognised on equal proportion basis over the period during which the related service is provided or credit risk is undertaken (for example, income from issuance of financial guarantees, bancassurance fixed service fees, wealth management and other management advisory and service fees.) Directly related expenses, such as card-related expenses, are recognised in profit and loss as occurred.

(22) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience, Covid-19 impact and other factors. The following is a brief description of the Company's critical accounting estimates that involve management's judgement.

(1) Expected credit losses of loans and receivables

At each reporting date, the Company assesses expected credit losses of loans and receivables after taking into consideration all reasonable and verifiable information that includes forward-looking. Measurement of expected credit losses involves determining whether there is significant increase in credit risk on the asset since initial recognition, or whether the asset is credit-impaired, calculating probability of default, loss given default, and exposure at default of the credit loss model, and adjusting parameters of the model after incorporating forward-looking factors.

Please refer to Note 12(3)B for the assessment on loans and receivables' expected credit losses.

(2) Fair value of financial instruments

The majority of the Company's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced market parameters. The fair value of financial instruments without an observable market price in a liquid market may be determined using valuation models. The choice of model requires significant judgement for complex products. Policies and procedures have been established to facilitate the exercise of judgement in determining the risk characteristics of various financial instruments, discount rates and other factors used in the valuation process.

Please refer to Note 12(1)(2) for details on the fair value information and the fair value hierarchy of the Company's financial instruments measured at fair value.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	$ 748,803	$ 856,307
Foreign currency on hand	286,104	369,266
Checks for clearance	73,360	77,549
Due from banks	5,076,190	5,952,605
Subtotal	6,184,457	7,255,727
Less: Accumulated impairment	(717)	(480)
Total	$ 6,183,740	$ 7,255,247

For the purpose of preparing the statements of cash flows, cash and cash equivalents are combined with part of the amount of each account.

	December 31, 2020	December 31, 2019
Cash and cash equivalents on the balance sheet	$ 6,183,740	$ 7,255,247
Due from Central Bank and call loans to other banks (except reserve for deposits – account B)	45,736,801	39,561,423
Cash and cash equivalents on the statement of cash flows	$ 51,920,541	$ 46,816,670

(2) Due from Central Bank and call loans to other banks

	December 31, 2020	December 31, 2019
Reserve for deposits – account A	$ 8,744,392	$ 8,750,813
Reserve for deposits – account B	7,687,441	7,244,462
Reserve for deposits – foreign currency account	168,576	179,975
Reserve for deposits – Financial Information Service Center	977,301	785,290
Call loans to banks	35,847,008	29,845,771
Subtotal	53,424,718	46,806,311
Less: Accumulated impairment	(476)	(426)
Total	$ 53,424,242	$ 46,805,885

The reserve deposited with the Central Bank of the Republic of China is maintained in accordance with statutory reserve rates. The reserves for deposits of account B are not allowed to be withdrawn, except for monthly adjustments.

(3) Financial assets at fair value through profit or loss

		December 31, 2020		December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss:				
Government bonds	$	6,823,753	$	11,329,479
Treasury bills		-		964,838
Corporate bonds		1,108,751		953,181
Exchange traded funds		104,533		5,827
Derivative financial instruments				
Forward exchange contracts		5,394,058		2,300,586
Non-delivery FX forwards		146,270		287,889
Interest rate swaps		2,204,439		1,447,229
Cross currency swaps		321,629		125,701
Forward exchange options		8,679		8,532
Futures		63,517		96,494
Equity swap		-		447
Commodity options		-		606
Equity options		2,411		-
Total	$	16,178,040	$	17,520,809

The credit valuation adjustment as of December 31, 2020 and 2019 amounted to $24,523 thousand and $7,703 thousand, respectively. As of December 31, 2020, and 2019, amounts recognised in "Futures" in relation to future deposit are $63,517 thousand and $96,503 thousand, respectively.

Please refer to Note 6(30) for the net profit on the financial assets at fair value through profit or loss of the Company for the years ended December 31, 2020 and 2019.

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

		December 31, 2020		December 31, 2019
Equity instruments				
Unlisted stocks	$	49,881	$	49,881
Valuation adjustment		252,936		199,712
Subtotal		302,817		249,593
Debt instruments				
Negotiable certificates of deposit		42,275,000		43,420,000
Treasury bills		299,509		1,094,109
Government bonds		14,754,619		15,241,520
Valuation adjustment		129,795		40,863
Subtotal		57,458,923		59,796,492
Total	$	57,761,740	$	60,046,085

A. The Company classified strategic investments and investments in equity instruments not held for trading as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $302,817 thousand and $249,593 thousand as at December 31, 2020 and 2019, respectively.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the years ended December 31,	
	2020	2019
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	$ 53,224	$ 42,542
Dividend income recognised in profit or loss held at end of period	$ 16,952	$ 16,587
Debt instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	$ 89,249	$ 37,858
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	$ 179	$ 1,130
Reclassified due to derecognition	317	-
	$ 496	$ 1,130
Interest income recognised in profit or loss	$ 95,883	$ 119,283

C. Please refer to Note 8 for the Company's financial assets at fair value through other comprehensive income pledged as collateral, as of December 31, 2020 and 2019.

D. For information relating to credit risk, please refer to Note 12(3)B.

(5) Investments in debt instruments at amortised cost

	December 31, 2020	December 31, 2019
Negotiable certificates of deposit	$ 6,200,000	$ 6,200,000
Corporate bonds	1,296,578	1,295,257
Subtotal	7,496,578	7,495,257
Less: Accumulated impairment	(255)	(359)
Total	$ 7,496,323	$ 7,494,898

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the years ended December 31,	
	2020	2019
Interest income	$ 257,118	$ 250,303
Reversal of impairment loss (impairment losses)	104	(359)
Total	$ 257,222	$ 249,944

B. Please refer to Note 8 for the Company's investments in debt instruments at amortised cost pledged as collateral, as of December 31, 2020 and 2019.

C. For information relating to credit risk, please refer to Note 12(3)B.

(6) Financial assets / liabilities for hedging

A. The Company's details of financial assets / liabilities for hedging are as follows:

Cash flow hedges	Designated as hedging instrument	
		Fair value
Hedged item	Derivatives designated	December 31, 2020
USD Core Deposit	FX swap	($ 375,213)

Cash flow hedges	Designated as hedging instrument	
		Fair value
Hedged item	Derivatives designated	December 31, 2019
USD Core Deposit	FX swap	($ 255,213)

The Company is predominantly exposed to variability in future cash flows due to foreign currency fluctuations against NTD arising from USD-denominated core deposit. The Company entered into foreign exchange swaps (FX swap) to protect against the variability of cash flows due to changes in foreign currency exchange rates and designated only the change in the spot element as the hedging instrument. Hedging ratio is determined by comparing the amount of USD core deposit designated as hedged item with the notional amount of hedging instruments. The Company applied a dynamic process to adjust the position and maturity of hedging instruments, in order to match those of the USD core deposit designated as hedged item. As the Company is able to do so, hedging ineffectiveness is greatly reduced.

B. Transaction information associated with the Company adopting hedge accounting is as follows: The following table contains details of the hedging instruments used in the Company's hedging strategies as of December 31, 2020 and 2019:

December 31, 2020	Notional principal	Contract period	Carrying amount - liabilities	Balance sheet line items	Changes in fair value in relation to recognising hedge ineffectiveness
Cash flow hedges					
Exchange rate risk					
FX swap	USD 794 million	2020.09.10 ~ 2021.12.9	($ 375,213)	Derivative financial liabilities for hedging	$ -

December 31, 2019	Notional principal	Contract period	Carrying amount - liabilities	Balance sheet line items	Changes in fair value in relation to recognising hedge ineffectiveness
Cash flow hedges					
Exchange rate risk					
FX swap	USD 453 million	2019.6.28 ~ 2020.12.9	($ 255,213)	Derivative financial liabilities for hedging	$ -

The following table contains details of the hedged item as of December 31, 2020 and 2019:

December 31, 2020	Other equity - hedge instruments related to other comprehensive income	Carrying amount - liabilities (Note)	Balance sheet line items	Changes in fair value in relation to recognising hedge ineffectiveness
Cash flow hedges				
Exchange rate risk				
USD Core Deposit	$ 3,169	$ 22,308,224	Deposits and remittances	$ -

Note: The amount of NTD is equivalent to USD 794 million.

December 31, 2019	Other equity - hedge instruments related to other comprehensive income	Carrying amount - liabilities (Note)	Balance sheet line items	Changes in fair value in relation to recognising hedge ineffectiveness
Cash flow hedges				
Exchange rate risk				
USD Core Deposit	$ 3,603	$ 13,588,075	Deposits and remittances	$ -

Note: The amount of NTD is equivalent to USD 453 million.

C. The following table shows a reconciliation of each component of equity and an analysis of other comprehensive income in relation to hedge accounting:

	Other equity - cash flow hedge reserve
At January 1, 2020	$ 3,603
Amounts recognised in OCI:	
Cash flow change - foreign exchange risk	
Net valuation taken to equity	150,573
Transferred to profit or loss as the hedged item has affected profit or loss	(151,007)
At December 31, 2020	$ 3,169

	Other equity - cash flow hedge reserve
At January 1, 2019	($ 971)
Amounts recognised in OCI:	
Cash flow change - foreign exchange risk	
Net valuation taken to equity	446,465
Transferred to profit or loss as the hedged item has affected profit or loss	(441,891)
At December 31, 2019	$ 3,603

D. The following table sets out the maturity profile of the hedging instruments used in cash flow hedges:

(Expressed in Millions of USD)

	Maturity Date		
	Less than one month	One to three months	Three months to 1 year
At December 31, 2020			
Cash flow hedges			
Exchange rate risk			
FX swap			
Notional amount	$ 210	$ 260	$ 324
Average exchange rate (NTD/USD)	28.71 ~ 28.72	28.41 ~ 28.43	28.54 ~ 28.62

(Expressed in Millions of USD)

	Maturity Date		
	Less than one month	One to three months	Three months to 1 year
At December 31, 2019			
Cash flow hedges			
Exchange rate risk			
FX swap			
Notional amount	$ 30	$ 250	$ 173
Average exchange rate (NTD/USD)	30.76 ~ 31.05	30.57 ~ 30.78	30.05 ~ 30.44

(7) Receivables – net

	December 31, 2020	December 31, 2019
Factoring receivable	$ 5,641,695	$ 12,742,062
Interest receivable	768,867	939,872
Acceptances receivable	432,291	600,825
Credit card receivable	6,868,176	7,791,121
Fee and commission receivable - bancassurance	38,569	82,158
Other receivables	252,710	367,641
Subtotal	14,002,308	22,523,679
Less: Allowance for credit losses	(191,103)	(287,476)
Total	$ 13,811,205	$ 22,236,203

(8) Bills discounted and loans – net

	December 31, 2020	December 31, 2019
Short-term loans and overdrafts	$ 73,933,653	$ 77,038,913
Medium-term loans	81,722,367	79,139,796
Long-term loans	99,730,878	97,673,461
Export-import bills negotiated	13,686	49,043
Overdue loans	639,579	1,092,332
Subtotal	256,040,163	254,993,545
Less: Allowance for credit losses	(3,395,415)	(3,561,868)
Total	$ 252,644,748	$ 251,431,677

The Company conducted itself and cooperated with the government, Central Bank, Small and Medium Enterprise Credit Guarantee Fund of Taiwan in providing relief package and refinancing plan. The amount of bills discounted and loans was $1,561,990 thousand as of December 31, 2020.

The Company had assessed the appropriateness of allowance for credit losses for bills discounted and loans and receivables for the years ended December 31, 2020 and 2019. Please refer to Note 12(3)B for information relating to credit risk of bills discounted and loans and receivables.

Please refer to Note 12(3)B(I)d for information relating to the movements in allowance for credit losses for the years ended December 31, 2020 and 2019.

Interest income on overdue loans of bills discounted and loans and receivables is not accrued.

(9) Other financial assets – net

	December 31, 2020	December 31, 2019
Clean bills purchased	$ 36,234	$ 81,257
Overdue receivable	608,749	613,248
Subtotal	644,983	694,505
Less: Allowance for credit losses	(609,111)	(311,485)
Total	$ 35,872	$ 383,020

(10) Property and equipment – net

The following are the movements of property and equipment:

	Land	Buildings	Machinery and computer equipment	Other equipment	Leasehold improvements	Prepayments for equipment	Total
At January 1, 2020							
Cost	$ 1,007,636	$ 490,190	$ 677,770	$ 248,324	$ 840,409	$ -	$ 3,264,329
Accumulated depreciation	-	(260,858)	(447,396)	(169,644)	(670,482)	-	(1,548,380)
	$ 1,007,636	$ 229,332	$ 230,374	$ 78,680	$ 169,927	$ -	$ 1,715,949
For the year ended December 31, 2020							
At January 1, 2020	$ 1,007,636	$ 229,332	$ 230,374	$ 78,680	$ 169,927	$ -	$ 1,715,949
Additions (Note 1)	-	3,436	6,373	14,370	31,278	30,925	86,382
Reclassifications	-	-	16,021	-	-	(16,021)	-
Disposals	-	-	(1,917)	(8,719)	(189)	-	(10,825)
Depreciation	-	(17,315)	(86,544)	(24,680)	(67,412)	-	(195,951)
Exchange difference	-	(88)	-	-	-	-	(88)
At December 31, 2020	$ 1,007,636	$ 215,365	$ 164,307	$ 59,651	$ 133,604	$ 14,904	$ 1,595,467
At December 31, 2020							
Cost	$ 1,007,636	$ 491,389	$ 663,320	$ 199,556	$ 835,374	$ 14,904	$ 3,212,179
Accumulated depreciation	-	(276,024)	(499,013)	(139,905)	(701,770)	-	(1,616,712)
	$ 1,007,636	$ 215,365	$ 164,307	$ 59,651	$ 133,604	$ 14,904	$ 1,595,467

Note 1: Including additional cost (excluding reversal in current period) amounting to $17,012 thousand of decommissioning assets.

	Land	Buildings	Machinery and computer equipment	Other equipment	Leasehold improvements	Prepayments for equipment	Total
At January 1, 2019							
Cost	$ 1,036,089	$ 558,981	$ 655,610	$ 226,589	$ 840,669	$ 316	$ 3,318,254
Accumulated depreciation	-	(314,354)	(400,563)	(154,827)	(606,543)	-	(1,476,287)
	$ 1,036,089	$ 244,627	$ 255,047	$ 71,762	$ 234,126	$ 316	$ 1,841,967
For the year ended December 31, 2019							
At January 1, 2019	$ 1,036,089	$ 244,627	$ 255,047	$ 71,762	$ 234,126	$ 316	$ 1,841,967
Additions (Note 1)	-	11,413	7,957	9,885	20,759	74,058	124,072
Reclassifications	-	1,265	51,359	21,246	504	(74,374)	-
Disposals	(28,453)	(10,246)	(512)	(1,236)	(3,581)	-	(44,028)
Depreciation	-	(17,807)	(83,470)	(22,977)	(81,875)	-	(206,129)
Exchange difference	-	80	(7)	-	(6)	-	67
At December 31, 2019	$ 1,007,636	$ 229,332	$ 230,374	$ 78,680	$ 169,927	$ -	$ 1,715,949
At December 31, 2019							
Cost	$ 1,007,636	$ 490,190	$ 677,770	$ 248,324	$ 840,409	$ -	$ 3,264,329
Accumulated depreciation	-	(260,858)	(447,396)	(169,644)	(670,482)	-	(1,548,380)
	$ 1,007,636	$ 229,332	$ 230,374	$ 78,680	$ 169,927	$ -	$ 1,715,949

Note 1: Including additional cost (excluding reversal in current period) amounting to $2,062 thousand of decommissioning assets.

As of December 31, 2020 and 2019, the above property and equipment were not pledged as collateral by the Company.

The self-owned branch (Chung-Hsiao branch) has been disposed with the approval from the Company's Board of Directors on August 26, 2014.

The transaction was completed in January 2015 with proceeds amounting to $828,800 thousand in accordance with the contract. Part of the properties disposed was leased back by the Company. In accordance with Jinguanyinfa No. 10200070270 issued by the FSC, the Company have recognised both $21,135 thousand under "gains on disposal of assets" for the years ended December 31, 2020 and 2019. The Company has recognised $84,538 thousand and $105,673 thousand under "deferred revenue" as of December 31, 2020 and 2019, respectively.

(11) Leasing arrangements－lessee

A. The Company leases various assets including buildings and related equipment and other equipment. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes. The Company will renew the head office's lease contract and decrease the scope of the lease in 2021.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

Carrying amount	December 31, 2020	December 31, 2019
Buildings and related equipment	$ 2,630,186	$ 2,627,248
Equipment	50,578	91,244
Others	1,209	2,015
Total	$ 2,681,973	$ 2,720,507

	For the years ended December 31,	
Depreciation expenses	2020	2019
Buildings and related equipment	$ 351,014	$ 360,589
Equipment	35,590	31,868
Others	806	806
Total	$ 387,410	$ 393,263

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were $381,909 thousand and $299,015 thousand, respectively.

D. The information on income and expense accounts relating to lease contracts is as follows:

	For the years ended December 31,	
Items affecting profit or loss	2020	2019
Interest expense on lease liabilities	$ 29,041	$ 29,881
Expense on short-term lease contracts	2,722	18,364
Expense on leases of low-value assets	47,361	63,900
Expense on variable lease payments	47,173	30,789
Gain on sublease of right-of-use assets	(3,093)	(2,998)
Gain or loss on sale and leaseback transaction	(21,135)	(21,135)

E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were $505,712 thousand and $557,570 thousand, respectively.

F. For sale and leaseback transaction, please refer to Note 6(10).

(12) Investment properties – net

The following are the movements of investment properties:

	Land	Buildings	Total
At January 1, 2020			
Cost	$ 98,000	$ 93,418	$ 191,418
Accumulated depreciation	-	(53,028)	(53,028)
	$ 98,000	$ 40,390	$ 138,390
For the year ended December 31, 2020			
At January 1, 2020	$ 98,000	$ 40,390	$ 138,390
Depreciation	-	(1,440)	(1,440)
At December 31, 2020	$ 98,000	$ 38,950	$ 136,950
At December 31, 2020			
Cost	$ 98,000	$ 93,418	$ 191,418
Accumulated depreciation	-	(54,468)	(54,468)
	$ 98,000	$ 38,950	$ 136,950

	Land	Buildings	Total
At January 1, 2019			
Cost	$ 98,000	$ 93,418	$ 191,418
Accumulated depreciation	-	(51,589)	(51,589)
	$ 98,000	$ 41,829	$ 139,829
For the year ended December 31, 2019			
At January 1, 2019	$ 98,000	$ 41,829	$ 139,829
Depreciation	-	(1,439)	(1,439)
At December 31, 2019	$ 98,000	$ 40,390	$ 138,390
At December 31, 2019			
Cost	$ 98,000	$ 93,418	$ 191,418
Accumulated depreciation	-	(53,028)	(53,028)
	$ 98,000	$ 40,390	$ 138,390

A. The fair value of the investment properties held by the Company as of December 31, 2020 and 2019 were $166,424 thousand and $158,293 thousand, respectively, which was valued by independent valuers. Valuations were made using the income approach and compare approach which is classified as level 2 of the fair value hierarchy.

B. There were no rental income from the lease of the investment properties for the years ended December 31, 2020 and 2019. Direct operating expense for the years ended December 31, 2020 and 2019 were $469 thousand and $466 thousand, respectively.

(13) Intangible assets – net

	Computer Software	Customer Relationship	Total
At January 1, 2020			
Cost	$ 1,448,713	$ 380,763	$ 1,829,476
Accumulated amortisation	(728,868)	(323,585)	(1,052,453)
	$ 719,845	$ 57,178	$ 777,023
For the year ended December 31, 2020			
At January 1, 2020	$ 719,845	$ 57,178	$ 777,023
Additions	172,333	-	172,333
Disposals	(7,451)	-	(7,451)
Amortisation	(246,492)	(57,178)	(303,670)
Exchange difference	(27)	-	(27)
At December 31, 2020	$ 638,208	$ -	$ 638,208
At December 31, 2020			
Cost	$ 1,547,547	$ 380,763	$ 1,928,310
Accumulated amortisation	(909,339)	(380,763)	(1,290,102)
	$ 638,208	$ -	$ 638,208

	Computer Software	Customer Relationship	Total
At January 1, 2019			
Cost	$ 1,279,134	$ 380,763	$ 1,659,897
Accumulated amortisation	(507,706)	(200,079)	(707,785)
	$ 771,428	$ 180,684	$ 952,112
For the year ended December 31, 2019			
At January 1, 2019	$ 771,428	$ 180,684	$ 952,112
Additions	174,478	-	174,478
Disposals	(28)	-	(28)
Amortisation	(226,097)	(123,506)	(349,603)
Exchange difference	64	-	64
At December 31, 2019	$ 719,845	$ 57,178	$ 777,023
At December 31, 2019			
Cost	$ 1,448,713	$ 380,763	$ 1,829,476
Accumulated amortisation	(728,868)	(323,585)	(1,052,453)
	$ 719,845	$ 57,178	$ 777,023

(14) Other assets – net

	December 31, 2020	December 31, 2019
Prepaid expenses	$ 274,521	$ 214,881
Refundable deposits	2,042,408	1,329,890
Foreclosed properties	57,973	112,873
Other deferred assets	21,482	5,107
Others	6,175	4,335
Total	$ 2,402,559	$ 1,667,086

Please refer to Note 7(2)F for the Company's refundable deposits with related parties as of December 31, 2020 and 2019. The balances of refundable deposits and foreclosed properties are net of accumulated impairments.

(15) Due to Central Bank and other banks

	December 31, 2020	December 31, 2019
Call loans from other banks	$ 4,303,868	$ 260,000
Overdrafts with other banks	296,740	152,279
Due to other banks	48,654	46,755
Total	$ 4,649,262	$ 459,034

Please refer to Note 6(28) for the interest expense on due to Central Bank and other banks of the Company for the years ended December 31, 2020 and 2019.

(16) Financial liabilities at fair value through profit or loss

	December 31, 2020	December 31, 2019
Financial liabilities for trading purposes		
Derivative financial instruments		
Forward exchange contracts	$ 6,342,224	$ 2,808,601
Non-delivery FX forwards	149,442	205,211
Interest rate swaps	2,212,014	1,385,620
Cross currency swaps	136,407	72,195
Foreign exchange options	8,680	8,532
Commodity options	-	609
Equity swaps	-	457
Equity options	2,411	-
Total	$ 8,851,178	$ 4,481,225

A. The fixed-rate debt instruments issued by the Company use derivative financial instruments for economic hedge to achieve the Company's risk management policy. The debt instruments are initially measured at amortised cost; however, derivative financial instruments are measured at fair value and the accounting will be different. Thus, the financial liabilities are initially designated to be measured at fair value. Relevant information is as follows:

	First series of unsecured financial bonds in 2015
Par value	USD 60,000,000
Stated interest rate	Fixed interest rate at 0%
Period	30 years (Issue date: October 16, 2015)
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
Redemption price on maturity	364.97479463%

The Company has early redeemed the financial bonds on October 16, 2019 according to the terms of issuance.

B. The change in the fair value of the financial liability designated as at fair value through profit or loss attributable to changes in its credit risk for the year ended December 31, 2019 was $1,393 thousand.

C. Please refer to Note 6(30) for the net profit on the financial liabilities at fair value through profit or loss of the Company for the years ended December 31, 2020 and 2019.

(17) Payables

	December 31, 2020	December 31, 2019
Factoring payable	$ 1,902,782	$ 2,785,813
Acceptances payable	432,291	600,825
Employees' salaries and bonus payable	792,149	847,314
Interest payable	333,009	532,964
Receipts under custody	107,191	95,749
Accounts payable	290,171	278,553
Refundable stock proceeds	111,432	111,447
Service fees payable	131,924	156,777
Tax payable	81,159	91,275
Collections payable for customers–checks for clearing	73,360	77,549
Other payables	575,476	561,516
Total	$ 4,830,944	$ 6,139,782

(18) Deposits and remittances

	December 31, 2020	December 31, 2019
Checking deposits	$ 391,282	$ 692,044
Demand deposits	114,176,866	89,806,276
Time deposits	164,183,165	210,513,086
Savings deposits	62,151,247	62,121,580
Negotiable certificates of deposit	9,833,600	-
Remittance	37,768	40,460
Total	$ 350,773,928	$ 363,173,446

(19) Bank debentures

	December 31, 2020	December 31, 2019
Subordinated bonds	$ 2,809,600	$ 2,999,575

	USD denominated long-term unsecured subordinated bond in 2018
Par value	USD 100,000,000
Stated interest rate	Three months US dollar LIBOR rate +1.25%
Period	10 years (Issue date: December 13, 2018)
Term of interest payment	Coupon paid quarterly
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

(20) Other financial liabilities

	December 31, 2020	December 31, 2019
Principal of structured investment deposits	$ 2,005,164	$ 2,776,337

(21) Provisions

	December 31, 2020	December 31, 2019
Guarantee liability reserve	$ 267,499	$ 212,131
Financing commitment reserve	27,296	47,013
Other reserve	618	549
Employee benefit liability reserve	352,347	324,324
Decommissioning liability	90,775	77,167
Other operating provisions	102,004	123,201
Total	$ 840,539	$ 784,385

The table below shows the movements in other operating provisions for the years ended December 31, 2020 and 2019:

	For the years ended December 31,	
	2020	2019
At January 1	$ 123,201	$ 124,593
Increase in provisions	5,851	14,897
Decrease in provisions	(19,953)	(13,269)
Exchange difference	(7,095)	(3,020)
At December 31	$ 102,004	$ 123,201

For information of credit risk relating to guarantee liability reserve, financing commitment reserve and other reserve, please refer to Note 12(3)B.

(22) Pensions

A. Defined contribution plans

The Company has established a defined contribution plan pursuant to the Labor Pension Act, which covers employees with R.O.C. nationality and those who chose or are required to apply the Labor Pension Act. The contributions are made monthly based on not less than 6% of the employees' salaries and are deposited in the employees' individual pension fund accounts at the Bureau of Labor Insurance. The payment of pension benefits is based on the employees' individual pension fund accounts and the cumulative profit in such accounts. The employees can choose to receive such pension benefits monthly or in lump sum. Under the defined contribution plan, the Company recognised pension expense of $143,787 thousand and $146,776 thousand for the years ended December 31, 2020 and 2019, respectively.

B. Defined benefit plans

The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

(A) The amounts recognised in the balance sheet are determined as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	$ 467,356	$ 428,121
Fair value of plan assets	(115,009)	(103,797)
Net defined benefit liability	$ 352,347	$ 324,324

(B) Change in present value of defined benefit obligations are as follows:

	2020	2019
Balance at January 1	$ 428,121	$ 438,645
Current service cost	19,641	22,870
Interest expense	3,595	5,847
Paid pension	(7,256)	(17,952)
Remeasurements:		
- Change in demographic assumptions	2,269	-
- Change in financial assumptions	25,592	695
- Experience adjustments	(4,606)	(21,984)
Balance at December 31	$ 467,356	$ 428,121

(C) Change in fair value of plan assets are as follows:

	2020	2019
Balance at January 1	$ 103,797	$ 94,779
Interest income	908	1,330
Paid pension	-	(2,056)
Remeasurements: Return on plan assets	3,203	2,215
Employer contributions	7,101	7,529
Balance at December 31	$ 115,009	$ 103,797

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan ("Fund") in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(E) The principal actuarial assumptions used were as follows:

	2020	2019
Discount rate	0.40%	0.85%
Future salary increase rate	3.50%	3.50%

Assumptions regarding future mortality rate are set based on the 5th chart of life span estimate used by the Taiwan Life Insurance Enterprises.

(F) The present value of defined benefit obligations would be affected by the main actuarial assumptions. The analysis was as follows:

	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	($ 14,447)	$ 15,047	$ 14,555	($ 14,059)
December 31, 2019				
Effect on present value of defined benefit obligation	($ 13,495)	$ 14,069	$ 13,671	($ 13,190)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(G) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amount to $7,350 thousand.

(H) As of December 31, 2020, the weighted average duration of the retirement plan is 12.6 years.

(23) Other liabilities

	December 31, 2020	December 31, 2019
Advanced receipts	$ 646,703	$ 660,998
Credit cards and other deferred revenue	985,570	953,645
Guarantee deposits received	83,827	55,713
Others	24,532	28,158
Total	$ 1,740,632	$ 1,698,514

(24) Share capital

A. As of December 31, 2020, the authorised and paid-in capital were $50,000,000 thousand dollars and $32,250,000 thousand dollars consisting of 5,000,000 thousand and 3,225,000 thousand of shares, respectively, with par value of $10 dollars per share. Paid-in capital includes common shares and preferred shares amounting to $24,250,000 thousand and $8,000,000 thousand, respectively.

B. The Company issued 800 million shares of non-cumulative, perpetual preferred shares A via private placement amounting to $8,000,000 thousand to DBS Group Holdings Ltd (the ultimate parent company) with effective date on January 20, 2015. It was resolved by the Board in August 2014 and was approved by the FSC on November 12, 2014 in the letter Jinguanyinwai No. 10300282580 and Ministry of Economic Affairs on February 3, 2015 in the letter Jinsoxan No.

10401016840. The dividends are fixed at an annual rate of 4.0%. The distributable dividends are calculated based on the issue price, and are distributed annually by cash subject to the Company's Articles of Incorporation. The shareholders at the annual shareholders' meeting of the Company have the discretion to approve the distribution of the dividends on the Preferred Shares.

On October 31, 2019, the Board of Directors and on December 12, 2019, the shareholders at the extraordinary shareholders' meeting, resolved to amend the preferred shares' dividend rate to 2.279% and extend the redemption year to 10 years.

C. The Company's shareholders at the shareholders' meeting on March 5, 2019 resolved to raise an additional $2,250,000 thousand by issuing 225,000 thousand of common shares through private placement with the effective date of June 14, 2019.

(25) Retained earnings

A. According to the Company's Articles of Incorporation and related regulations, after paying tax and off-setting accumulated deficit, if there is a still a surplus in the net income, the Company shall set aside 30% of the surplus as legal reserve, then set aside or reverse special reserve as required by law. The allocation of the distributable earnings, which are the sum of the remaining surplus plus retained earnings, will be proposed by Board of Directors and resolved at the shareholders' meeting. The legal reserve is to be used exclusively to offset any accumulated deficit or to increase capital by issuing new shares or to distribute cash to shareholders in proportion to their share ownership and is not to be used for any other purposes. Where legal reserve is distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed. Unless and until the accumulated legal reserve equals the Company's paid-in capital, the maximum cash profits which may be distributed shall not exceed 15% of the Company's paid-in capital. In the event that the accumulated legal reserve equals or exceeds the Company's paid-in capital or the Company is sound in both its finance and business operations based on the competent authorities regulation and have set aside legal reserve in compliance with the Company Act, the restrictions stipulated in the preceding paragraph shall not apply.

B. In addition to legal reserve, the Company sets aside special reserve in accordance with the Company's Articles of Incorporation or applicable laws. In accordance with Jinguanzhengfa No. 1010012865, the Company shall set aside the same amount of special reserve from the debit balance on other equity at the balance sheet date from its current year's net income and unappropriated earnings. Unless the debit balance on other equity items is reserved subsequently, the reserved amount could not be included in the distributable earnings. In accordance with the Jinguanyinfa No. 10510001510 promulgated by the FSC on May 25, 2016, upon the distribution of earnings from 2016 through 2018, the Company shall set aside 0.5% to 1% of net income after tax as special reserve. Starting from the 2017 fiscal year, special reserve as mentioned above may be reversed in an amount equal to employees' transfer or arrangement expenditures that were incident to the development of financial technology. In accordance with Jin-Guan-Yin-Fa-Zi

Letter No. 10802714560 promulgated by the FSC on May 15, 2019, starting from the 2019 fiscal year, the Company is no longer required to set aside a special reserve for such purpose, and the Company is permitted to reverse the special reserve to the extent of the staff cost that were paid for employee transfer and training, etc., that were provided in response to the development of financial technology.

C. The earnings distribution for 2019 of the Company has been resolved by the shareholders at the shareholder's meeting on April 20, 2020, setting $116,786 thousand aside as legal reserve, distributing $320,000 thousand of cash dividends on preferred shares and not to distribute dividends on common shares. The earnings distribution for 2020 of the Company has been resolved by the shareholders at the shareholder's meeting on March 25, 2021, setting $246,265 thousand aside as legal reserve, distributing $189,467 thousand of cash dividends on preferred shares and not to distribute dividends on common shares. The appropriation of the Company's 2020 earnings is pending until the confirmation (declaration) from the Shareholders' meeting. More information regarding the earnings distribution is available at the website of the Market Observation Post System.

(Blank)

(26) Other equity items

	For the year ended December 31, 2020			
	Translation differences for foreign operations	Cashflow hedge reserve	Revaluation reserve on financial assets at fair value through other comprehensive inocome	Total
At January 1, 2020	$ 11,550	$ 3,603	$ 241,921	$ 257,074
Financial assets at fair value through other comprehensive income				
- Valuation adjustment for the period	-	-	142,473	142,473
- Transferred to profit or loss	-	-	(496)	(496)
Cash flow hedges - net valuation taken to equity	-	(434)	-	(434)
Changes in translation difference of foreign operating entities	(40,225)	-	-	(40,225)
At December 31, 2020	($ 28,675)	$ 3,169	$ 383,898	$ 358,392

	For the year ended December 31, 2019				
	Translation differences for foreign operations	Cashflow hedge reserve	Revaluation reserve on financial assets at fair value through other comprehensive inocome	Fair value change from own credit risk on financial liability designated as at fair through profit or loss	Total
At January 1, 2019	$ 20,038	($ 971)	$ 162,651	($ 1,393)	$ 180,325
Financial assets at fair value through other comprehensive income					
- Valuation adjustment for the period	-	-	80,400	-	80,400
- Transferred to profit or loss	-	-	(1,130)	-	(1,130)
Cash flow hedges - net valuation taken to equity	-	4,574	-	-	4,574
Changes in translation difference of foreign operating entities	(8,488)	-	-	-	(8,488)
Valuation adjustment relating to its credit risk	-	-	-	1,393	1,393
At December 31, 2019	$ 11,550	$ 3,603	$ 241,921	$ -	$ 257,074

(27) Share-based payment

A. The Company's ultimate parent company, DBS Group Holdings Ltd, introduced the DBSH Share Plan, DBSH Employee Share Plan and iShares.

(A) DBSH Share Plan

The DBSH Share Plan (the "Share Plan") caters to Group executives as determined by the Committee appointed to administer the Share Plan from time to time. Participants are awarded shares of the ultimate company, their equivalent cash value or a combination. Awards made under the Share Plan consist of main award and retention award (20% of main awards). The vesting of main award is staggered between 2-4 years after grant i.e. 33% will vest 2 years after grant. Another 33% will vest on the third year and the remainder 34% plus the retention award will vest 4 years after grant. The fair value of the shares awarded is computed based on the market price of the ordinary shares at the time of the award and is recognised through comprehensive income statement over the vesting period. Actions that violate the Company's governance provisions will result in shares being recalled.

(B) DBSH Employee Share Plan

The DBSH Employee Share Plan (the "ESP") caters to employees who are not eligible to participate in the above listed Share Plan. Eligible employees are awarded ordinary shares of the ultimate company, their equivalent cash value or a combination of both at the discretion of the Committee, when time-based conditions are met. The awards structure and vesting conditions are similar to the Share Plan. There are no additional retention awards for shares granted to top performers and key employees. However, in specific cases where the award forms part of an employee's annual performance remuneration, the retention award which constitutes 20% of the shares given in the main award will be granted. The shares in the retention award will vest 4 years after the date of grant. Actions that violate the Company's governance provisions will result in shares being recalled.

(C) iShares

iShares is for the Company's employees who are VP or below and have been employed for more than 3 months. Qualified employees could purchase shares of the ultimate parent company for no more than 10% of their monthly salary (no more than SG$1,000 or equivalent foreign currency). The ultimate parent company would purchase its shares worth 25% of the employees' purchase amount for qualified employees, and these shares will be distributed to the employees after 3 years. Employees who leave the Company within 3 years will not be able to receive the additional 25% worth of shares.

B. The following table sets out the movements of the awards during the year:

	2020		
Number of shares	Share Plan	ESP	iShares
Balance at 1 January	518,245	88,655	21,660
Granted	195,662	-	35,899
Transfer	(2,892)	208	(192)
Vested	(186,902)	(49,090)	(13)
Forfeited	(19,465)	(4,045)	(3,533)
	504,648	35,728	53,821
Weighted average fair value of the shares granted during the period	SGD 21.42	-	SGD 18.62

	2019		
Number of shares	Share Plan	ESP	iShares
Balance at 1 January	532,023	154,305	-
Granted	202,408	-	22,289
Transfer	(2,848)	-	22
Vested	(198,935)	(54,912)	-
Forfeited	(14,403)	(10,738)	(651)
Balance at 31 December	518,245	88,655	21,660
Weighted average fair value of the shares granted during the period	SGD 21.42	-	SGD 22.54

C. Expense incurred by share-based payment transactions for the years ended December 31, 2020 and 2019, were $85,647 thousand and $83,171 thousand, respectively.

D. As of December 31, 2020 and 2019, liabilities incurred by share-based payment transactions were both $0 thousand.

(28) Net interest income

Interest income	For the years ended December 31, 2020	2019
Interest income from bills discounted and loans	$ 5,983,383	$ 6,798,738
Interest income on securities investment	353,000	369,586
Interest income on factoring receivable	95,372	282,626
Interest income from call loans to banks and due from banks	470,785	1,454,128
Interest income - credit card revolving	395,009	435,664
Others	30,539	26,058
Subtotal	7,328,088	9,366,800
Interest expense		
Interest expense of deposits	(1,858,771)	(3,911,752)
Interest expense of Central Bank and other bank's deposit and of due to the Central Bank and other banks	(67,544)	(152,859)
Interest expense of bank debentures	(59,221)	(115,507)
Interest expense on the lease liability	(29,041)	(29,881)
Others	(18,684)	(54,782)
Subtotal	(2,033,261)	(4,264,781)
Total	$ 5,294,827	$ 5,102,019

(29) Net fee and commission income

Fee and commission income	For the years ended December 31, 2020	2019
Fee income on loans	$ 311,015	$ 362,950
Fee income on trust business	1,895,774	1,197,340
Fee income on guarantee	110,518	81,692
Fee income on factoring	17,072	25,019
Fee income on remittance	46,723	51,243
Fee income on insurance (bancassurance) business	761,789	1,065,780
Fee income on credit cards and cash advance cards	771,468	1,010,311
Others	68,949	54,376
Subtotal	3,983,308	3,848,711
Fee and commission expense		
Interbank service fee	(11,820)	(3,354)
Trust business service fee	(29,147)	(18,098)
Commission expense on factoring	(12,091)	(16,773)
Credit cards and cash advance cards service fee	(562,640)	(757,369)
Others	(133,589)	(148,671)
Subtotal	(749,287)	(944,265)
Total	$ 3,234,021	$ 2,904,446

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

	For the years ended December 31,	
	2020	2019
Realised gain or loss on financial assets and financial liabilities at fair value through profit or loss		
Bonds	$ 143,712	$ 123,697
Financial bonds payable	-	(51,825)
Interest-linked instruments	39,303	(127,583)
Exchange rate-linked instruments	649,735	986,555
Other financial instruments	(101,884)	9,037
Subtotal	730,866	939,881
Unrealised gain or loss on financial assets and financial liabilities at fair value through profit or loss		
Bonds	(2,269)	36,281
Financial bonds payable	-	(110,716)
Interest-linked instruments	(69,254)	98,242
Exchange rate-linked instruments	10,349	142,125
Other financial instruments	14,278	1,003
Subtotal	(46,896)	166,935
Total	$ 683,970	$ 1,106,816

A. The realised gains or losses on the financial assets and liabilities at fair value through profit or loss of the Company for the years ended December 31, 2020 and 2019 including the gain and loss on disposal, were $674,015 thousand and $889,570 thousand, the dividend income were $4,436 thousand and $497 thousand, and the net interest income were $52,415 thousand and $49,814 thousand, respectively. Credit risk adjustment is considered and incorporated into the aforementioned unrealised gain or loss.

B. Interest rate derivatives include interest rate swaps and interest rate futures.

C. Net income on the foreign exchange derivatives include realised and unrealised gains and losses on forward exchange contracts, non-delivery FX forwards, cross currency swaps and foreign exchange options.

(31) Other non-interest income

	For the years ended December 31,	
	2020	2019
Gains on disposal of assets	$ 21,135	$ 34,844
Rental income	5,248	5,801
Loss on retirement of assets	(18,276)	(5,357)
Others	88,233	70,518
Total	$ 96,340	$ 105,806

(32) Bad debts expense and reserve on commitments and guarantee liabilities

	For the years ended December 31, 2020	For the years ended December 31, 2019
Provision for (reversal of) bad debt expenses:		
Cash and cash equivalents	$ 237	($ 2,088)
Due from banks and due from Central Bank and call loans to other banks	50	(201)
Bills discounted and loans	945,255	789,471
Receivables and other financial assets	354,357	520,398
Guarantee liability reserve, financing commitment reserve and other reserve	36,503	109,767
Bad debt recovery	(450,214)	(523,641)
Total	$ 886,188	$ 893,706

(33) Employee benefit expenses

	For the years ended December 31, 2020	For the years ended December 31, 2019
Salaries and bonuses	$ 3,776,613	$ 3,929,819
Labor and health insurance expense	249,488	261,185
Pension costs	166,115	174,163
Other employee benefit expense	150,874	104,030
Total	$ 4,343,090	$ 4,469,197

A. In accordance with the Articles of Incorporation, if there are profits earned, at least 0.001% of those profits shall be allocated to employees as employees' compensation. However, when there is accumulated deficit, the Company shall retain the amount upfront.

B. The employees' compensation was estimated and accrued at $9 thousand and $6 thousand based on 0.001% of distributable profit of current year for the years ended December 31, 2020 and 2019, respectively. The employees' compensation is recognised as "Salaries and bonuses" in the employee benefit expenses and it will be distributed in the form of cash.

For the year ended December 31, 2019, employees' compensation as resolved at the meeting of Board of Directors amounted to $5 thousand. The difference of $1 thousand between the amounts resolved at the Board meeting and the amounts recognised in the 2019 financial statements, has been adjusted in the profit or loss of 2020.

Information about the appropriation of employees' compensation by the Company as resolved by the meeting of Board of Directors and the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(34) Depreciation and amortisation expenses

	For the years ended December 31, 2020	For the years ended December 31, 2019
Property and equipment depreciation	$ 195,951	$ 206,129
Right-of-use assets depreciation	387,410	393,257
Investment properties depreciation	1,440	1,439
Intangible assets amortisation	303,670	349,603
Total	$ 888,471	$ 950,428

(35) Other general and administrative expenses

	For the years ended December 31, 2020	For the years ended December 31, 2019
Service fee to affiliates	$ 590,998	$ 608,090
Rental expense	83,613	93,203
Tax	424,883	459,455
Insurance expense	156,937	184,428
Repairs and maintenance	170,806	178,266
Advertisement expense	76,506	103,003
Others	760,181	911,140
Total	$ 2,263,924	$ 2,537,585

(36) Income tax

A. Income tax expense

(A) Components of income tax expense:

	For the years ended December 31, 2020	For the years ended December 31, 2019
Current tax		
Current tax on profits for the period	$ 202,470	$ 189,460
Tax on undistributed surplus earnings	-	13,492
Adjustments in respect of prior years	736	(5)
Subtotal	203,206	202,947
Deferred tax		
Origination and reversal of temporary differences	(98,380)	(94,830)
Subtotal	(98,380)	(94,830)
Income tax expense	$ 104,826	$ 108,117

(B) Income tax in relation to components of other comprehensive income:

	For the years ended December 31, 2020	For the years ended December 31, 2019
Remeasurement arising on defined benefit plan	($ 4,010)	$ 4,701

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31, 2020	2019
Tax calculated based on profit before tax and statutory rate	$ 188,350	$ 99,481
Effects from items disallowed by tax regulation	(84,260)	(4,851)
Tax on undistributed surplus earnings	-	13,492
Adjustments in respect of prior years	736	(5)
Income tax expense	$ 104,826	$ 108,117

C. Details of temporary differences resulting in deferred income tax assets or liabilities are as follows:

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
– Deferred income tax assets				
Allowance for credit losses	$ 238,136	$ 35,017	$ -	$ 273,153
Salary expenses – employee stock options	1,020	1,770	-	2,790
Decommissioning liabilities	11,896	940	-	12,836
Unrealised pension expense	17,347	1,595	4,010	22,952
Provisions and impairment losses	4,426	(3,750)	-	676
Deferred fee income	41,008	10,612	-	51,620
Other	1,896	(1,896)	-	-
Subtotal	315,729	44,288	4,010	364,027
– Deferred income tax liabilities				
Unrealised (gain) loss on financial instruments	(59,980)	52,328	-	(7,652)
Total	$ 255,749	$ 96,616	$ 4,010	$ 356,375

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
– Deferred income tax assets				
Allowance for credit losses	$ 142,424	$ 95,712	$ -	$ 238,136
Salary expenses – employee stock options	860	160	-	1,020
Rental expenses (Note)	-	-	-	-
Decommissioning liabilities	10,354	1,542	-	11,896
Unrealised pension expense	21,256	792	(4,701)	17,347
Provisions and impairment losses	-	4,426	-	4,426
Deferred fee income	-	41,008	-	41,008
Other	-	1,896	-	1,896
Subtotal	174,894	145,536	(4,701)	315,729
– Deferred income tax liabilities				
Unrealised (gain) loss on financial instruments	(33,118)	(26,862)	-	(59,980)
Total	$ 141,776	$ 118,674	($ 4,701)	$ 255,749

Note: The Company has elected to apply IFRS 16 by applying the modified retrospective approach on January 1, 2019 and decreased deferred income tax assets by $7,515 thousand.

D. Tax returns of the Company have been assessed by the Tax Authorities through 2018, but the 2016 tax return has not been assessed by the Tax Authorities yet. With respect to the assessment of 2018 and 2017 tax return, the Company disagreed with the assessment which disallowed the service fee to affiliates and has filed a petition for reexamination. With respect to the income tax returns for 2015 and 2014, the Tax Authorities disallowed the service fee to affiliates and withholding taxes to be credited. The Company disagreed with the assessment and has filed a petition for administrative appeals. In the opinion of the Company, the above tax matters do not have any material impact on the operations and financial situation.

(37) Earnings per share

A. Basic earnings per share

Basic earnings per share is calculated by dividing profits attributable to common shareholders of the parent company with the weighted-average outstanding common shares during the period.

	For the year ended December 31, 2020		
	Amount after tax	Weighted average number of outstanding common shares (in thousands)	Earnings per share (in dollars)
Profits attributable to common shareholders of the parent	$ 836,925	2,425,000	$ 0.35

	For the year ended December 31, 2019		
	Amount after tax	Weighted average number of outstanding common shares (in thousands)	Earnings per share (in dollars)
Profits attributable to common shareholders of the parent	$ 389,288	2,321,875	$ 0.17

B. The Company declared preferred shares cash dividends both amounting to $320,000 thousand for year 2019 on April 20, 2020 and for year 2018 on May 7, 2019. The impact on its basic earnings per share of profits attributable to the parent company would be a decrease of $0.13 dollar and $0.14 dollar per share, respectively.

7. Related Party Transactions

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company
DBS Group Holdings Ltd	The ultimate parent company of the Company
DBS Bank Ltd	The parent company of the Company
DBS Bank Ltd, Hong Kong Branch	Controlled by the same company
DBS Bank Ltd, Taipei Branch	Controlled by the same company
DBS Bank Ltd, London Branch	Controlled by the same company
DBS Bank (China) Ltd	Controlled by the same company
DBS Bank (Hong Kong) Ltd	Controlled by the same company
DBS Vickers Securities (Singapore) Pte Ltd	Controlled by the same company
PT Bank DBS Indonesia	Controlled by the same company
Others (each related party’s deposits or loans less than 1% of total deposits or loans)	Directors and executives of the Company and affiliated entities and their relatives

(2) Significant transactions with related parties

A. Deposits

Name	December 31, 2020 Ending balance	Percentage of deposits (%)	Interest rate (%)
Parent			
DBS Bank Ltd	$ 9,833,600	2.80	0.34%~0.38%
Others (Deposits of each related party less than 1% of total deposits)	178,748	0.05	0%~1.25%
	$ 10,012,348	2.85	

Name	December 31, 2019 Ending balance	Percentage of deposits (%)	Interest rate (%)
Others (Deposits of each related party less than 1% of total deposits)	$ 273,843	0.08	0%~1.60%

The interest rates and other terms and conditions provided to related parties were the same as those offered to the general depositors.

For the years ended December 31, 2020 and 2019, interest expense paid by the Company as a result of the aforementioned transactions were $6,947 thousand and $2,308 thousand, respectively.

(Blank)

B. Loans and receivables

December 31, 2020

Types	Number of accounts or name of related party	Maximum balance during the period	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties
				Normal loans	Overdue loans		
Other receivables	26	$ 4,342	$ 1,995	$ 1,995	$ -	None	None
Residential mortgage loans	0	27,785	-	-	-	Real estate	None
Total			$ 1,995	$ 1,995	$ -		

December 31, 2019

Types	Number of accounts or name of related party	Maximum balance during the period	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties
				Normal loans	Overdue loans		
Other receivables	26	$ 5,907	$ 1,459	$ 1,459	$ -	None	None
Residential mortgage loans	4	28,896	27,877	27,877	-	Real estate	None
Total			$ 29,336	$ 29,336	$ -		

For the years ended December 31, 2020 and 2019, interest income received by the Company as a result of the aforementioned transactions were $43 thousand and $369 thousand, respectively.

C. Interbank funds transfer

Interbank funds transfer transactions of the Company and its related parties:

Types	Name	December 31, 2020	December 31, 2019
Due from banks	Parent and its branches		
	DBS Bank Ltd	$ 495,380	$ 223,886
	DBS Bank Ltd, Hong Kong Branch	202,604	186,139
	Other related parties		
	DBS Bank (Hong Kong) Ltd	57,434	44,842
	DBS Bank (China) Ltd	11,868	2,206
	PT Bank DBS Indonesia	85	92
		$ 767,371	$ 457,165
Call loans to banks	Parent's branches		
	DBS Bank Ltd, Taipei Branch	$ 35,847,008	$ 29,845,771
Call loans from and due to other banks	Parent and its branches		
	DBS Bank Ltd	$ 4,303,868	$ -
	DBS Bank Ltd, Taipei Branch	47,953	46,055
		$ 4,351,821	$ 46,055

Interest income (expense) received from (paid to) related parties for the interbank funds transfer transactions between the Company and its related parties:

		For the years ended December 31,	
Types	Name	2020	2019
Interest income	Parent and its branches		
	DBS Bank Ltd	$ 17,133	$ 100,768
	DBS Bank Ltd, Taipei Branch	308,793	1,045,807
		$ 325,926	$ 1,146,575
Interest expense	Parent and its branches		
	DBS Bank Ltd	$ 27,113	$ 49,438
	DBS Bank Ltd, Hong Kong Branch	-	164
	DBS Bank Ltd, Taipei Branch	35,573	88,446
		$ 62,686	$ 138,048

D. Financial assets / liabilities for hedging

	December 31, 2020	December 31, 2019
Parent's branch		
DBS Bank Ltd, Taipei Branch	($ 371,228)	($ 231,075)

For the detail of the above-mentioned derivative financial instruments such as contract duration period and notional amounts, please refer to Note 6(6).

E. Interest receivable and other receivables

	December 31, 2020	December 31, 2019
Parent and its branches		
DBS Bank Ltd	$ 56,513	$ 38,740
DBS Bank Ltd, Taipei Branch	22,471	39,294
	$ 78,984	$ 78,034

F. Refundable deposits

	December 31, 2020	December 31, 2019
Parent's branch		
DBS Bank Ltd, Taipei Branch	$ 1,404,800	$ 899,873

The refundable deposits to Parent's branch are set aside in accordance with relevant regulations and contracts by the Company with regards to the risk of derivatives. For the years ended December 31, 2020 and 2019, interest income received by the Company as a result of the aforementioned transactions were $7,492 thousand and $3,272 thousand, respectively.

G. Bank debentures

	December 31, 2020	December 31, 2019
Ultimate parent company		
DBS Group Holdings Ltd	$ 2,809,600	$ 2,999,575

For the years ended December 31, 2020 and 2019, interest expense recognised by the Company as a result of the aforementioned transactions were $59,221 thousand and $115,507 thousand, respectively.

The Company's bank debentures were issued and sold solely to DBS Group Holdings Ltd, please refer to Note 6(19).

H. Affiliates' service fees payable

	December 31, 2020	December 31, 2019
Parent		
DBS Bank Ltd	$ 128,238	$ 150,982
Other related parties		
DBS Bank (Hong Kong) Ltd	2,167	4,964
DBS Bank (China) Ltd	1,519	831
	$ 131,924	$ 156,777

I. Interest payable and other payables

	December 31, 2020	December 31, 2019
Ultimate parent company		
DBS Group Holdings Ltd	$ 2,064	$ 4,967
Parent and its branches		
DBS Bank Ltd	3,214	1,073
DBS Bank Ltd, Taipei Branch	6,657	7,906
Other related parties		
DBS Vickers Securities (Singapore) Pte Ltd	37,343	295
	$ 49,278	$ 14,241

J. Other financial liabilities – Principal of structured investment deposits

	December 31, 2020	December 31, 2019
Others	$ 5,900	$ 24,534

For the years ended December 31, 2020 and 2019, interest expense recognised by the Company as a result of the aforementioned transactions were $4 thousand and $11 thousand, respectively.

K. Guarantee deposits received

	December 31, 2020	December 31, 2019
Parent's branch		
DBS Bank Ltd, Taipei Branch	$ 558	$ 558

For the years ended December 31, 2020 and 2019, interest expense recognised by the Company as a result of the aforementioned transactions were both $6 thousand.

L. Net fee and commission income

	For the years ended December 31,	
	2020	2019
Parent and its branches		
DBS Bank Ltd	$ 1,001,730	$ 392,083
DBS Bank Ltd, London Branch	-	6,856
DBS Bank Ltd, Hong Kong Branch	57	-
Other related parties		
DBS Vickers Securities (Singapore) Pte Ltd	(29,024)	(17,401)
	$ 972,763	$ 381,538

M. Other income

	For the years ended December 31,	
	2020	2019
Parent's branch		
DBS Bank Ltd, Taipei Branch	$ 61,284	$ 54,104

N. Service fee to affiliates

	For the years ended December 31, 2020	2019
Parent		
DBS Bank Ltd	$ 568,548	$ 581,384
Other related parties		
DBS Bank (Hong Kong) Ltd	19,324	22,419
DBS Bank (China) Ltd	3,126	3,493
DBS Vickers Securities (Singapore) Pte Ltd	-	794
	$ 590,998	$ 608,090

O. Guarantees

	December 31, 2020				
	Maximum balance during the period	Ending Balance	Balance of guarantee liability reserve	Range of fees charged	Collateral
Parent					
DBS Bank Ltd	$ 3,263,580	$ 3,219,251	$ 32,193	USD75~USD200	None
Other related parties					
PT Bank DBS Indonesia	$ 12,103	$ 11,238	$ 112	USD75~USD200	None

	December 31, 2019				
	Maximum balance during the period	Ending Balance	Balance of guarantee liability reserve	Range of fees charged	Collateral
Parent					
DBS Bank Ltd	$ 3,275,875	$ 3,263,481	$ 32,635	USD75~USD150	None
Other related parties					
PT Bank DBS Indonesia	$ 12,641	$ 11,998	$ 120	USD75~USD150	None

P. Non-derivative financial instruments

	For the years ended December 31,	
	2020	2019
	Notional amounts	
Parent's branch		
DBS Bank Ltd, Taipei Branch		
Outright bond purchase transactions		
Bond	$ 250,000	$ 2,850,000
Treasury bill	1,687,000	-
	$ 1,937,000	$ 2,850,000
Outright bond sale transactions		
Bond	$ 1,900,000	$ 4,350,000

The gains (losses) on the financial assets and liabilities at fair value through profit or loss of the Company as a result of the aforementioned transactions were $2,066 thousand and $81,177 thousand, respectively.

Q. Derivative financial instruments

The principal and amount receivable (payable) incurred from derivative financial instrument transactions with related parties as of December 31, 2020 and 2019 were as follows:

Parent and its branches

	December 31, 2020			
	Contract duration period	Notional amounts	Valuation gain (loss) in current period	Receivable from (payable to) related parties (including valuation adjustment)
DBS Bank Ltd				
Forward exchange contracts	2020.1.3~2022.6.20	$ 97,946,839	($ 1,103,908)	($ 1,103,908)
Non-delivery FX forwards	2019.10.2~2022.5.16	$ 5,174,879	$ 27,989	$ 38,797
Interest rate swaps	2013.8.26~2029.9.18	$ 25,136,502	($ 55,697)	$ 42,264
Foreign exchange options	2020.3.16~2021.9.9	$ 2,278,554	($ 8,431)	($ 8,431)
Equity options	2020.7.14~2021.9.20	$ 44,954	($ 2,411)	($ 2,411)

	December 31, 2019			
	Contract duration period	Notional amounts	Valuation gain (loss) in current period	Receivable from (payable to) related parties (including valuation adjustment)
DBS Bank Ltd				
Forward exchange contracts	2019.1.16~2020.12.21	$ 76,454,449	$ 257,760	$ 257,760
Non-delivery FX forwards	2019.5.17~2021.10.4	$ 3,329,447	$ 12,431	$ 12,431
Interest rate swaps	2013.8.26~2029.9.20	$ 21,086,184	($ 63,869)	$ 62,972
Foreign exchange options	2019.5.20~2020.9.14	$ 2,109,927	($ 8,285)	($ 8,285)
Commodity options	2019.10.18~2020.6.17	$ 58,488	$ 603	$ 603
Equity swaps	2019.11.15~2024.11.22	$ 9,329	($ 457)	($ 457)

	December 31, 2020			
	Contract duration period	Notional amounts	Valuation gain (loss) in current period	Receivable from (payable to) related parties (including valuation adjustment)
DBS Bank Ltd, Hong Kong Branch				
Forward exchange contracts	2020.2.27~2021.10.19	$ 5,748,826	($ 5,670)	($ 5,670)
Non-delivery FX forwards	2020.2.6~2021.12.15	$ 7,283,500	($ 69,189)	($ 69,189)
Interest rate swaps	2014.11.5~2027.1.4	$ 41,560,000	($ 13,791)	$ 20,403

	December 31, 2019			
	Contract duration period	Notional amounts	Valuation gain (loss) in current period	Receivable from (payable to) related parties (including valuation adjustment)
DBS Bank Ltd, Hong Kong Branch				
Forward exchange contracts	2019.1.16~2020.12.31	$ 5,779,027	$ 12,264	$ 12,264
Non-delivery FX forwards	2019.1.22~2020.11.4	$ 21,471,918	$ 50,055	$ 50,055
Interest rate swaps	2014.11.5~2027.1.4	$ 59,020,000	($ 1,235)	$ 22,543

	December 31, 2020			
	Contract duration period	Notional amounts	Valuation gain (loss) in current period	Receivable from (payable to) related parties (including valuation adjustment)
DBS Bank Ltd, Taipei Branch				
Forward exchange contracts	2020.3.19~2022.10.26	$ 110,748,320	$ 346,932	$ 346,392
Non-delivery FX forwards	2020.3.13~2021.4.14	$ 1,853,745	$ 9,178	$ 9,178
Interest rate swaps	2015.1.29~2029.10.31	$ 101,784,407	($ 461,597)	($ 501,662)
Cross currency swap contracts	2019.2.15~2021.4.1	$ 1,685,760	($ 108,760)	($ 108,760)

	December 31, 2019			
	Contract duration period	Notional amounts	Valuation gain (loss) in current period	Receivable from (payable to) related parties (including valuation adjustment)
DBS Bank Ltd, Taipei Branch				
Forward exchange contracts	2019.3.29~2020.12.18	$ 118,985,536	($ 1,160,764)	($ 1,160,764)
Non-delivery FX forwards	2019.11.8~2020.5.22	$ 776,646	($ 67)	($ 67)
Interest rate swaps	2015.1.29~2029.10.31	$ 95,539,423	($ 93,067)	($ 64,767)
Cross currency swap contracts	2019.2.15~2021.4.1	$ 3,899,448	($ 59,475)	($ 59,475)

Receivable from (payable to) related parties (including valuation adjustment) recognised as “Financial assets (liabilities) at fair value through profit or loss.”

R. Key management personnel compensation

	For the years ended December 31,	
	2020	2019
Salary and other short-term employee benefits	$ 220,088	$ 247,806
Post-employment benefits	1,674	2,455
Total	$ 221,762	$ 250,261

8. Pledged Assets

As of December 31, 2020 and 2019, the Company's assets provided for reserve for trust funds, intraday overdraft during settlement, interbank transactions, insurance agency business' operational guarantee deposits, bills finance business' deposit, credit card clearing and settlement deposits, security department's operational guarantee deposits and clearing and settlement fund and guarantees with the court for the provisional seizure are as follows:

Item	December 31, 2020	December 31, 2019
Financial assets at fair value through other comprehensive income		
- Government bonds	$ 738,900	$ 817,000
- Negotiable certificates of deposit	8,025,000	8,700,000
Subtotal	8,763,900	9,517,000
Investments in debt instruments at amortised cost		
- Negotiable certificates of deposit	2,000,000	1,300,000
Total	$ 10,763,900	$ 10,817,000

To comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), as of December 31, 2020 and 2019, negotiable certificates of deposit amounting to $2,000,000 thousand, had been provided as collateral for intraday overdraft. However, pledged amounts may be adjusted anytime.

9. Significant Contingent Liabilities and Unrecognised Contractual Commitments

(1) Commitments

Capital expenditure contracted but yet to be incurred：None.

(2) Others

	December 31, 2020	December 31, 2019
Non-cancellable loan commitments	$ 18,629,565	$ 20,859,457
Undrawn credit commitments for credit cards	1,988,504	2,168,683
Undrawn letters of credit issued	2,503,611	1,476,820
Guarantees	26,574,757	21,048,099
Collections receivable for customers	833,585	814,412
Trust assets	72,379,320	66,662,441

(3) Content and amount of trust operations per "Trust Enterprise Act"

The trust balance sheet, income statement and schedule of investments as required to be disclosed in compliance with the Article 17 of the "Enforcement Rules of the Trust Enterprise Act" are as follows:

A. Trust balance sheet

Trust assets	December 31, 2020	December 31, 2019
Fund investments	$ 32,085,181	$ 32,176,589
Offshore structured products	8,831,225	7,418,109
Foreign bonds	20,874,412	18,649,649
Foreign stocks	4,701,954	3,573,530
Real estate	5,886,548	4,844,564
Total	$ 72,379,320	$ 66,662,441

Trust liabilities	December 31, 2020	December 31, 2019
Trust capital	$ 72,379,320	$ 66,662,441
Total	$ 72,379,320	$ 66,662,441

B. Schedule of investments

	December 31, 2020	December 31, 2019
Fund investments		
Overseas mutual funds	$ 22,679,718	$ 24,447,670
Domestic mutual funds	9,405,463	7,728,919
Offshore structured products	8,831,225	7,418,109
Foreign bonds	20,874,412	18,649,649
Foreign stocks	4,701,954	3,573,530
Real estate		
Land	3,595,891	3,729,788
Buildings	1,514,156	644,129
Advances	776,501	470,647
Total	$ 72,379,320	$ 66,662,441

Note: Foreign currency money trust operated by the Offshore Banking Unit (OBU) as of December 31, 2020 and 2019 was included in the trust balance sheet and schedule of investments for the trust business.

C. The Company has no right to determine the utilisation of trust assets. Such right is vested in the Trust Settlor. Hence, there were no trust profit or loss for the years ended December 31, 2020 and 2019.

(4) Due to some of the Company's institutional banking clients engaging in complex and high-risk derivative transactions (e.g. Target Redemption Forwards (TRF)) that resulted in losses and complaints on disputes from these transactions (hereinafter "TRF dispute cases"), the clients have appealed to the Company as well as the regulators. Based on the principle of fair dealing and to protect customers' interests, when complaints are received from a client, the Company will negotiate with the client following the Company's internal procedures and the guidance from regulators to settle the disputes. Currently, some clients have filed complaints to the Financial Ombudsman Institution (FOI) or submitted the TRF dispute for the arbitration to the Chinese Arbitration Association, Taipei (CAA). The Company currently has no cases under the arbitration at CAA but has cases under review of FOI.

The Company has accrued related provisions under “Provisions – other operating provisions”, please refer to Note 6(21) for details. The Company will continually and proactively settle TRF dispute cases with clients and will pay close attention to the progress and next steps of TRF dispute cases.

10. Significant Losses from Disasters

None.

11. Significant Subsequent Event

None.

12. Others

(1) Information of fair value of financial instruments

A. The fair value of financial instruments not measured at fair value

The book value of the financial instruments which are not measured at fair value approaches its fair value, or its fair value cannot be measured reliably. Methods and assumptions adopted by the Company are summarized as follows:

(A) For financial assets and liabilities not carried at fair value in the financial statements, the Company has ascertained that their fair values were not materially different from their carrying amounts at year-end. This method applies to the following short-term financial instruments such as cash and cash equivalents, due from Central Bank and call loans to other banks, receivables, investments in debt instruments at amortised cost, other financial assets, due to the Central Bank and other banks, fund borrowed from Central Bank and other banks, payables and other financial liabilities.

(B) Bills discounted and loans: The interest on bills discounted and loans are mainly based on a floating rate basis. Thus, considering the possibility of expected recoveries, the carrying amount is approximate to its current fair value.

(C) Deposits and remittances: Most deposits and remittances have maturity of less than one year. Those within maturity over one year are mainly on a floating rate basis and therefore the carrying value is deemed as the current fair value.

(D) Refundable deposits: Due to uncertainty of the maturity date, the fair value is estimated at the book value.

(E) The fair value of the bank debentures issued by the Company is estimated using discounted cash flow method. As of December 31, 2020 and 2019, the Company has ascertained that its fair value was not materially different from its carrying amount at year-end.

(F) Investments in debt instruments at amortised cost

Item	Carrying value	Fair value
2020.12.31 Corporate bonds	$ 1,296,488	$ 1,357,836
2019.12.31 Corporate bonds	$ 1,295,183	$ 1,316,107

The fair values of the above debt instruments carried at amortised cost are included in level

1.

B. Financial instruments measured at fair value

The financial instruments measured at fair value are recognised as financial assets and financial liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial assets for hedging.

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 measurement date.

(A) Financial instruments are initially recognised by fair value, which is transaction price in most cases. Subsequent recognitions are measured by fair value except that certain financial instruments are recognised by amortised cost. In the subsequent measurements, the best evidence of fair value is the quoted market price in an active market.

(B) If the quoted market price of a financial instrument is available in an active market, the quoted price is the fair value. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the aforementioned conditions are not met, the market is regarded as inactive. Generally, the indications of an inactive market include large difference of selling price and purchasing price, significant increase in the difference of selling price and purchasing price or small volume of tractions.

(C) Valuations of OTC traded products are determined using generally accepted models (discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlying. The majority of valuation techniques employ only observable market data as inputs including but not limited to yield curves, volatilities and foreign exchange rates.

(D) For illiquid complex financial instruments where mark-to-market is not possible, the Company will value these products using an approved valuation model. Prices and parameters used as inputs to the model or to any intermediate technique involving a transformation process must be derived from approved market reliable sources. Where possible, the inputs must be checked against multiple sources for reliability and accuracy.

The Company utilises comparable trading multiples (market approach) and net asset values in arriving at the valuation for unquoted equity positions.

C. Fair value adjustment

(A) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Company's "Valuation Policy" and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(B) Credit valuation adjustments are taken to reflect the impact on fair value of counterparty credit risk and the Company's credit quality.

(2) Fair value hierarchy

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial instruments have been defined as follows:

(A) Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(B) Level 2

Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The Company's investment in government bonds, corporate bonds, most of derivatives, and financial liabilities designated as at fair value through profit or loss on initial recognition are all classified within Level 2.

(C) Level 3

Unobservable inputs for the asset or liability. When there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value, the financial instrument will be categorised as Level 3. The Company's investment in unlisted equity instruments are classified within Level 3.

B. Fair value hierarchy information on financial instruments

Fair value hierarchy information on financial instruments as of December 31, 2020 and 2019 are as follows：

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurements				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Debt instruments	$ 7,932,504	$ -	$ 7,932,504	$ -
Exchange traded funds	104,533	104,533	-	-
Financial assets at fair value through other comprehensive income				
Equity instruments	302,817	-	-	302,817
Debt instruments	57,458,923	-	57,458,923	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	8,141,003	63,517	8,077,486	-
Liabilities				
Financial liabilities at fair value through profit or loss	8,851,178	-	8,851,178	-
Financial liabilities for hedging	375,213	-	375,213	-

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurements				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Debt instruments	$ 13,247,498	$ -	$ 13,247,498	$ -
Exchange traded funds	5,827	5,827	-	-
Financial assets at fair value through other comprehensive income				
Equity instruments	249,593	-	-	249,593
Debt instruments	59,796,492	-	59,796,492	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	4,267,484	96,494	4,170,990	-
Liabilities				
Financial liabilities at fair value through profit or loss	4,481,225	-	4,481,225	-
Financial liabilities for hedging	255,213	-	255,213	-

C. For the years ended December 31, 2020 and 2019, there was no transfers between Level 1 and Level 2.

D. Movement of financial assets measured at fair value reported in level 3

	For the year ended December 31, 2020									
				Increase			Decrease			
Item	Beginning Balance	Current period P&L	Current period OCI	Purchase or issue	Transfer into level 3	Transfer from level 3 financial liabilities to financial assets	Sell, dispose, or settle	Transfer out of level 3	Transfer from level 3 financial assets to financial liabilities	Ending Balance
Financial assets at fair value through other comprehensive income	$ 249,593	$ -	$ 53,224	$ -	$ -	$ -	$ -	$ -	$ -	$ 302,817

	For the year ended December 31, 2019									
				Increase			Decrease			
Item	Beginning Balance	Current period P&L	Current period OCI	Purchase or issue	Transfer into level 3	Transfer from level 3 financial liabilities to financial assets	Sell, dispose, or settle	Transfer out of level 3	Transfer from level 3 financial assets to financial liabilities	Ending Balance
Financial assets at fair value through other comprehensive income	$ 207,051	$ -	$ 42,542	$ -	$ -	$ -	$ -	$ -	$ -	$ 249,593

(Blank)

E. Fair value measurement to Level 3, and the effect of changes in significant unobservable inputs to reflect reasonably possible alternatives

The fair value measurement that the Company made onto the financial instruments is deemed reasonable; however, different valuation input could result in different valuation result. The following is the effect of profit or loss or of other comprehensive income from financial assets categorised as Level 3 if the inputs used to valuation models have increased/ decreased by 10%:

	Fair value change recognised in profit or loss		Fair value change recognised in other comprehensive income	
December 31, 2020	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets at fair value through other comprehensive income	$ -	$ -	$ 30,282	($ 30,282)

	Fair value change recognised in profit or loss		Fair value change recognised in other comprehensive income	
December 31, 2019	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets at fair value through other comprehensive income	$ -	$ -	$ 24,959	($ 24,959)

Favorable and unfavorable changes of the Company refer to the favorable and unfavorable movements of fair value. Movements in fair value are derived from different methodologies applied for fair value adjustments and different unobservable inputs used.

F. Quantitative information of fair value measurement of significant unobservable inputs (Level 3)

	December 31, 2020				
	Fair value	Valuation technique	Significant unobservable inputs	Range (weighted average)	Relationship of inputs to fair value
Recurring fair value measurements					
Non-derivative financial instruments					
Financial assets at fair value through other comprehensive income					
Equity instruments (other unlisted companies)	$ 298,557	Market approach	Price to earnings ratio multiple,	5.86~26.36	The higher the price to earnings ratio multiple, the higher the fair value
			price to book ratio multiple,	0.69~1.98	The higher the price to book ratio multiple, the higher the fair value
			Discount for lack of marketability	30%~40%	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares	$ 4,260	Net asset value	Not applicable	Not applicable	Not applicable

	December 31, 2019					
		Fair value	Valuation technique	Significant unobservable inputs	Range (weighted average)	Relationship of inputs to fair value
Recurring fair value measurements						
Non-derivative financial instruments						
Financial assets at fair value through other comprehensive income						
Equity instruments (other unlisted companies)	$	245,228	Market approach	Price to earnings ratio multiple,	4.74~28.91	The higher the price to earnings ratio multiple, the higher the fair value
				price to book ratio multiple,	0.27~1.32	The higher the price to book ratio multiple, the higher the fair value
				Discount for lack of marketability	30%~40%	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares	$	4,365	Net asset value	Not applicable	Not applicable	Not applicable

G. Valuation procedures for financial instruments classified as Level 3

The Company's independent department is responsible for verifying the fair value of the financial instruments classified as level 3. Independent department assesses independency, reliability, consistency and representativeness of the data sources and reviews valuation model and inputs for recalibration periodically to ensure that valuation procedures and results in line with the requirements under IFRSs.

(3) Management objective and policy for financial risk

Objectives of the Company's financial risk management are based on the principles of serving customers and meeting operational objectives of financial related operations, holistic risk appetite and external regulation limits, in order to effectively allocate transfer and avoid risks, and meet the objective of satisfying customers, shareholders and employees. Major risks faced by the Company's operations include various credit risk, market risk (including interest rate, exchange rate, equity instruments, and commodity prices) and liquidity risk.

The Company has established risk management policies and risk controls and mitigation processes in writing which have been approved by the Board, in order to effectively identify measure, monitor and control credit risk, market risk and liquidity risk.

A. Risk management framework

Risk management of the Company is performed by the risk management department according to risk management policies approved by the Board. Risk management department closely work with other business departments to identify, evaluate and control various financial risks. The risk management policies which include specific risk exposures such as exchange rate risk, interest rate risks, credit risk, risk of derivative and non-derivative instruments. In addition, internal audit department is responsible for independent review of risk management and control environment.

B. Credit risk

(A) Source and definition of credit risk

Credit risk of the Company is the risk of financial loss if a client or counterparty fails to meet its contractual obligations. Credit risk arises from both on-balance sheet items and off-balance sheet items. On-balance sheet items include mainly bill discounted and loans and credit card business, due from and call loans to other banks, debt instruments and derivatives, etc. Off-balance sheet items mainly include guarantees, bank acceptances, letters of credit and loan commitments.

(B) Credit risk management policies

To ensure credit risk is aligned with its risk appetite and within tolerable extent, the Company requires detailed analysis of products and businesses, including all transactions in banking book and trading book and on and off balance sheet, to identify existing and potential credit risk. Related credit risk is examined according to relevant operational rules before new products and businesses are released.

The "Core Credit Risk Policies (CCRPs)" set forth the principles by which the Company conducts its credit risk management and control activities. It, supplemented by a number of operational standards and guidelines, constitutes the Company's strategy towards credit risk. The Credit policy clearly sets out relevant regulations and internal credit approving rules in granting credits. It also sets out principles regarding delegation of authorities, end-to-end credit process, assignment of credit risk ratings and setting of credit limits and dealing with affiliates / related parties. The objective of credit is to enhance the business of the Company, to enable functioning of management and monitoring of credit, to ensure regulations are followed and to maintain asset quality.

In addition, assessment of asset quality and loss provision is performed according to relevant risk management rules as well as regulations of local financial supervisory bodies.

Procedures and methods used in credit risk management for the core businesses of the Company are as follows:

a. Credit business (including loan commitment and guarantees)

Credit asset classification and credit quality rating are set out below:

(a) Credit assets classification

Credit assets are categorised into five categories. Other than normal credit assets shall be classified as Category One, the remaining non-performing loans are assessed based on the related regulations as follows: Category Two for assets requiring special mention. Category Three for assets deemed recoverable. Category Four for assets that are doubtful. Category Five for assets that are not recoverable. The Company has established its policies governing the procedures to evaluate assets and deal with non-performing and non-accrual loans.

(b) Credit risk grading

In response to the characteristics and scale of business, the Company sets up credit risk grading for risk management purposes (such as internal evaluation model of credit risk).

The wholesale borrowers are assessed individually using both judgmental credit risk models and statistical credit risk models. They are further reviewed and evaluated by experienced credit risk managers who consider relevant credit risk factors in the final determination of the borrower's risk. The model is reviewed periodically to see if the results of the model are consistent with the actual situation, and the parameters are adjusted to optimize the calculation effect.

DBS Group's rating method comprises 19 rating levels for the wholesale exposures based on risk acceptance criteria at credit inception. To ensure effective risk management and credit monitoring, the Company categorises credits into "Green", "Watchlist-Amber", "Watchlist-Red" and "Watchlist-Weak".

Credit risk grading of the retail exposures is categorised by days past due with four levels and the definitions are illustrated below:

Credit risk grading	Wholesale exposures	Retail exposures
Exceptional ~ Satisfactory	Internal credit rating (ACRR) 1 to 5, or green	30 days past due
Acceptable ~ Marginal	Internal credit rating (ACRR) 6A to 7B, or green	More than 30 days past due
Special mention	Internal credit rating (ACRR) 8A to 9, or amber, red and weak	
Non-performing Asset	Default or internal credit rating (ACRR) 10A to 11	Default

b. Due from and call loans to other banks

The Company evaluates credit conditions of counterparties before proceeding with transactions, and sets up different limits according to credit ratings by reference to credit information from domestic and foreign credit rating agencies.

c. Debt instruments and derivatives

The Company identifies credit risk and manages credit risk of debt instruments according to credit ratings of debt instruments from external agencies, credit quality of bonds, geographic conditions and counterparty risks.

Counterparties of derivative transactions are mostly financial institutions which receive above investment grade ratings. Credit risk is managed through counterparty limits (including call loan limits). Counterparties which are without credit ratings or are rated below investment grade are subject to individual reviews. Non-financial institutions customers' counterparty risk exposure is managed by derivative instrument risk limits and conditions approved through general credit sanction procedures.

(C) Measurement of expected credit loss (ECL)

a. ECLs are unbiased estimates of credit losses determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessments of future economic conditions. The ECL associated with a financial asset is typically a product of its probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted using the original effective interest rate to the reporting date.

Under IFRS 9, ECL will be assessed using an approach which classifies financial assets into three stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile. A financial asset is classified under:

- Stage 1, if it was not credit-impaired upon origination, and there has not been a significant increase in its credit risk. Stage 1 ECL will be the credit loss that is expected to result from a default occurring within the next 12 months;
- Stage 2, if it was not credit-impaired upon origination but has since experienced a significant increase in credit risk. Stage 2 ECL will be the life-time expected credit loss arising from a default during the remaining life of the asset; and
- Stage 3, if it has been credit-impaired with an objective evidence of default. Stage 3 ECL are also measured as life-time expected credit loss.

DBS Group leverages the models/ parameters implemented under the Basel regulatory capital rules where feasible and available, with appropriate adjustments to meet the IFRS 9 requirements. For portfolio without appropriate Basel models/ parameters, other relevant historical information, loss experience or proxies will be utilised, with a view to maximise the use of available information that is reliable and supportable.

b. Expected Life

For most financial instruments, the remaining contractual life represents the maximum contractual period over which the Company is exposed to the credit risk of the customers under IFRS 9.

However, for some retail revolving products (i.e. credit cards), the expected remaining life may exceed the contractual maturity. For such products, a behavioural expected remaining life is estimated using the Company's internal historical data based on the period over which the Company is exposed to the credit risk of such customers.

c. Assessment of significant increase in credit risk

The Company assesses whether a financial asset has experienced a significant increase in credit risk since origination, is dependent on a range of qualitative and quantitative factors taken into consideration at each reporting date.

For wholesale exposures, financial assets are deemed to have experienced a significant increase in credit risk when:

(a) The observed change in its PD, as observed by downgrades in the Company's internal credit risk rating for this asset between initial recognition and reporting date, is more than pre-specified thresholds; or

(b) Exposure is placed within internal credit "watchlists" for closer scrutiny of developing credit issues.

For retail exposures, days past due is the main driver, supplemented with a PD-based criterion.

In any event, all retail and wholesale exposures that are more than 30 days past due are considered to have experienced a significant increase in credit risk and are classified as Stage 2. A Stage 2 exposure can migrate back to Stage 1 if it is assessed that there is evidence of a sustainable improvement in its credit profile.

The Company has not adopted the low credit risk exemption.

(D) Definition of default for credit-impaired financial assets

According to the definition stated in IFRS 9, a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. The definition of default that will be applied upon adoption of IFRS 9 is consistent with that specified in the Basel regulatory capital rules. Exposures are classified as Stage 3 if these are deemed to be credit-impaired or have demonstrated objective evidence of default as at the reporting date.

The Company assesses whether there is evidence that a financial asset or a group of financial assets is impaired at each balance sheet date. The Company carries out regular and systematic reviews of all credit facilities extended to customers. The criteria that the Company uses to determine whether there is evidence of default include:

a. Significant financial difficulty of the issuer or obligor, including breach of covenants and/ or financial conditions;
b. A breach of contract, such as a default or delinquency in interest or principal payments;
c. Granting of a concession, that the Company would not otherwise consider, for economic or legal reasons relating to the borrower's financial difficulty; and
d. High probability of bankruptcy or other financial reorganisation of the borrower.

A Stage 3 exposure that is restructured can be upgraded to Stage 2 if there are reasonable grounds to conclude that the obligor is able to service future principal and interest payments on the credit facility in accordance with the restructured terms.

(E) Write-off policy

The Company writes off non-performing/ non-accrual loans, in whole or in part, when the Company has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of future recoveries.

(F) ECL Modelling – Point-in-Time (PiT) and Forward-Looking Adjustments

Portfolio-specific adjustments are made to DBS Group's existing ECL models and processes to meet the requirements of IFRS 9.

For the wholesale portfolios, credit risk cycle indices (CCIs) have been developed for significant industries and geographies using expected default frequencies. Expected default frequency is a market-based default risk measure driven by equity prices, market volatility and leverage. CCIs are then used as inputs to convert the through-the-cycle PDs derived from Basel models /parameters into the point-in-time equivalents, and to incorporate forward-looking factors. LGD are determined using historical loss data, which are adjusted for both the latest and forecasted recovery experience. Basel EAD are reduced by contractual repayments to derive the forecasted EAD for Stage 2 exposures. No adjustments are made to Basel EAD for Stage 1 exposures.

For retail portfolios, historical loss experience is adjusted to determine the forecast loss rates, taking into account relevant macroeconomic variables, such as property price indices and unemployment rates.

For COVID-19, the Company's ECL parameters have been taken account of the impact on industries and customers, and adjusted forward-looking factors such as expected economic indicators and expected unemployment rates, etc.

(G) Hedging and mitigation of credit risk

a. Collateral

The Company has put in place policies to determine the eligibility of collateral for credit risk mitigation. Amongst those, requesting borrowers to provide collateral is one of the most usual means. The Company has specific criteria for acceptable collateral and collateral valuation, management and disposing procedures regarding the collateral valuation management, collateral assessment for credit facility in order to protect the credit right. Besides, protection of creditor's right, collateral terms and offsetting terms are all addressed in the credit extension contract in case of any occurrence of credit event, of which the amount may be deductible, loan repayment schedule may be shortened or deemed as matured, or various types of deposits can be used to offset its liabilities to mitigate credit risks.

Collateral for other non-credit extension business depends on the nature of financial asset.

b. Credit risk limit and credit risk concentration control

The Company follows the applicable laws and regulations with regard to the limits on large exposures to the same entity or the same affiliated group and reports to Credit Risk Committee on this monthly. In addition, in order to control concentration risk of various assets, limits are established based on the major industry and country groups and regularly monitored in respect of credit assets exposures and reports to Credit Risk Committee monthly.

c. Master netting arrangement

The transactions of the Company are usually gross-settled. However, the Company enters into master netting arrangements with counterparties where it is appropriate and feasible to do so to mitigate counterparty risk. The credit risk is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis.

(H) Credit risk concentration

The credit risks are deemed significantly concentrated when the financial instrument transactions significantly concentrate on a single person, or when there are multiple trading counterparties engaging in similar business activities with similar economic characteristics making the effects on their abilities of fulfilling the contractual obligation due to economy or other forces similar.

The credit risks of the Company concentrate on accounts on and off balance sheets that occurs through obligation fulfilling or implementation of transactions (either product or service), or through trans-type exposure portfolio, including loans, due from and call loans to other banks, securities investment, receivables and derivatives. The Company does not significantly carry out transactions with single client or single counterparty, and the credit risk concentration by industry, geography and type of collateral are shown as follows:

a. By Industry

	December 31, 2020		December 31, 2019	
Industry	Amount	%	Amount	%
Private owned businesses	$ 131,061,203	45.30	$ 131,387,364	45.30
Public owned businesses	247,245	0.09	93,587	0.03
Individuals	153,788,694	53.15	154,736,098	53.34
Financial institutions	4,236,747	1.46	3,861,986	1.33
Total	$ 289,333,889	100.00	$ 290,079,035	100.00

Note: Credit exposures include bills discounted and loans (including non-performing loans), guarantees, clean bills purchased, factoring receivable, acceptances receivable and overdue receivable.

b. By Geography

Major operations of the Company reside within Taiwan. There is no significant credit risk concentration by geography.

c. By type of collaterals

	December 31, 2020		December 31, 2019	
Collateral	Amount	%	Amount	%
Unsecured	$ 119,952,549	41.46	$ 114,025,712	39.31
Secured				
- Financial instruments	6,068,975	2.10	7,633,600	2.63
- Real estate	133,409,798	46.11	132,404,824	45.64
- Letter of guarantee	12,308,760	4.25	11,372,129	3.92
- Other collateral	17,593,807	6.08	24,642,770	8.50
Total	$ 289,333,889	100.00	$ 290,079,035	100.00

Note: Credit exposures include bills discounted and loans (including non-performing loans), guarantees, clean bills purchased, factoring receivable, acceptances receivable and overdue receivable.

(I) Maximum exposure to credit risk

a. For on-balance sheet financial assets, the maximum credit exposure is the carrying amounts, without taking collateral held or other credit enhancements into account. Please refer to Note 9(2) for the maximum exposure to credit risk of off-balance sheet financial instruments, before taking into account any collateral held or other credit enhancements. Based on the Company's assessment, the credit risk exposure of off-balance sheet items can be controlled and minimized because the Company adopts stricter process of credit evaluation and reviews it on a regular basis.

b. The description of collateral for each class of financial asset is set out below:

(a) Due from banks, due from Central Bank and call loans to other banks, government bonds, treasury bills and corporate bonds: Collateral is generally not sought for these assets.

(b) Derivatives: The Company maintains collateral agreements and enters into master netting agreements with most of the counterparties for derivative transactions.

(c) Receivables, bills discounted and loans and loan commitments:

Institutional banking

The Company has put in place policies to determine the eligibility of collateral for credit risk mitigation, with a Loan-to-Valuation ("LTV") ratio from 40% ~ 90%, taking into consideration factors such as property type, liquidity, marketability and regulations. The policy also governs the regular revaluation of all collaterals to reflect the current market value. The maximum LTV ratio is required to be approved by the Board.

Mortgage loans

Residential mortgage exposures are generally fully secured by residential properties. The collaterals are classified into three categories by its location. The Company has set up standard LTV ratio and lending limits according to loan purpose, collaterals' type and location and borrower's payment capability, under the rulings of Central Bank of the Republic of China (Taiwan).

Auto loans

The collaterals are classified into two categories according to the vehicle's condition (brand-new or used). The Company has set up standard LTV ratio and lending limits according to loan purpose, borrower's payment capability and borrower's credit ratings within the Company.

The Company follows the Basel and local regulators' rules for eligible collateral and guarantees recognition.

c. Maximum exposure to credit risk – gross carrying amount of financial instruments subject to ECL as at December 31, 2020 and 2019.

(a) Bills discounted and loans (Note)

December 31, 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	Total
Gross carrying amount analysed by internal ratings					
Internal ratings-Satisfactory	$ 188,437,606	$ -	$ -	$ -	$ 188,437,606
Internal ratings-Marginal	57,311,117	77,066	-	-	57,388,183
Internal ratings-Special mention	4,820,063	2,005,026	-	-	6,825,089
Internal ratings-Non-performing assets	-	-	3,823,940	-	3,823,940
Gross carrying amount	250,568,786	2,082,092	3,823,940	-	256,474,818
Allowance for credit losses	(491,434)	(165,892)	(1,003,435)	-	(1,660,761)
Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	(1,753,211)	(1,753,211)
Total	$ 250,077,352	$ 1,916,200	$ 2,820,505	($ 1,753,211)	$ 253,060,846

Note: The above amounts included interest receivable and short-term advance of $434,655 thousand, and the related allowance for credit losses of $18,557 thousand.

December 31, 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	Total
Gross carrying amount analysed by internal ratings					
Internal ratings-Satisfactory	$ 181,084,856	$ -	$ -	$ -	$ 181,084,856
Internal ratings-Marginal	65,462,198	249,245	-	-	65,711,443
Internal ratings-Special mention	3,269,876	1,409,001	-	-	4,678,877
Internal ratings-Non-performing assets	-	-	3,991,485	-	3,991,485
Gross carrying amount	249,816,930	1,658,246	3,991,485	-	255,466,661
Allowance for credit losses	(444,813)	(142,845)	(1,417,089)	-	(2,004,747)
Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	(1,575,688)	(1,575,688)
Total	$ 249,372,117	$ 1,515,401	$ 2,574,396	($ 1,575,688)	$ 251,886,226

Note: The above amounts included interest receivable and short-term advance of $473,116 thousand, and the related allowance for credit losses of $18,567 thousand.

(b) Receivables and other financial assets (Note)

December 31, 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	Total
Gross carrying amount analysed by internal ratings					
Internal ratings-Satisfactory	$ 8,446,505	$ -	$ -	$ -	$ 8,446,505
Internal ratings-Marginal	4,052,579	42,050	-	-	4,094,629
Internal ratings-Special mention	6,554	-	-		6,554
Internal ratings-Non-performing assets	-	-	1,042,192	-	1,042,192
Gross carrying amount	12,505,638	42,050	1,042,192	-	13,589,880
Allowance for credit losses	(7,336)	(19)	(319,395)	-	(326,750)
Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	(454,907)	(454,907)
Total	$ 12,498,302	$ 42,031	$ 722,797	($ 454,907)	$ 12,808,223

Note: The above amounts included factoring receivable, acceptances receivable, credit card receivable, overdue receivable and clean bills purchased.

December 31, 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	Total
Gross carrying amount analysed by internal ratings					
Internal ratings-Satisfactory	$ 11,446,448	$ -	$ -	$ -	$ 11,446,448
Internal ratings-Marginal	9,157,219	65,655	-	-	9,222,874
Internal ratings-Non-performing assets	-	-	1,179,176	-	1,179,176
Gross carrying amount	20,603,667	65,655	1,179,176	-	21,848,498
Allowance for credit losses	(10,749)	(28)	(285,937)	-	(296,714)
Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	(283,680)	(283,680)
Total	$ 20,592,918	$ 65,627	$ 893,239	($ 283,680)	$ 21,268,104

Note: The above amounts included factoring receivable, acceptances receivable, credit card receivable, overdue receivable and clean bills purchased.

(c) Due from banks, due from Central Bank and call loans to other banks and refundable deposits

As of December 31, 2020 and 2019, the gross carrying amount for above-mentioned assets was $58,525,157 thousand and $52,985,656 thousand (included interest receivable of $24,249 thousand and $34,767 thousand). These assets were classified as Stage 1, with internal rating as Satisfactory and with accumulated impairment amounting to ($1,193) thousand and ($955) thousand, totaling $58,523,964 thousand and $52,984,701 thousand, respectively.

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

As of December 31, 2020 and 2019, the gross carrying amount for above-mentioned assets was $57,550,553 thousand and $60,100,012 thousand (included interest receivable of $221,425 thousand and $344,383 thousand). These assets were classified as Stage 1, with internal rating as Satisfactory, and with revaluation amounting to $129,795 thousand and $40,863 thousand and with accumulated impairment amounting to ($1,166) thousand and ($1,345) thousand, totaling $57,679,182 thousand and $60,139,529 thousand respectively.

(e) Investments in debt instruments at amortised cost

As of December 31, 2020 and 2019, the gross carrying amount for above-mentioned assets were $7,556,998 thousand and $7,516,551 thousand (included interest receivable of $60,420 thousand and $21,294 thousand). These assets were classified as Stage 1, with internal rating as Satisfactory and with accumulated impairment amounting to ($255) thousand and ($359) thousand, totaling $7,556,743 thousand and $7,516,192 thousand, respectively.

(f) Off-balance sheet items (Note)

Off-balance sheet items

December 31, 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	Total
Gross carrying amount analysed by internal ratings					
Internal ratings-Satisfactory	$ 28,074,371	$ -	$ -	$ -	$ 28,074,371
Internal ratings-Marginal	18,083,761	40,360	-	-	18,124,121
Internal ratings-Special mention	1,631,675	1,866,270	-	-	3,497,945
Gross carrying amount	47,789,807	1,906,630	-	-	49,696,437
Impairment allowance	(35,944)	(24,282)	-	-	(60,226)
Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	(235,187)	(235,187)
Total	$ 47,753,863	$ 1,882,348	$ -	($ 235,187)	$ 49,401,024

Note: The above amounts included non-cancellable loan commitments, undrawn credit commitments for credit cards, undrawn letters of credit issued and guarantees.

December 31, 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	Total
Gross carrying amount analysed by internal ratings					
Internal ratings-Satisfactory	$ 24,328,361	$ 33,552	$ -	$ -	$ 24,361,913
Internal ratings-Marginal	18,259,346	283,666	-	-	18,543,012
Internal ratings-Special mention	2,393,504	254,630	-	-	2,648,134
Gross carrying amount	44,981,211	571,848	-	-	45,553,059
Impairment allowance	(24,034)	(32,054)	-	-	(56,088)
Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	(203,605)	(203,605)
Total	$ 44,957,177	$ 539,794	$ -	($ 203,605)	$ 45,293,366

Note: The above amounts included non-cancellable loan commitments, undrawn credit commitments for credit cards, undrawn letters of credit issued and guarantees.

d. Changes in allowance for credit losses and accumulated impairment:

(a) Bills discounted and loans

The following table explains the changes in the allowance for credit losses between the beginning and the end of the period attributable to these factors:

For the year ended December 31, 2020	12-month ECL (Stage 1)(a)	Lifetime ECL (Stage 2)(b)	Lifetime ECL (credit-impaired financial assets that were not purchased or originated) (Stage 3)(c)	Impairment recognised in accordance with IFRS 9 (d)=(a)+(b)+(c)	Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans(e)	Total (f)=(d)+(e)
The beginning balances	$ 444,813	$ 142,845	$ 1,417,089	$ 2,004,747	$ 1,575,688	$ 3,580,435
Changes from financial instruments recognised at the beginning:						
Transferred to lifetime ECL	(3,825)	98,909	(66)	95,018	-	95,018
Transferred to credit-impaired financial assets	(6,329)	(6,515)	481,177	468,333	-	468,333
Transferred to 12-month ECL	1,359	(32,493)	(1,436)	(32,570)	-	(32,570)
Financial assets derecognised during the period	(197,479)	(39,540)	(182,429)	(419,448)	-	(419,448)
New financial assets originated or purchased	254,796	4,208	393,545	652,549	-	652,549
Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	177,523	177,523
Write-offs	-	-	(1,071,435)	(1,071,435)	-	(1,071,435)
Exchange and other movement	(1,901)	(1,522)	(33,010)	(36,433)	-	(36,433)
The ending balances	$ 491,434	$ 165,892	$ 1,003,435	$ 1,660,761	$ 1,753,211	$ 3,413,972

The following table explains the changes in gross carrying amount for the same portfolio as discussed above to help explain their significance to the changes in the allowance for credit losses:

Bills discounted and loans	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (credit-impaired financial assets that were not purchased or originated) (Stage 3)	Total
The beginning balances	$ 249,816,930	$ 1,658,246	$ 3,991,485	$ 255,466,661
Changes from financial instruments recognised at the beginning:				
Transferred to lifetime ECL	(1,256,140)	1,337,767	(7,286)	74,341
Transferred to credit-impaired financial assets	(1,548,315)	(146,131)	1,597,131	(97,315)
Transferred to 12-month ECL	533,174	(373,363)	(45,061)	114,750
Financial assets derecognised during the period	(63,600,701)	(409,475)	(1,124,868)	(65,135,044)
New financial assets originated or purchased	67,895,058	41,466	543,648	68,480,172
Write-offs	-	-	(1,071,435)	(1,071,435)
Exchange and other movement	(1,271,220)	(26,418)	(59,674)	(1,357,312)
The ending balances	$ 250,568,786	$ 2,082,092	$ 3,823,940	$ 256,474,818

For the year ended December 31, 2019	12-month ECL (Stage 1)(a)	Lifetime ECL (Stage 2)(b)	Lifetime ECL (credit-impaired financial assets that were not purchased or originated) (Stage 3)(c)	Impairment recognised in accordance with IFRS 9 (d)=(a)+(b)+(c)	Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans(e)	Total (f)=(d)+(e)
The beginning balances	$ 644,971	$ 189,070	$ 1,382,957	$ 2,216,998	$ 1,375,090	$ 3,592,088
Changes from financial instruments recognised at the beginning:						
Transferred to lifetime ECL	(11,117)	93,246	-	82,129	-	82,129
Transferred to credit-impaired financial assets	(12,087)	(50,269)	923,203	860,847	-	860,847
Transferred to 12-month ECL	1,893	(35,112)	(727)	(33,946)	-	(33,946)
Financial assets derecognised during the period	(364,094)	(87,950)	(243,191)	(695,235)	-	(695,235)
Purchased or originated financial assets	186,166	34,461	154,621	375,248	-	375,248
Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	200,598	200,598
Write-offs	-	-	(788,023)	(788,023)	-	(788,023)
Exchange and other movement	(919)	(601)	(11,751)	(13,271)	-	(13,271)
The ending balances	$ 444,813	$ 142,845	$ 1,417,089	$ 2,004,747	$ 1,575,688	$ 3,580,435

The following table explains the changes in gross carrying amount for the same portfolio as discussed above to help explain their significance to the changes in the allowance for credit losses:

Bills discounted and loans	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (credit-impaired financial assets that were not purchased or originated) (Stage 3)	Total
The beginning balances	$ 253,666,527	$ 2,170,619	$ 4,540,568	$ 260,377,714
Changes from financial instruments recognised at the beginning:				
Transferred to lifetime ECL	(1,473,574)	1,138,170	-	(335,404)
Transferred to credit-impaired financial assets	(1,202,341)	(428,069)	1,381,483	(248,927)
Transferred to 12-month ECL	626,889	(634,904)	(24,088)	(32,103)
Financial assets derecognised during the period	(71,538,340)	(944,200)	(1,629,037)	(74,111,577)
Purchased or originated financial assets	70,496,934	378,115	526,529	71,401,578
Write-offs	-	-	(788,023)	(788,023)
Exchange and other movement	(759,165)	(21,485)	(15,947)	(796,597)
The ending balances	$ 249,816,930	$ 1,658,246	$ 3,991,485	$ 255,466,661

(b) Receivables and other financial assets

The following table explains the changes in the allowance of credit losses between the beginning and the end of the period attributable to these factors:

For the year ended December 31, 2020	12-month ECL (Stage 1)(a)	Lifetime ECL (Stage 2)(b)	Lifetime ECL (credit-impaired financial assets that were not purchased or originated) (Stage 3)(c)	Impairment recognised in accordance with IFRS 9 (d)=(a)+(b)+(c)	Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans(e)	Total (f)=(d)+(e)
The beginning balances	$ 10,750	$ 28	$ 285,936	$ 296,714	$ 283,680	$ 580,394
Changes from financial instruments recognised at the beginning:						
Financial assets derecognised during the period	(7,907)	(28)	(48,283)	(56,218)	-	(56,218)
New financial assets originated or purchased	4,493	19	231,755	236,267	-	236,267
Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	171,227	171,227
Write-offs	-	-	(150,013)	(150,013)	-	(150,013)
The ending balances	$ 7,336	$ 19	$ 319,395	$ 326,750	$ 454,907	$ 781,657

The following table explains the changes in gross carrying amount for the same portfolio as discussed above to help explain their significance to the changes in the allowance for credit losses:

Receivables and other financial assets	12-month ECL (Stage 1)	Lifetime ECL (individual assessment) (Stage 2)	Lifetime ECL (credit-impaired financial assets that were not purchased or originated) (Stage 3)	Total
The beginning balances	$ 20,603,667	$ 65,655	$ 1,179,176	$ 21,848,498
Changes from financial instruments recognised at the beginning:				
Financial assets derecognised during the period	(17,320,886)	(65,655)	(540,751)	(17,927,292)
New financial assets originated or purchased	9,222,857	42,050	553,780	9,818,687
Write-offs	-	-	(150,013)	(150,013)
The ending balances	$ 12,505,638	$ 42,050	$ 1,042,192	$ 13,589,880

The following table explains the changes in the allowance of credit losses between the beginning and the end of the period attributable to these factors:

For the year ended December 30, 2019	12-month ECL (Stage 1)(a)	Lifetime ECL (Stage 2)(b)	Lifetime ECL (credit-impaired financial assets that were not purchased or originated) (Stage 3)(c)	Impairment recognised in accordance with IFRS 9 (d)=(a)+(b)+(c)	Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans(e)	Total (f)=(d)+(e)
The beginning balances	$ 12,321	$ 10,776	$ 102,497	$ 125,594	$ 172,659	$ 298,253
Changes from financial instruments recognised at the beginning:						
Transferred to lifetime ECL	(6)	6	-	-	-	-
Transferred to credit-impaired financial assets	-	(3,360)	53,191	49,831	-	49,831
Transferred to 12-month ECL	1,943	(4,294)	-	(2,351)	-	(2,351)
Financial assets derecognised during the period	(12,305)	(3,109)	(74,219)	(89,633)	-	(89,633)
New financial assets originated or purchased	8,797	9	431,665	440,471	-	440,471
Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	111,021	111,021
Write-offs	-	-	(227,198)	(227,198)	-	(227,198)
The ending balances	$ 10,750	$ 28	$ 285,936	$ 296,714	$ 283,680	$ 580,394

The following table explains the changes in gross carrying amount for the same portfolio as discussed above to help explain their significance to the changes in the allowance for credit losses:

Receivables and other financial assets	12-month ECL (Stage 1)	Lifetime ECL (individual assessment) (Stage 2)	Lifetime ECL (credit-impaired financial assets that were not purchased or originated) (Stage 3)	Total
The beginning balances	$ 19,763,449	$ 3,750,271	$ 727,449	$ 24,241,169
Changes from financial instruments recognised at the beginning:				
Transferred to lifetime ECL	(21,146)	21,146	-	-
Transferred to credit-impaired financial assets	-	(512,888)	33,622	(479,266)
Transferred to 12-month ECL	1,527,567	(2,386,055)	-	(858,488)
Financial assets derecognised during the period	(15,335,969)	(848,064)	(699,170)	(16,883,203)
New financial assets originated or purchased	14,669,766	41,245	1,344,473	16,055,484
Write-offs	-	-	(227,198)	(227,198)
The ending balances	$ 20,603,667	$ 65,655	$ 1,179,176	$ 21,848,498

(c) Due from banks, due from Central Bank and call loans to other banks and refundable deposits

For the years ended December 31, 2020 and 2019, the beginning balances of the accumulated impairment of due from banks, due from Central Bank and call loans to other banks and refundable deposits classified in Stage 1 under IFRS 9 were $955 thousand and $3,202 thousand, respectively; the ending balances were $1,193 thousand and $955 thousand, respectively. The movements of accumulated impairment during the period attributed to changes in financial assets derecognised were ($955) thousand and ($3,202) thousand, respectively and changes in new financial assets purchased or originated were $1,193 thousand and $955 thousand, respectively.

The total gross carrying amounts for the same portfolio as discussed above as at January 1, 2020 and 2019 were $52,985,656 thousand and $91,384,959 thousand, respectively. The movements of gross carrying amount during the period of years ended on December 31, 2020 and 2019 attributed to change in financial assets derecognised were ($52,985,656) thousand and ($91,384,959) thousand, respectively; change in purchased or originated financial assets were $58,525,157 thousand and $52,985,656 thousand, respectively. The total gross carrying amounts for the same portfolio as discussed above as at December 31, 2020 and 2019 were $58,525,157 thousand and $52,985,656 thousand, respectively.

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

For the years ended December 31, 2020 and 2019, the beginning balances of the accumulated impairment of financial assets at fair value through other comprehensive income classified in Stage 1 under IFRS 9 were $1,345 thousand and $2,475 thousand, respectively; the ending balances were $1,166 thousand and $1,345 thousand, respectively. The movements of accumulated impairment during the period attributed to change in financial assets derecognised were ($1,097) thousand and ($2,143) thousand, respectively and changes in new financial assets purchased or originated was $918 thousand and $1,013 thousand, respectively.

The total gross carrying amounts for the same portfolio as discussed above as at January 1, 2020 and 2019 were $60,140,875 thousand and $52,865,286 thousand, respectively. The movements of gross carrying amount during the period of years ended on December 31, 2020 and 2019 attributed to change in financial assets derecognised were ($44,019,011) thousand and ($36,432,329) thousand, respectively; change in purchased or originated financial assets were $41,558,484 thousand and $43,707,918 thousand, respectively. The total gross carrying amounts for the same portfolio as discussed above as at December 31, 2020 and 2019 were $57,680,348 thousand and $60,140,875 thousand, respectively.

(e) Investments in debt instruments at amortised cost

For the years ended December 31, 2020 and 2019, the beginning balance of the accumulated impairment of investments in debt instruments at amortised cost classified in Stage 1 under IFRS 9 were $359 thousand and $0 thousand, respectively; the ending balance were $255 thousand and $359 thousand, respectively. The movements of accumulated impairment during the period attributed to change in financial assets purchased or originated were $0 thousand and $359 thousand, respectively and changes in exchange and other movement were ($104) thousand and $0 thousand, respectively.

The total gross carrying amount for the same portfolio as discussed above as at January 1, 2020 and 2019 were $7,516,551 thousand and $0 thousand, respectively. The movements of gross carrying amount during the period of years ended on December 31, 2020 and 2019 attributed to change in purchased or originated financial assets were $0 thousand and $7,516,551 thousand, respectively and changes in exchange and other movement were $40,447 thousand and $0 thousand, respectively. The total gross carrying amount for the same portfolio as discussed above as at December 31, 2020 and 2019 were $7,556,998 thousand and $7,516,551 thousand, respectively.

(Blank)

(f) Guarantee liability reserve and loan commitment reserve (financing commitment reserve and other reserve)

The following table explains the changes in the provisions between the beginning and the end of the period attributable to these factors:

For the year ended December 31, 2020	12-month ECL (Stage 1)(a)	Lifetime ECL (Stage 2)(b)	Lifetime ECL (credit-impaired financial assets that were not purchased or originated) (Stage 3)(c)	Impairment recognised in accordance with IFRS 9 (d)=(a)+(b)+(c)	Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans(e)	Total (f)=(d)+(e)
The beginning balances	$ 24,033	$ 32,055	$ -	$ 56,088	$ 203,605	$ 259,693
Changes from financial instruments recognised at the beginning:						
Transferred to lifetime ECL	(1,361)	19,892	-	18,531	-	18,531
Transferred to 12-month ECL	52	(31,339)		(31,287)	-	(31,287)
Financial assets derecognised during the period	(14,194)	(714)	-	(14,908)	-	(14,908)
New financial assets originated or purchased	27,414	4,388	-	31,802	-	31,802
Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	31,582	31,582
The ending balances	$ 35,944	$ 24,282	$ -	$ 60,226	$ 235,187	$ 295,413

The following table explains the changes in gross carrying amount for the same portfolio as discussed above to help explain their significance to the changes in the provisions:

	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (credit-impaired financial assets that were not purchased or originated) (Stage 3)	Total
The beginning balances	$ 44,981,211	$ 571,848	$ -	$ 45,553,059
Changes from financial instruments recognised at the beginning:				
Transferred to lifetime ECL	(1,874,069)	1,569,640	-	(304,429)
Transferred to 12-month ECL	39,233	(314,783)	-	(275,550)
Financial assets derecognised during the period	(23,376,212)	(257,040)	-	(23,633,252)
New financial assets originated or purchased	28,019,644	336,965	-	28,356,609
The ending balances	$ 47,789,807	$ 1,906,630	$ -	$ 49,696,437

The following table explains the changes in the provisions between the beginning and the end of the period attributable to these factors:

For the year ended December 31, 2019	12-month ECL (Stage 1)(a)	Lifetime ECL (Stage 2)(b)	Lifetime ECL (credit-impaired financial assets that were not purchased or originated) (Stage 3)(c)	Impairment recognised in accordance with IFRS 9 (d)=(a)+(b)+(c)	Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans(e)	Total (f)=(d)+(e)
The beginning balances	$ 26,093	$ 17,314	$ -	$ 43,407	$ 106,799	$ 150,206
Changes from financial instruments recognised at the beginning:						
Transferred to lifetime ECL	(528)	690	-	162	-	162
Financial assets derecognised during the period	(17,379)	(17,310)	-	(34,689)	-	(34,689)
New financial assets originated or purchased	15,847	31,361	-	47,208	-	47,208
Differences provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	96,806	96,806
The ending balances	$ 24,033	$ 32,055	$ -	$ 56,088	$ 203,605	$ 259,693

The following table explains the changes in gross carrying amount for the same portfolio as discussed above to help explain their significance to the changes in the provisions:

	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (credit-impaired financial assets that were not purchased or originated) (Stage 3)	Total
The beginning balances	$ 31,971,196	$ 995,741	$ -	$ 32,966,937
Changes from financial instruments recognised at the beginning:				
Transferred to lifetime ECL	(227,947)	217,964	-	(9,983)
Financial assets derecognised during the period	(16,495,049)	(992,518)	-	(17,487,567)
New financial assets originated or purchased	29,733,011	350,661	-	30,083,672
The ending balances	$ 44,981,211	$ 571,848	$ -	$ 45,553,059

(J) The impact of COVID-19 on the Company's operating results and credit risk

Due to the fact that the COVID-19 outbreak has continued to spread since early 2020, the deterioration of the global economic situation and the international financial market volatility, including Taiwan, has decelerated the pace of economic activities and reduced personal consumption. This has impacted the global supply chain, trade, tourism and related industries. As a response, the Taiwan government has implemented a series of epidemic prevention measures and provided various types of relief and financial stimulus to limit the macro-economic impacts. To reasonably measure and reflect the impact on the quality of the Company's credit assets, the Company has collected information related to past events, current conditions and forecasts of future economic conditions, and incorporated relevant factors into various assumptions and parameters (including the latest data on forward-looking factors used) in the ECL models. To manage credit risk and liquidity risk, the Company will continue monitoring the subsequent development of the epidemic and changes in economic conditions, evaluate the impact of COVID-19 on the Company's operations and finances, and modify business strategies in response to potential business opportunities and risks.

(K) Disclosure requirements in the Regulations Governing the Preparation of Financial Reports by Public Banks:

a. Asset quality non-performing loans and overdue receivables

Month / Year			December 31, 2020				
Business / Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (%) (Note 2)	Allowance for credit losses	Coverage ratio (%) (Note 3)
Institutional banking	Secured loans		$ 531,941	$ 33,779,763	1.57%	$ 275,466	51.79%
	Unsecured loans		88,453	69,782,191	0.13%	1,080,370	1221.41%
Consumer banking	Residential mortgage loans (Note 4)		295,491	78,323,685	0.38%	1,235,012	417.95%
	Cash card services		199	108,233	0.18%	1,109	557.29%
	Micro credit loans (Note 5)		52,490	15,123,518	0.35%	159,240	303.37%
	Other (Note 6)	Secured loans	190,501	57,608,289	0.33%	600,752	315.35%
		Unsecured loans	17,773	1,314,484	1.35%	43,466	244.56%
Gross loan business			$ 1,176,848	$ 256,040,163	0.46%	$ 3,395,415	288.52%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	Allowance for credit losses	Coverage ratio
Credit card business			$ 35,605	$ 6,868,176	0.52%	$ 95,712	268.82%
Factoring without recourse (Note 7)			610,787	6,250,444	9.77%	681,260	111.54%

Month / Year			December 31, 2019				
Business / Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (%) (Note 2)	Allowance for credit losses	Coverage ratio (%) (Note 3)
Institutional banking	Secured loans		$ 486,971	$ 35,020,845	1.39%	$ 179,308	36.82%
	Unsecured loans		388,273	66,233,936	0.59%	1,299,723	334.74%
Consumer banking	Residential mortgage loans (Note 4)		393,298	82,601,924	0.48%	1,314,448	334.21%
	Cash card services		2,001	130,284	1.54%	2,111	105.50%
	Micro credit loans (Note 5)		58,432	12,790,418	0.46%	136,526	233.65%
	Other (Note 6)	Secured loans	159,250	57,038,400	0.28%	593,039	372.39%
		Unsecured loans	25,447	1,177,738	2.16%	36,713	144.27%
Gross loan business			$ 1,513,672	$ 254,993,545	0.59%	$ 3,561,868	235.31%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	Allowance for credit losses	Coverage ratio
Credit card business			$ 37,470	$ 7,791,121	0.48%	$ 106,757	284.91%
Factoring without recourse (Note 7)			613,248	13,355,309	4.59%	466,816	76.12%

Note 1: The amount recognised as non-performing loans was in compliance with the “Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. The amount included in overdue accounts for credit cards is in compliance with the Explanatory Letter Jin-Guan-Yin (4) No. 0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio=non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.

Note 3: Coverage ratio for loans=allowance for credit losses of loans/non-performing loans. Coverage ratio for accounts receivable of credit cards=allowance for credit losses for accounts receivable of credit cards/overdue accounts.

Note 4: For residential mortgage loans, the borrower provides his/her (or spouses) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.

Note 5: Micro credit loans referred to those fit the norms of the Explanatory Letter Jin-Guan-Yin (4) No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

Note 6: Other consumer finance referred as secured or unsecured consumer loans other than residential mortgage loan, cash card services and micro credit loans, and excluding credit card services.

Note 7: Pursuant to the Explanatory Letter Jin-Guan-Yin-Wai No. 09850003180 dated August 24, 2009, the amount of factoring without recourse is recognised as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

b. Non-performing loans and overdue receivables exempted from reporting to the competent authority are as follows:

	December 31, 2020	
	Total amount of non-performing loans exempted from reporting to competent authority	Total amount of overdue receivables exempted from reporting to competent authority
Restructured loans in accordance with debt restructuring negotiation exempt from reporting to the competent authority (Note 1)	$ 35,661	$ 35,046
Restructured loans in accordance with consumer act and rehabilitation program (Note 2)	893,825	310,315
Total	$ 929,486	$ 345,361

	December 31, 2019	
	Total amount of non-performing loans exempted from reporting to competent authority	Total amount of overdue receivables exempted from reporting to competent authority
Restructured loans in accordance with debt restructuring negotiation exempt from reporting to the competent authority (Note 1)	$ 52,628	$ 51,356
Restructured loans in accordance with consumer act and rehabilitation program (Note 2)	729,522	407,936
Total	$ 782,150	$ 459,292

Note 1: Additional disclosure requirement pertaining to the way and information disclosure of the total amount of non-performing loan is in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09510001270 dated April 25, 2006.

Note 2: Additional disclosure requirement pertaining to the way and information disclosure of loan in the process of debt liquidation and restructuring program is in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09700318940 dated September 15, 2008 and Jin-Guan-Yin-Fa No. 10500134790 dated September 20, 2016.

c. Outstanding loan amounts of significant credit risk concentration are as follows:

December 31, 2020			
Rank (Note 1)	Industry Classification of Group /Enterprise (Note 2)	Total exposure (Note 3)	% of equity for the period
1	Group A – Real Estate	$ 4,344,000	12.18%
2	Company B – Finance Service	4,136,036	11.60%
3	Group C – Finance Service	2,982,935	8.36%
4	Group D – Real Estate	2,942,930	8.25%
5	Group E – Manufacture of Plastics Products	2,908,572	8.16%
6	Group F – Real Estate	2,746,562	7.70%
7	Group G – Manufacture of Computers, Electronic and Optical Products	2,598,244	7.29%
8	Group H – Manufacture of Computers, Electronic and Optical Products	2,458,380	6.89%
9	Group I – Finance Service	2,336,242	6.55%
10	Group J – Telecommunications	2,190,529	6.14%

December 31, 2019			
Rank (Note 1)	Industry Classification of Group /Enterprise (Note 2)	Total exposure (Note 3)	% of equity for the period
1	Group A – Manufacture of Computers, Electronic and Optical Products	$ 6,380,482	18.20%
2	Company B – Finance Service	3,621,230	10.33%
3	Group C – Finance Service	3,319,663	9.47%
4	Company D– Manufacture of Computers, Electronic and Optical Products	3,200,000	9.13%
5	Group E – Real Estate	2,744,000	7.83%
6	Group F – Manufacture of Computers, Electronic and Optical Products	2,660,077	7.59%
7	Group G – Telecommunications	2,394,033	6.83%
8	Group H – Manufacture of Electronic Parts and Components	2,301,174	6.56%
9	Group I – Service	1,969,196	5.62%
10	Company J – Wholesale Trade	1,931,963	5.51%

Note 1: Ranking the top ten enterprise groups other than government and government sponsored enterprises according to their total amounts of outstanding loans. Industry type should be filled in accordance with "Standard Industrial Classification System" of Directorate-General of Budget, Accounting and Statistics.

Note 2: Groups are those who met the definition of Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Total amounts of credit extensions were various loans (including import bills negotiations, export bills negotiations, bills discounted, overdrafts, short-term loans, short-term loans secured, account receivable financing, mid-term loans, mid-term loan secured, long-term loans, long-term loans secured, and overdue loans), Clean bills purchased, factoring without recourse, acceptances receivable, and guarantees.

C. Liquidity risk

(A) Source and definition of liquidity risk

Liquidity risk is the risk induced by a bank not being able to obtain funding with reasonable cost to fulfill its obligation for contracts or liabilities falling due. Liquidity risk may be from withdrawals of deposits, repayments of loans, commitments to extend loans to our customers and other operating activities to induce capital needs. The Company's objective to manage liquidity risk is to ensure it can maintain its ability to obtain external funds in a fixed period of time under normal market pressure and appropriate conditions.

(B) Risk measurement principle

a. Risk preference

Maximum cumulative cash outflow (MCO Measure) is the primary tool the Company uses to manage liquidity risk. Maximum cumulative cash outflow predicts the Company's funding ability in the survival period when cash flow is dry under various circumstances in the future, and so the Company's ability of funding supply to balance it at any time. If the Company's counterbalancing capacity exceeds the liquidity risk exposure of all contracts of the survival period of time as defined, then liquidity is sufficient. However, if the counterbalancing capacity cannot cover requests of liquidity risk exposure, liquidity is insufficient.

b. Risk control

Monitoring major liquidity control measures (ex: loan to deposit ratio, liquidity coverage ratio and concentration measures regarding top depositors) and balance sheet analysis and cash flow maturity mismatch analysis to supplement maximum cumulative cash outflow helps the management to understand balance sheet structure and make better decisions.

(C) Liquidity risk management policy

The Board reviews core inputs and also delegates "Market and Liquidity Risk Committee" to review assumption of maximum cumulative cash outflow (except core assumption), including circumstance assumptions, survival period and lowest level of liquidity assets under each condition assumption and limits of risk controls and etc.

The Company always keeps sufficient liquidity cash reserve and hold bonds of highest grade and best liquidity.

(D) Maturity analysis for financial assets and non-derivative financial liabilities

a. Financial assets held for liquidity risk management

In order to fulfill the payment obligation and potential emergent fund demand in the market, as well as manage the liquidity risk at the same time, sound earning assets with high liquidity were held by the Company, including cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, bills discounted and loans, financial assets at fair value through other comprehensive income, investments in debt instruments at amortised cost, and other financial assets. The following table illustrates the analysis made on cash inflow of financial assets of the Company.

December 31, 2020	0~30 days	31~90 days	91~180 days	181 days~1 year	over 1 year	Total
Cash and cash equivalents	$ 3,591,220	$ 2,592,520	$ -	$ -	$ -	$ 6,183,740
Due from Central Bank and call loans to other banks	45,474,712	2,755,146	1,468,434	2,077,214	1,648,736	53,424,242
Financial assets at fair value through profit or loss	168,050	-	200,388	1,424,010	6,308,106	8,100,554
Financial assets at fair value through other comprehensive income	20,696,546	4,717,977	6,323,982	9,201,488	16,821,747	57,761,740
Investments in debt instruments at amortised cost	-	-	2,300,000	3,900,000	1,296,578	7,496,578
Receivables	6,273,283	4,375,863	1,883,725	536,586	932,851	14,002,308
Bills discounted and loans	28,374,084	30,368,689	18,293,675	24,048,763	154,954,952	256,040,163
Other financial assets	36,234	-	-	-	-	36,234
Total	$ 104,614,129	$ 44,810,195	$ 30,470,204	$ 41,188,061	$ 181,962,970	$ 403,045,559

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days~1 year	over 1 year	Total
Cash and cash equivalents	$ 4,674,912	$ -	$ 2,580,335	$ -	$ -	$ 7,255,247
Due from Central Bank and call loans to other banks	40,682,511	1,406,840	1,252,895	2,174,102	1,289,537	46,805,885
Financial assets at fair value through profit or loss	393,296	302,891	300,755	1,768,576	10,584,310	13,349,828
Financial assets at fair value through other comprehensive income	12,102,005	11,595,667	6,186,428	13,924,109	15,997,301	59,805,510
Investments in debt instruments at amortised cost	-	-	-	-	7,495,257	7,495,257
Receivables	10,557,252	8,229,336	1,883,968	553,024	1,300,099	22,523,679
Bills discounted and loans	84,339,270	3,373,167	147,471	1,340,411	165,793,226	254,993,545
Other financial assets	81,257	71,029	-	542,219	-	694,505
Total	$ 152,830,503	$ 24,978,930	$ 12,351,852	$ 20,302,441	$ 202,459,730	$ 412,923,456

(Blank)

b. Maturity analysis on non-derivative financial liabilities

The following table illustrates the analysis made on cash outflow of non-derivative financial liabilities of the Company by the remaining maturity from the balance sheet date to the contract expiration date.

December 31, 2020	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Due to Central Bank and other banks	$ 3,958,634	$ 690,628	$ -	$ -	$ -	$ 4,649,262
Fund borrowed from Central Bank and other banks	-	66,560	-	93,280	-	159,840
Payables	1,743,171	1,240,243	1,422,915	19,575	405,040	4,830,944
Deposits and remittances	54,696,418	65,733,619	50,840,341	81,721,141	97,782,409	350,773,928
Bank debentures	-	-	-	-	2,809,600	2,809,600
Other financial liabilities	1,721,681	85,865	87,717	23,827	86,074	2,005,164
Lease liabilities	31,918	59,839	103,028	221,363	2,281,386	2,697,534
Total	$ 62,151,822	$ 67,876,754	$ 52,454,001	$ 82,079,186	$ 103,364,509	$ 367,926,272

December 31, 2019	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Due to Central Bank and other banks	$ 199,034	$ -	$ -	$ 260,000	$ -	$ 459,034
Payables	2,497,490	1,969,911	870,395	124,959	677,027	6,139,782
Deposits and remittances	34,659,946	2,897,491	2,264,628	3,443,220	319,908,161	363,173,446
Bank debentures	-	-	-	-	2,999,575	2,999,575
Other financial liabilities	1,382,582	367,033	210,642	4,515	811,565	2,776,337
Lease liabilities	30,263	54,659	97,182	182,661	2,368,076	2,732,841
Total	$ 38,769,315	$ 5,289,094	$ 3,442,847	$ 4,015,355	$ 326,764,404	$ 378,281,015

(E) Maturity analysis on derivative financial assets and liabilities

Derivatives of the Company settled on a net basis include:

a. Foreign exchange derivatives: Non-delivery FX forwards, foreign exchange options and cross currency swaps;
b. Interest rate derivatives: interest rate swaps settled by net cash flow, interest rate futures and other interest rate contract; and
c. Commodity and equity derivatives: commodity options, commodity swaps, equity swaps and other future contract.

Derivatives of the Company settled on a gross basis include:

a. Foreign exchange derivatives: foreign exchange swaps, foreign exchange options and cross currency swaps; and
b. Interest rate derivatives: other interest rate contract.

The table below shows the remaining periods of derivative financial instruments from balance sheet date to the maturity date. According to the assessment, the maturities on the contract are the most fundamental element to understand all the derivatives on the balance sheet. Amounts shown in the table are based on contractual cash flows; therefore, certain disclosed amounts may not be consistent with the corresponding accounts on the balance sheet. Maturity analysis on derivative financial assets and liabilities is as follows:

(Blank)

(Expressed in Millions of New Taiwan Dollars)

	December 31, 2020					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial assets and liabilities at fair value through profit or loss						
Foreign exchange derivatives						
– Cash outflow	($ 174,210)	($ 102,191)	($ 71,992)	($ 33,318)	($ 24,442)	($ 406,153)
– Cash inflow	173,581	101,724	72,143	33,286	24,343	405,077
Interest rate derivatives						
– Cash outflow	(60)	(209)	(147)	(288)	(2,427)	(3,131)
– Cash inflow	55	247	135	307	2,414	3,158
Equity derivatives						
– Cash outflow	-	-	-	(9)	-	(9)
– Cash inflow	-	-	-	9	-	9
Subtotal cash outflow	(174,270)	(102,400)	(72,139)	(33,615)	(26,869)	(409,293)
Subtotal cash inflow	173,636	101,971	72,278	33,602	26,757	408,244
Total	($ 634)	($ 429)	$ 139	($ 13)	($ 112)	($ 1,049)

	December 31, 2019					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial assets and liabilities at fair value through profit or loss						
Foreign exchange derivatives						
– Cash outflow	($ 169,611)	($ 160,933)	($ 74,765)	($ 26,523)	($ 5,584)	($ 437,416)
– Cash inflow	169,617	160,291	74,724	26,631	5,601	436,864
Interest rate derivatives						
– Cash outflow	(36)	(122)	(113)	(257)	(2,331)	(2,859)
– Cash inflow	37	89	113	340	2,296	2,875
Commodity derivatives						
– Cash outflow	-	-	(1)	-	-	(1)
– Cash inflow	-	-	1	-	-	1
Equity derivatives						
– Cash outflow	(1)	-	-	-	(1)	(2)
– Cash inflow	1	-	-	-	1	2
Subtotal cash outflow	(169,648)	(161,055)	(74,879)	(26,780)	(7,916)	(440,278)
Subtotal cash inflow	169,655	160,380	74,838	26,971	7,898	439,742
Total	$ 7	($ 675)	($ 41)	$ 191	($ 18)	($ 536)

(F) Maturity analysis for off balance sheet items

The table below shows the maturity analysis of off-balance sheet items. The amount of the guarantee and committed credit lines will be allocated to the earliest period when such obligation can be exercised by customers. Amounts shown in the table are based on contractual cash flows; the disclosed amounts might not coincide with relevant items on balance sheet.

December 31, 2020	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Non-cancellable loan commitments	$ 652,372	$ 1,304,745	$ 3,914,234	$ 5,871,350	$ 6,886,864	$ 18,629,565
Undrawn credit commitments for credit cards	1,988,504	-	-	-	-	1,988,504
Undrawn letters of credit issued	352,170	1,668,524	450,689	32,228	-	2,503,611
Guarantees	4,393,226	2,321,583	3,669,265	7,120,628	9,070,055	26,574,757
Total	$ 7,386,272	$ 5,294,852	$ 8,034,188	$ 13,024,206	$ 15,956,919	$ 49,696,437

December 31, 2019	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Non-cancellable loan commitments	$ 2,164,626	$ 4,329,253	$ 6,493,880	$ 7,871,698	$ -	$ 20,859,457
Undrawn credit commitments for credit cards	2,168,683	-	-	-	-	2,168,683
Undrawn letters of credit issued	502,824	805,876	68,120	100,000	-	1,476,820
Guarantees	5,803,280	1,599,385	1,510,649	6,571,060	5,563,725	21,048,099
Total	$ 10,639,413	$ 6,734,514	$ 8,072,649	$ 14,542,758	$ 5,563,725	$ 45,553,059

(G) Disclosure requirements in the Regulations Governing the Preparation of Financial Reports by Public Banks:

a. Structure analysis of time to maturity (NTD)

(Expressed in thousands of NTD)

December 31, 2020

	Total	0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	425,294,582	46,765,438	54,163,606	51,253,695	52,547,744	58,909,027	161,655,072
Primary funds outflow upon maturity	530,471,537	32,731,057	55,557,302	109,719,504	103,382,506	125,889,746	103,191,422
Gap	(105,176,955)	14,034,381	(1,393,696)	(58,465,809)	(50,834,762)	(66,980,719)	58,463,650

December 31, 2019

	Total	0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	447,438,596	51,071,552	38,795,443	81,031,012	55,663,226	59,785,126	161,092,237
Primary funds outflow upon maturity	564,609,215	31,646,987	57,475,663	150,491,257	110,856,214	131,664,527	82,474,567
Gap	(117,170,619)	19,424,565	(18,680,220)	(69,460,245)	(55,192,988)	(71,879,401)	78,617,670

Note: The amounts listed above represent the funds denominated in NT dollars only.

b. Structure analysis of time to maturity (USD)

(Expressed in thousands of USD)

December 31, 2020

	Total	0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	10,403,175	4,676,639	2,396,032	1,510,439	1,116,627	703,438
Primary funds outflow upon maturity	11,249,999	4,140,676	2,464,063	1,556,245	1,528,067	1,560,948
Gap	(846,824)	535,963	(68,031)	(45,806)	(411,440)	(857,510)

December 31, 2019

	Total	0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	9,581,596	3,389,999	3,776,901	1,545,693	604,616	264,387
Primary funds outflow upon maturity	10,601,030	3,252,476	3,286,384	1,703,727	1,111,436	1,247,007
Gap	(1,019,434)	137,523	490,517	(158,034)	(506,820)	(982,620)

Note: The amounts listed above represent the funds denominated in US dollars only.

D. Market risk

(A) Source and definition of market risk

Market risk refers to the changes in profit and loss on and off the balance sheet as a result of change in market price, such as interest rate, exchange rate, equity securities, commodity prices, and in correlation and intrinsic volatility among them. Market risk position is categorised into trading book and banking book. Trading book refers to management of positions based on trading spread for profit making, support clients' investment and hedging. It is revaluated daily and allocated market risk capital. Others which are held to maturity and hedged are not included in trading book are in banking book. Trading book of the Company mainly invests in interest rate, exchange rate and derivatives, with no trading position in equity securities and commodity price instruments.

(B) Measurement of market risk in trading book

a. Risk preference limits: Including expected shortfall ("ES") and stress test limit.

b. Risk control limit

(a) Interest rate sensitivity ("PV01"): Changes in profit and loss by one basis point change in interest rates.

(b) FX Delta: Change in profit and loss due to an increase of 100% in foreign exchange rates.

(c) Equity Delta: Change in profit and loss due to an increase of 100% in equity prices.

(d) Credit spread limit: Change in profit and loss by one basis point change in credit spreads.

(e) Commodity Delta: Change in profit and loss due to an increase of 100% in commodity prices.

(f) Jump to Default: Change in profit and loss before and after default. Jump to Default generally is positive and is income after default for buyers. It is compensation for sellers if it is negative.

(g) Grids: Change in profit and loss when exchange rate, interest rate or volatility changes.

c. Spot loss limit: Market risk stop loss limit based on actual loss.

(C) Measurement of market risk in banking book

Interest rate risk in the Company's banking book includes interest rate risk on and off balance sheet. Identification and measurement of interest rate risk in banking book include:

a. Repricing risk: Caused by different maturity (fixed rate) and pricing date (floating rate) of positions on and off balance sheet.

b. Yield curve risk: Change in slope and shape of yield curve.

c. Interest rate basis risk: Due to inconsistent changes in repricing of different products which makes income different from payment of similar pricing periods.

d. Intrinsic option risk: Sourced from options hidden on and off balance sheet, including rights of early withdraw of deposits.

In conclusion, interest rate risk measurement indices are listed below:

Interest rate sensitivity ("PV01") is the measurement tool of risk in price volatility. It can quantitatively analyze interest gap sensitivity of a one basis point change in interest rate. PV01 is used for risk grid measure of the following risk types:

a. Repricing risk: Cumulative PV01 as measurement of parallel moving of yield curve.
b. Yield curve risk: PV01 of difference periods can be used to measure yield curve risk when yield curve moving is not parallel.
c. Interest rate basis risk: PV01 is used when spread between prescribed interest rate of products and market interest rate change.

(D) Market risk management framework and policy

Market risk management policy has been approved by the Board. The policy will be reviewed when the effectiveness and completeness of the policy are affected by new changes or development. All policies are reviewed at least annually. The Board delegates control over limit, monitor, and approval of daily transactions to Market and Liquidity Risk Committee. Changes in various risks and settlement of limit breaking events are required to be reported to the Board.

The objective of Market and Liquidity Risk Committee is to monitor and review market risk management and organization structure, including structure, policies and procedures, personnel, processes, models, information, risk methodology and systems in relation to market risk, to review and assess positions involved in market risk and significant transactions and issues affecting profit and loss. The Committee comprises the general manager and representatives from Risk Management, Treasury & Markets, Treasury & Liquidity Management and Finance.

(E) Sensitivity analysis

a. Analysis of changes in profit and loss:

(In millions of NTD)

December 31, 2020	USD:NTD=28.10	Effects on	Effects on
Risk Type	Changes	Profit and loss	Equity
Interest rate risk	Main interest rates increase by 0.25%	(59.70)	18.10
Interest rate risk	Main interest rates decrease by 0.25%	59.70	(18.10)
Exchange rate risk	USD appreciates by 3% against NTD, JPY, RMB and other currencies	(3.50)	-
Exchange rate risk	USD depreciates by 3% against NTD, JPY, RMB and other currencies	3.50	-

December 31, 2019	USD:NTD=30.00	Effects on	Effects on
Risk Type	Changes	Profit and loss	Equity
Interest rate risk	Main interest rates increase by 0.25%	(67.14)	(142.91)
Interest rate risk	Main interest rates decrease by 0.25%	67.14	142.91
Exchange rate risk	USD appreciates by 3% against NTD, JPY, RMB and other currencies	(54.66)	-
Exchange rate risk	USD depreciates by 3% against NTD, JPY, RMB and other currencies	54.66	-

(F) Information of concentration of exchange rate risk

The table below represents the financial assets and liabilities in foreign currency of the Company as of December 31, 2020 and 2019 by currency and shown in book value.

	December 31, 2020					December 31, 2019				
Financial assets	In thousands of foreign currency	Exchange rate		Amount (in thousands of NTD)	Financial assets	In thousands of foreign currency	Exchange rate		Amount (in thousands of NTD)
Monetary items					Monetary items				
USD	$ 2,353,043	28.10	$	66,111,099	USD	$ 2,222,725	30.00	$	66,672,293
CNY	800,426	4.30		3,445,355	CNY	1,045,650	4.31		4,504,772
EUR	80,144	34.53		2,767,472	AUD	65,345	21.01		1,372,643
AUD	5,481,870	0.27		1,492,792	JPY	7,804,486	0.28		2,154,439
HKD	63,661	21.63		1,376,979	EUR	86,024	33.61		2,890,911
Financial liabilities					Financial liabilities				
Monetary items					Monetary items				
USD	$ 3,870,288	28.10	$	108,739,610	USD	$ 3,720,727	30.00	$	111,606,009
AUD	254,794	21.63		5,511,113	CNY	1,002,687	4.31		4,320,037
CNY	930,622	4.30		4,008,187	AUD	384,038	21.01		8,067,120
EUR	94,924	34.53		3,277,861	EUR	128,572	33.61		4,320,744
JPY	7,515,660	0.27		2,046,620	JPY	9,979,514	0.28		2,754,859

Note 1: The above CNY positions include CNH positions.

Note 2: The above foreign currencies (including forward exchange contracts) are the top five in position expressed into the same currency.

(G) Disclosure requirements in the Regulations Governing the Preparation of Financial Reports by Public Banks:

a. Analysis on interest rate sensitive assets and liabilities (NTD)

(Expressed in thousands of New Taiwan Dollars, %)

December 31, 2020

Items	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	$ 246,528,112	$ 9,483,746	$ 15,050,630	$ 42,486,334	$ 313,548,822
Interest-rate-sensitive liabilities	134,585,831	42,863,310	60,536,916	456,270	238,442,327
Interest-rate-sensitive gap	111,942,281	(33,379,564)	(45,486,286)	42,030,064	75,106,495
Total equity					34,996,104
Ratio of interest-rate-sensitive assets to liabilities (%)					131.50%
Ratio of interest-rate-sensitive gap to equity (%)					214.61%

December 31, 2019

Items	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	$ 235,201,241	$ 9,240,237	$ 16,399,862	$ 54,846,400	$ 315,687,740
Interest-rate-sensitive liabilities	130,533,625	38,990,094	68,226,394	354,692	238,104,805
Interest-rate-sensitive gap	104,667,616	(29,749,857)	(51,826,532)	54,491,708	77,582,935
Total equity					34,591,583
Ratio of interest-rate-sensitive assets to liabilities (%)					132.58%
Ratio of interest-rate-sensitive gap to equity (%)					224.28%

Note 1: The amounts listed above represent the items denominated in New Taiwan Dollars (i.e., excluding foreign currency) for all domestic branches, of the Company, excluding contingent assets and contingent liabilities.

Note 2: Interest-rate-sensitive assets and liabilities are those interest earned assets and interest bearing liabilities, revenues and costs which are sensitive to changes in interest rates.

Note 3: Interest-rate-sensitive gap = Interest-rate-sensitive assets - interest-rate-sensitive liabilities

Note 4: Ratio of interest-rate-sensitive assets to liabilities＝Interest-rate-sensitive assets / interest-rate-sensitive liabilities (refer to NTD denominated interest-rate-sensitive assets and interest-rate-sensitive liabilities)

b. Analysis on interest rate sensitive assets and liabilities (USD)

(Expressed in thousands of USD, %)

December 31, 2020

Items	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	$ 1,896,086	$ 103,852	$ 370	$ 12,502	$ 2,012,810
Interest-rate-sensitive liabilities	3,150,919	56,429	433,190	1,985	3,642,523
Interest-rate-sensitive gap	(1,254,833)	47,423	(432,820)	10,517	(1,629,713)
Total equity					21,528
Ratio of interest-rate-sensitive assets to liabilities (%)					55.26%
Ratio of interest-rate-sensitive gap to equity (%)					-7570.20%

December 31, 2019

Items	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	$ 1,609,660	$ 86,513	$ 29,297	$ 53,682	$ 1,779,152
Interest-rate-sensitive liabilities	3,010,800	347,591	194,991	14,618	3,568,000
Interest-rate-sensitive gap	(1,401,140)	(261,078)	(165,694)	39,064	(1,788,848)
Total equity					13,471
Ratio of interest-rate-sensitive assets to liabilities (%)					49.86%
Ratio of interest-rate-sensitive gap to equity (%)					-13279.25%

Note 1: The amounts listed above represent the items denominated in US dollars (i.e., excluding foreign currency) for all domestic branches, of the Company, excluding contingent assets and contingent liabilities.

Note 2: Interest-rate-sensitive assets and liabilities are those interest earned assets and interest bearing liabilities, revenues and costs which are sensitive to changes in interest rates.

Note 3: Interest-rate-sensitive gap = Interest-rate-sensitive assets - interest-rate-sensitive liabilities

Note 4: Ratio of interest-rate-sensitive assets to liabilities＝Interest-rate-sensitive assets / interest-rate-sensitive liabilities (refer to USD denominated interest-rate-sensitive assets and interest-rate-sensitive liabilities)

(4) Transfer of financial assets

The transferred financial assets are not fully derecognised. During the Company's daily operating activities, the transferred financial assets that do not meet derecognition conditions are mainly debt instruments with purchase agreements. Since the cash flow of the contract has been transferred and related liabilities of transferred financial assets that will be repurchased at a fixed price in the future have been reflected, the financial assets were not derecognised.

The Company did not have the financial assets which meet the aforementioned criteria and related financial liabilities at each balance sheet date.

(5) Offsetting financial assets and financial liabilities

There are financial assets and liabilities held by the Company for which net settlement agreements (such as global master repurchase agreement or similar agreements) have been signed with counterparties but do not meet the accounting standards for reporting on a net basis. Such financial assets and liabilities can be offset for settlement at a net balance if both parties opt for a net settlement. Otherwise, the financial assets and liabilities are settled on a gross basis. Where one party defaults, the counterparty can opt for settlement on a net basis.

The offsetting of financial assets and financial liabilities are set as follows:

(Blank)

December 31, 2020						
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements						
Item	Gross amounts of recognised financial assets (a)	Gross amount set off in the balance sheet (b)	Amounts presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivatives	$ 8,141,003	$ -	$ 8,141,003	$ 2,764,129	$ -	$ 5,376,874
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements						
Item	Gross amounts of recognised financial liabilities (a)	Gross amount set off in the balance sheet (b)	Amounts presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivatives	$ 8,851,178	$ -	$ 8,851,178	$ 2,764,129	$ -	$ 6,087,049

December 31, 2019						
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements						
Item	Gross amounts of recognised financial assets (a)	Gross amount set off in the balance sheet (b)	Amounts presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivatives	$ 4,267,484	$ -	$ 4,267,484	$ 2,411,530	$ -	$ 1,855,954
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements						
Item	Gross amounts of recognised financial liabilities (a)	Gross amount set off in the balance sheet (b)	Amounts presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivatives	$ 4,481,225	$ -	$ 4,481,225	$ 2,411,530	$ -	$ 2,069,695

Note: Including master netting arrangements.

(6) Capital management

The Company complies with the “Regulations Governing the Capital Adequacy and Capital Category of Banks” announced by FSC to establish its “Capital Management Policy”, in order to maintain the capital adequacy ratio above the lowest level required by law and also allocate capital efficiently in consideration of the whole exposure and characteristics of eligible capital.

The objectives and procedures of capital management of the Company:

A. Capital management objectives

(A) Meeting the minimum regulated capital adequacy ratio is the most basic objective for the eligible capital of the Company. The calculation of eligible capital and capital required by law should be made in compliance with regulations of competent authorities.

(B) The objective of capital management of the Company is to be in compliance with regulatory capital adequacy ratio requirements, optimise shareholder returns, maintain business activities and market access, and maintain stability of capital adequacy ratio or capital supply to ensure sufficient capital for the implementation of business strategy.

B. Capital management policy and standard

The objective of capital management policy and standard of the Company is to be in compliance with capital adequacy ratio agreed by the Board and rules regarding capital adequacy management. The Assets and Liabilities Committee is responsible for capital management of the Company. In addition to assessing the status of internal and external risk indices, trends and objectives, it is also responsible for implementing and monitoring over the assessment of the needs for regulated capital and risk capital.

To ensure capital of the Company is sufficient to absorb risk from operations, credit, market and operational risks are assessed within the scope of capital assessment and management of the assessment of capital needs is conducted in compliance with methodology regulated by FSC. The Company also established sound risk management systems and policies to maintain adequate capital fitting risk characteristics and operating environment of the Company. Systems and policies will be amended in accordance with changes in overall operating strategy, management objectives, and external regulations. Capital management and standard are subject to review at least once a year.

In addition to assessment of changes in capital adequacy under normal operating situations in accordance with operating plans and budget targets, regular stress test is also implemented under relevant regulations of competent authority in order to evaluate whether capital on hand is sufficient to cover potential losses incurred under stress.

Eligible capital of the Company is categorised as Tier 1 capital and Tier 2 capital in compliance with “Regulation Governing the Capital Adequacy and Capital Category of Banks” and ratios of total eligible capital to total risk - weighted assets, including the Common Equity Capital Ratio, Tier 1 Capital Ratio and Capital adequacy ratio, are calculated in compliance with this regulation.

C. Capital adequacy ratio

The following table shows calculations of self-owned capital, risk weighted capital and capital adequacy ratio of the Company. The Company complied with the capital requirements imposed by local competent authorities for the years ended December 31, 2020 and 2019.

(Expressed in Thousands of New Taiwan Dollars, %)

<table>
<tr><th colspan="3"></th><th>December 31, 2020</th><th>December 31, 2019</th></tr>
<tr><td colspan="2" rowspan="4">Eligible capital</td><td>Common Equity</td><td>26,748,701</td><td>25,903,801</td></tr>
<tr><td>Additional Tier 1 Capital</td><td>8,000,000</td><td>7,987,530</td></tr>
<tr><td>Tier 2 Capital</td><td>5,968,192</td><td>6,033,690</td></tr>
<tr><td>Total Eligible Capital</td><td>40,716,893</td><td>39,925,021</td></tr>
<tr><td rowspan="10">Total risk-weighted assets</td><td rowspan="4">Credit risk</td><td>Standardised Approach</td><td>244,066,656</td><td>240,757,026</td></tr>
<tr><td>Internal Rating Approach</td><td>-</td><td>-</td></tr>
<tr><td>Credit Valuation Adjustment</td><td>3,783,522</td><td>2,283,747</td></tr>
<tr><td>Asset securitisation</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Operational risk</td><td>Basic Indicator Approach</td><td>17,762,304</td><td>16,399,962</td></tr>
<tr><td>Standardised Approach/ Alternative Standardised Approach</td><td>-</td><td>-</td></tr>
<tr><td>Advanced Measurement Approach</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Market risk</td><td>Standardised Approach</td><td>8,157,041</td><td>9,091,357</td></tr>
<tr><td>Internal Model Approach</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Total risk-weighted assets</td><td>273,769,523</td><td>268,532,092</td></tr>
<tr><td colspan="3">Capital adequacy ratio (%)</td><td>14.87</td><td>14.87</td></tr>
<tr><td colspan="3">Common Equity Capital Ratio (%)</td><td>9.77</td><td>9.65</td></tr>
<tr><td colspan="3">Tier 1 Capital Ratio (%)</td><td>12.69</td><td>12.62</td></tr>
<tr><td colspan="3">Leverage ratio (%)</td><td>7.40</td><td>7.23</td></tr>
</table>

Note 1: The calculation of eligible capital, total risk-weighted assets and exposure measurement of the table should comply with “Regulation Governing the Capital Adequacy and Capital Category of Banks” and “Calculation method and table of self-owned capital and risk-weighted assets”.

Note 2: The following formulas of the table are shown below:

(1) Eligible capital = Common Equity + Additional Tier 1 Capital + Tier 2 capital

(2) Total risk-weighted assets = credit risk-weighted assets + (operational risk + market risk) * 12.5

(3) Capital adequacy ratio = Eligible capital / Total risk-weighted assets

(4) Common Equity Capital Ratio = Common Equity / Total risk-weighted assets

(5) Tier 1 Capital Ratio = (Common equity + Additional Tier 1 Capital) / Total risk-weighted assets

(6) Leverage ratio = Tier 1 capital / Total Exposures

(7) Profitability

Expressed in %

Item		December 31, 2020	December 31, 2019
Return on assets ratio	Before income tax	0.23	0.11
	After income tax	0.20	0.09
Return on equity ratio	Before income tax	2.66	1.47
	After income tax	2.37	1.15
Net income ratio		8.98	4.16

Note 1: Return on assets ratio = Income before (after) income tax / average total assets.

Note 2: Return on equity ratio = Income before (after) income tax / average equity.

Note 3: Net income ratio = Income after income tax / net revenues.

Note 4: The term "Income before (after) income tax" represents net income from January 1 to the balance sheet date of the reporting period.

13. Supplementary Disclosures

(1) Information on significant transactions:

A. Information regarding stock of long-term equity instruments for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Company's paid-in capital: None.

B. Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Company's paid-in capital: None.

C. Information on the disposal of real estate for which the sale amount exceeded NT$300 million or 10% of the Company's paid-in capital: None.

D. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: None.

E. Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Company's paid-in capital: None.

F. Information on sale of non-performing loans: None.

G. Information on applications for handling securitization products according to the Financial Asset Securitization Act or the Real Estate Securitization Act: None.

H. Business relationship and material transaction between the parent company and subsidiaries: Not applicable.

I. Other material transaction items which were significant to the users of the financial reports: None.

(2) Information regarding loans to others, guarantees for others, securities held at period end, purchasing or selling the same securities over NT $300 million or 10% of the paid-in capital and derivative transactions of investee companies: Not applicable.

(3) Supplementary disclosure regarding investee companies and consolidated stocks held: Not applicable.

(4) Related information on investments in Mainland China: None.

(5) Information on major shareholders: An issuer whose stock is listed on the TWSE or listed on the TPEx shall disclose the names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the issuer's equity: Not applicable.

14. Segment Information

(1) General information – products and services generating income of each reportable segment

The Company has three reportable segments: Institutional banking, consumer banking and others. Main income sources of products and services are as follows:

Institutional banking: general corporate deposits and loans, policy financing, small and medium enterprises project loans, guaranteed acceptance, accounts receivable factoring and financing, cash management, trade finance, money market and financial instruments investment.

Consumer banking: mortgage loans, auto loans, consumer loans, credit card business, wealth management, deposits and insurance agency business.

Others: income and expense not attributable to above operating segments and expense from supporting office that cannot be directly amortised are classified as others.

(2) Measurement of segment information

A. Measurement of profit and loss, asset and liabilities of segments

All principles used to measure profit and loss, assets and liabilities of segments of the Company are consistent with the significant accounting policies detailed in Note 4. The measurement of profit and loss is based on pre-tax profit and loss.

In order to create a fair and reasonable performance measuring program, intra-transactions amongst segments of the Company are deemed as trading with third parties and interest income and expense are calculated based on internal interest rate determined by reference with market condition. Internal income and expense of each segment are offset in external financial statements.

Income and expense are directly classified under segmental profit and loss if attributable to the segment or allocated to each segment based on reasonable standards of calculation if the indirect expense is not able to be directly attributable to the segments. All other unallocated items are included in others.

B. Recognition element for segments

The Company has specific performance indicators and the Chief Operating Decision-Maker regularly reviews and evaluates performances, through which the Company uses as a reference to determine resource allocation.

(3) Segment profit and loss

	For the year ended December 31, 2020			
	Institutional banking	Consumer banking	Others	Consolidated
Net interest income	$ 1,916,797	$ 3,396,353	($ 18,323)	$ 5,294,827
Net non-interest income (Note)	1,009,270	2,927,648	91,679	4,028,597
Net revenues	2,926,067	6,324,001	73,356	9,323,424
Bad debts expense and reserve on commitments and guarantee liabilities	(602,873)	(251,196)	(32,119)	(886,188)
Operating expenses	(2,180,916)	(5,266,518)	(48,051)	(7,495,485)
Income before income tax	$ 142,278	$ 806,287	($ 6,814)	$ 941,751

	For the year ended December 31, 2019			
	Institutional banking	Consumer banking	Others	Consolidated
Net interest income	$ 1,535,026	$ 3,622,724	($ 55,731)	$ 5,102,019
Net non-interest income (Note)	1,440,493	2,602,471	203,338	4,246,302
Net revenues	2,975,519	6,225,195	147,607	9,348,321
Bad debts expense and reserve on commitments and guarantee liabilities	(623,528)	(258,823)	(11,355)	(893,706)
Operating expenses	(2,322,931)	(5,514,108)	(120,171)	(7,957,210)
Income before income tax	$ 29,060	$ 452,264	$ 16,081	$ 497,405

Note: Including net fee and commission income, gains (losses) on financial assets and financial liabilities at fair value through profit or loss, realised gains (losses) on financial assets at fair value through other comprehensive income, foreign exchange gains (losses) and other non-interest income.

(4) Information of revenue by location

The Company's major businesses are all located domestically. Revenues from external clients that were from a single foreign country were not material. Thus, there is no need to disclose information of revenue by location.

(5) Important client information

Not applicable. No one single source of the customers constitutes over 10% of the Company's total revenue.

Details of Significant Accounts

According to the Regulations Governing the Preparation of Financial Reports by Public Banks, the following table provides the Company's correspondence details of significant accounts and notes to the financial statements.

Details of significant accounts	Notes to the financial report
Bills discounted and loans	Note 6(8)
Property and equipment movement	Note 6(10)
Property and equipment accumulated depreciation movement	Note 6(10)
Property and equipment accumulated impairment movement	Note 6(10)
Financial liabilities at fair value through profit or loss	Note 6(16)
Payables	Note 6(17)
Other financial liabilities	Note 6(20)
Interest income	Note 6(28)
Interest expense	Note 6(28)
Net fee and commission income	Note 6(29)
Gains or (losses) on financial assets and financial liabilities at fair value through profit or loss	Note 6(30)
Realised gains or losses on financial assets and financial liabilities at fair value through other comprehensive income	Note 6(4)
Other non-interest income	Note 6(31)
Bad debts expense and reserve on commitments and guarantee liabilities	Note 6(32)
Depreciation and amortisation expenses	Note 6(34)
Other general and administrative expenses	Note 6(35)

DBS BANK (TAIWAN) LTD
DETAILS OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash on hand		$ 748,803
Foreign currency on hand		
SGD	SGD 2,297 thousand @21.25	48,825
USD	USD 2,877 thousand @28.10	80,840
HKD	HKD 7,378 thousand @3.62	26,741
JPY	JPY 263,097 thousand @0.27	71,645
EUR	EUR 942 thousand @34.53	32,520
CNY	CNY 5,937 thousand @4.30	25,533
	Subtotal	286,104
Checks for clearance		73,360
Due from banks		
CNY	CNY 644,309 thousand @4.30	2,770,914
JPY	JPY 2,979,575 thousand @0.27	811,380
USD	USD 24,536 thousand @28.10	689,373
HKD	HKD 86,202 thousand @3.62	312,419
Others (Note)		492,104
	Subtotal	5,076,190
Less: accumulated impairment		(717)
	Total	$ 6,183,740

Note：The value of each item does not exceed 5% of "due from banks" total ending balance.

DBS BANK (TAIWAN) LTD
DETAILS OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Financial instrument type	Description (Maturity date)	Shares / units	Par value	Total	Interest rate	Acquisition cost (Note 2)	Fair value		Change in fair value attributable to changes in its credit risk	Note
							Unit price	Total amount		
Financial assets mandatorily measured at fair value through profit or loss										
1.Exchange traded funds		-	$ -	$ -	-	$ 89,251	$ -	$ 104,533	$ -	
2.Bonds										
Government bonds										
A09109	2030.10.14	-	-	800,000	0.250%	794,666	99.42	795,378	-	
A09107	2025.7.17	-	-	700,000	0.250%	698,241	100.24	701,706	-	
A00109	2021.9.30	-	-	500,000	1.250%	502,662	100.86	504,302	-	
A09101	2025.1.10	-	-	500,000	0.500%	500,767	101.31	506,549	-	
A06105	2022.4.21	-	-	400,000	0.750%	400,986	100.84	403,354	-	
A90108	2021.11.13	-	-	400,000	3.875%	411,072	103.27	413,078	-	
A07107	2023.7.20	-	-	350,000	0.625%	348,995	101.24	354,356	-	
A08107	2024.7.17	-	-	350,000	0.500%	348,565	101.13	353,947	-	
Others	-	-	-	2,750,000	0.125%~4.000%	2,773,092	-	2,791,083	-	Note 1
Subtotal				6,750,000		6,779,046		6,823,753		
Corporate bonds										
B97852	2024.9.15	-	-	300,000	0.590%	300,000	100.28	300,835	-	
B618BZ	2025.9.3	-	-	300,000	0.500%	300,000	100.14	300,413	-	
G13311	2023.2.5	-	-	200,000	1.480%	204,069	102.14	204,285	-	
B903WC	2022.4.21	-	-	200,000	1.130%	201,077	100.91	201,821	-	
B64475	2022.1.14	-	-	100,000	1.800%	101,289	101.40	101,397	-	
Subtotal				1,100,000		1,106,435		1,108,751		
Subtotal				7,850,000		7,885,481		7,932,504		

DBS BANK (TAIWAN) LTD
DETAILS OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Cont.)
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Financial instrument type	Description (Maturity date)	Shares / units	Par value	Total	Interest rate	Acquisition cost (Note 2)	Fair value Unit price	Fair value Total amount	Change in fair value attributable to changes in its credit risk	Note
3.Derivative financial instruments										
Forward exchange contracts		-	$ -	$ -	-	$ -	$ -	$ 5,394,058	$ -	
Non-delivery FX forwards		-	-	-	-	-	-	146,270	-	
Interest rate swaps		-	-	-	-	-	-	2,204,439	-	
Cross currency swaps		-	-	-	-	-	-	321,629	-	
Futures		-	-	-	-	-	-	63,517	-	
Forward exchange options		-	-	-	-	-	-	8,679	-	
Equity options		-	-	-	-	-	-	2,411	-	
Subtotal								8,141,003		
Total								$ 16,178,040		

Note 1：The value of each item does not exceed 5% of this account’s total ending balance.
Note 2：The bond's acquisition cost are par value plus amortised the premium or discount value of bond.

DBS BANK (TAIWAN) LTD
DETAILS OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Financial instrument type	Description (Maturity date)	Shares	Par value	Total	Interest rate	Acquisition cost (Note 2)	Accumulated impairment	Fair value Unit price	Fair value Total amount	Note
1.Equity instruments										
Unlisted stocks										
Financial information service co., ltd.	-	-	$ -	$ -		$ 45,500	Not applicable	$ -	$ 292,434	
Others	-	-	-	-		4,381	Not applicable	-	10,383	Note 1
				-		49,881			302,817	
2.Debt instruments										
Negotiable certificates of deposit	2021.1.4~2022.10.17	-	-	-	0.110%~0.668%	42,275,000	$ -	-	42,311,565	Note 3
Treasury bills	2021.12.13	-	-	300,000	0.173%	299,509	-	-	299,738	
Government bonds										Note 3
A06110	2022.10.18	-	-	1,350,000	0.625%	1,352,371	-	100.87	1,361,715	
A90201	2021.9.11	-	-	1,350,000	4.000%	1,382,205	-	102.71	1,386,531	
A01202	2022.5.24	-	-	1,300,000	1.250%	1,310,053	-	101.56	1,320,309	
A06105	2022.4.21	-	-	1,200,000	0.750%	1,201,131	-	100.84	1,210,061	
A00109	2021.9.30	-	-	1,050,000	1.250%	1,055,265	-	100.86	1,059,035	
A02106	2023.3.6	-	-	1,050,000	1.125%	1,061,013	-	102.13	1,072,324	
A01105	2022.3.7	-	-	900,000	1.250%	906,247	-	101.35	912,157	
A91103	2022.2.5	-	-	800,000	4.250%	832,155	-	104.54	836,356	
Others	-	-	-	5,550,000	0.500%~4.625%	5,654,179	-	-	5,689,132	Note 1
Subtotal				14,550,000		14,754,619	-		14,847,620	
Subtotal									57,458,923	
Total									$ 57,761,740	

Note 1：The value of each item does not exceed 5% of this account’s total ending balance.

Note 2：The bond's acquisition cost are par value plus amortised the premium or discount value of bond.

Note 3：The par value amount of $8,763,900 thousand provided for guarantees as pledged assets, please refer to Note 8.

DBS BANK (TAIWAN) LTD
DETAILS OF INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Debt instrument type	Description (Maturity date)	Shares	Par value	Total	Interest rate	Accumulated Impairment	Adjustment for discounts or premiums	Carrying Amount	Note
Investments in debt instruments at amortised cost									
Negotiable certificates of deposit	2021.5.13~2021.11.15	-	$ -	$ -	0.563%~0.658%	$ -	$ -	$ 6,200,000	Note
Corporate bonds									
Westpac Banking Corporation	2023.11.21	-	-	1,189,634	5.250%	(255)	106,944	1,296,323	
Total								$ 7,496,323	

Note：The par value amount of $2,000,000 thousand provided for guarantees as pledged assets, please refer to Note 8.

DBS BANK (TAIWAN) LTD
DETAILS OF RECEIVABLES
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Amount	Allowance for credit losses	Adjustment for discounts or premiums	Net amount	Note
Factoring receivable	$ 5,641,695	($ 72,511)	$ -	$ 5,569,184	
Credit card receivable	6,868,176	(95,712)	-	6,772,464	
Interest receivable	768,867	(11,941)	-	756,926	
Others	723,570	(10,939)	-	712,631	Note
	$ 14,002,308	($ 191,103)	$ -	$ 13,811,205	

Note：The value of each item does not exceed 5% of this account’s total ending balance.

DBS BANK (TAIWAN) LTD
DETAILS OF RIGHT-OF-USE ASSETS MOVEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Beginning Balance	Addition	Decrease	Ending Balance	Note
Cost					
Buildings and related equipment	$ 2,984,693	$ 381,909	($ 200,813)	$ 3,165,789	
Equipment	123,112	-	(18,765)	104,347	
Others	2,821	-	-	2,821	
Subtotal	3,110,626	381,909	(219,578)	3,272,957	
Less: Accumulated depreciation					
Buildings and related equipment	(357,445)	(358,855)	180,697	(535,603)	
Equipment	(31,868)	(36,620)	14,719	(53,769)	
Others	(806)	(806)	-	(1,612)	
Subtotal	(390,119)	(396,281)	195,416	(590,984)	
Total	$ 2,720,507	($ 14,372)	($ 24,162)	$ 2,681,973	

DBS BANK (TAIWAN) LTD
DETAILS OF DEPOSITS AND REMITTANCES
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Checking deposits	$ 391,282	
Demand deposits		
Demand deposits	40,471,346	
Foreign currency demand deposits	73,705,520	
Subtotal	114,176,866	
Time deposits		
Time deposits	135,659,336	
Foreign currency time deposits	28,523,829	
Subtotal	164,183,165	
Savings deposits		
Interest drawing savings deposits	24,095,133	
Savings account deposits	24,677,753	
Non-drawing time savings deposits	12,558,639	
Staff demand savings deposits	819,722	
Subtotal	62,151,247	
Negotiable certificates of deposit	9,833,600	
Remittance		
Remittances outstanding	37,767	
Remittances under custody	1	
Subtotal	37,768	
Total	$ 350,773,928	

DBS BANK (TAIWAN) LTD
DETAILS OF BANK DEBENTURES
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

					Amount							
Name of debentures	Trustee	Initial date	Interest payment date	Interest rate	Issue amount	Redemption amount	Ending balance	Adjustment for discounts or premiums	Book value	Redemption plan	Secured / unsecured (Y/N)	Note
USD denominated long-term unsecured subordinated bond in 2018	No public offer	2018.12.13	Every year 3/13, 6/13, 9/13, 12/13	Three months US dollar LIBOR rate plus 1.25%	USD 100,000,000	$ -	$ 2,809,600	$ -	$ 2,809,600	Repaid on maturity	N	

DBS BANK (TAIWAN) LTD
DETAILS OF LEASE LIABILITIES
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Description	Lease period	Discount rate	Ending balance	Note
Buildings and related equipments	Office and branches etc.	1998.5.10~2030.7.31	0.91%~1.07%	$ 2,646,286	
Equipments	Data center	2016.1.24~2024.7.31	0.91%~1.07%	50,040	
Others	Transportation for business and senior management	2018.6.20~2022.6.19	0.91%~1.07%	1,208	
Total				$ 2,697,534	

DBS BANK (TAIWAN) LTD
DETAILS OF IMPAIRMENT LOSSES AND REVERSAL OF IMPAIRMENT LOSS
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Items	Impairment	Reversal of impairment loss	Note
Financial assets at fair value through other comprehensive income - debt instruments	$ -	$ 179	
Investments in debt instruments at amortised cost	-	104	
Other assets - foreclosed properties	(6,846)	-	
Other assets - others	-	49	
	($ 6,846)	$ 332	

DBS BANK (TAIWAN) LTD
DETAILS OF EMPLOYEE BENEFITS EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Amount: Employee benefit expenses	Amount: Other general and administrative expenses	Amount: Total	Note
Salaries and bonuses	$ 3,776,613	$ -	$ 3,776,613	
Labor and health insurance expense	249,488	-	249,488	
Pension costs	166,115	-	166,115	
Directors’remuneration	-	7,530	7,530	
Other employee benefit expense	150,874	-	150,874	
	$ 4,343,090	$ 7,530	$ 4,350,620	

Note:

1. For the years ended December 31, 2020 and 2019, numbers of employees were 2,179 and 2,362, respectively. Numbers of directors not concurrently serve as employees were both 6.
2. For the years ended December 31, 2020 and 2019, the average amount for the employee benefits expenses were $1,999 thousand and $1,897 thousand, respectively. [(Total employee benefit expenses - directors' remuneration)] / [(numbers of employees - numbers of directors not concurrently serve as employees)].
3. For the years ended December 31, 2020 and 2019, the average amount for the salaries and bonues were $1,738 thousand and $1,668 thousand, respectively. [(Total salaries and bonues)] / [(numbers of employees - numbers of directors not concurrently serve as employees)].
4. The average adjustment of salaries and bonues increased by 4.19%. [(The average amount of the salaries and bonues 2020) - (the average amount of the salaries and bonues in 2019)] / [(the average amount of the salaries and bonues in 2019)].
5. For the years ended December 31, 2020 and 2019, the remuneration of supervisors were $0. The company has set up an audit committee; therefore there is no supervisor.
6. Directors: The Company takes into account the time invested by the directors and independent directors, the responsibilities of other relevant committees, the risks and other factors, as well as the payment standards of the Group, affiliated companies and major foreign banks, to determine the compensation of the directors, and submits the compensation figures to the shareholders' meeting for approval.
   Managers and Employees：To attract talents to join and work together with the Company to achieve the goal of becoming the best bank in Asia, the employees’ salary offered is higher than the legal minimum wage. This salary is based on an appropriate level, taking into account market dynamics as well as job responsibilities and professional skills. In addition, a robust performance management system ensures external competitiveness and internal fairness. The overall compensation is determined by the employee's role, performance, contribution to the achievement of the Company goals, and competitiveness of the salary in the market. A robust performance management system is an important key to ensure the fairness of salaries and benefits, so that employees' salaries can be calculated according to employees’ performance and to ensure that employees are not unfairly treated due to non-job-related factors such as gender or age.

DBS BANK (TAIWAN) LTD

DISCLOSURE FOR SECURITIES DEPARTMENT

DECEMBER 31, 2020 AND 2019

DBS BANK (TAIWAN) LTD

DECEMBER 31, 2020 AND 2019 DISCLOSURE FOR SECURITIES DEPARTMENT

TABLE OF CONTENTS

DBS BANK (TAIWAN) LTD - SECURITIES DEPARTMENT
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	ASSETS	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current Assets					
112000	Financial assets at fair value through profit or loss	6(1)	$ 7,932,504	100	$ 12,282,660	100
114170	Other receivables	6(2)	33,252	-	54,064	-
	Total Current Assets		7,965,756	100	12,336,724	100
	Non-current assets					
125000	Property and equipment	6(3)	156	-	223	-
	TOTAL ASSETS		$ 7,965,912	100	$ 12,336,947	100
	LIABILITIES AND EQUITY					
	Current liabilities					
214170	Other payables	6(4)	$ 957	-	$ 3,578	-
	Non-current liabilities					
229000	Other non-current liabilities	6(5)	6,357,159	80	10,802,351	88
	TOTAL LIABILITIES		6,358,116	80	10,805,929	88
	EQUITY					
301110	Working capital	1	1,000,000	12	1,000,000	8
304040	Unappropriated retained earnings		607,796	8	531,018	4
	TOTAL EQUITY		1,607,796	20	1,531,018	12
	TOTAL LIABILITIES AND EQUITY		$ 7,965,912	100	$ 12,336,947	100

The accompanying notes are an integral part of these financial statements.

DBS BANK (TAIWAN) LTD - SECURITIES DEPARTMENT
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			Year ended December 31			
			2020		2019	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Revenues					
401000	Brokerage handling fee revenue	7	$ 8,385	5	$ 7,320	4
404000	Revenues from underwriting business	6(6)	21,739	13	-	-
410000	Gain on sale of operating securities	6(7)	91,297	55	22,054	13
421200	Interest income		45,950	28	101,662	61
421500	(Loss) gain on operating securities at fair value through profit or loss	6(9)	(1,647)	(1)	35,659	22
	Total Revenues		165,724	100	166,695	100
	Expenses					
521200	Finance costs	6(8)	(78)	-	(528)	-
531000	Employee benefits expenses	6(10)	(87,750)	(53)	(81,520)	(49)
532000	Depreciation and amortization expenses	6(11)	(67)	-	(67)	-
533000	Other operating expenses	6(12)	(1,051)	(1)	(1,516)	(1)
	Total Expenses		(88,946)	(54)	(83,631)	(50)
902005	Net income		$ 76,778	46	$ 83,064	50
902006	Total comprehensive income		$ 76,778	46	$ 83,064	50

The accompanying notes are an integral part of these financial statements.

DBS BANK (TAIWAN) LTD - SECURITIES DEPARTMENT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,

EXCEPT AS OTHERWISE INDICATED)

1. Orgnaisation and Operations

The Company's securities department was approved by the FSC on May 7, 2013, October 30, 2014 and January 28, 2015 to obtain securities licenses for dealing, underwriting and agent buying and selling of foreign bonds, respectively. On June 13, 2013, March 30, 2015 and June 3, 2015, the above-mentioned businesses were conducted. The Company's Offshore Banking Unit was approved by the FSC on January 28, 2015 and November 5, 2019 to handle the business of brokers' agent buying and selling of foreign bonds and the business premises to buy and sell various bonds and securitized products. As at December 31, 2020, the working capital of the Company's securities department was $1,000,000 thousand.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

For approval date and procedures of the financial reports, please refer to Note 2 of the Company's financial report

3. Application of New Standards, Amendments and Interpretations

For new standards and interpretations, please refer to Note 3 of the Company's financial report.

4. Summary of Significant Accounting Policies

These financial statements of the Company's securities department were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms. Significant accounting policies adopted in the financial reports are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Basis of preparation

Except of financial assets and financial liabilities at fair value through profit or loss, these financial statements have been prepared under the historical cost convention.

(2) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(A)Assets arising from operating activities that are expected to be realised or consumed, or are intended to be sold within the normal operating cycle;

(B)Assets held mainly for trading purposes;

(C)Assets that are expected to be realised within 12 months from the balance sheet date; and

(D)Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(A)Liabilities arising from operating activities are expected to be paid off within the normal operating cycle;

(B)Liabilities arising mainly from trading activities;

(C)Liabilities to be paid off within 12 months form the balance sheet date; and

(D)Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date.

(3) Cash and cash equivalents

In the balance sheet, cash and cash equivalents includes cash on hand, deposits held at call with banks and short-term highly liquid investments which are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

(4) Financial assets and financial liabilities

All financial assets and liabilities of the Company's securities department are recognised in the balance sheet and are properly classified in accordance with IFRSs.

A. Financial assets

(A)The Company's securities department recognised financial assets traded under regular way purchases and regular way sales on the trading date.

(B)Financial assets at fair value through profit or loss

a. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

b. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are recognised in profit and loss. Subsequent measurements are at fair value with changes in fair value being recorded in profit and loss.

B. Financial liabilities

Financial liabilities at fair value through profit or loss

(A)Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in a short period of time.

(B)Financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are recognised in profit and loss. Subsequent measurements are at fair value with changes in fair value being recorded in profit and loss.

C. Derecognition of financial assets

The Company's securities department derecognises a financial asset when one of the following conditions is met:

(A)The contractual rights to receive cash flows from the financial asset expire.

(B)The contractual rights to receive cash flows from the financial asset have been transferred and the Company's securities department has transferred substantially all risks and rewards of ownership of the financial asset.

(C)The contractual rights to receive cash flows from the financial asset have been transferred;

however, it has not retained control of the financial asset.

D. Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation of the contracts are fulfilled, cancelled or expired.

(5) Property and equipment

A. The property and equipment of the Company's securities department are initially recognised at cost.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company's securities department and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Cost model is applied for the subsequent measurement of property and equipment. Property and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Other equipment estimated useful lives is 5 years. On each balance sheet date, the Company's securities department reviews and appropriately adjusts the residual value and useful life of the assets.

(6) Revenue recognition

The income of the Company's securities department is recognized based on the accrual basis.

A. Brokerage handling fee income (handling fee income from agent buying and selling of foreign bonds) and underwriting business income: income is recognised as revenue as the services are provided.

B. Interest income: interest income is calculated by accruing the expected life of the financial instrument, and discounted the future estimated cash receipts by using the effective interest rate method.

C. Gain (loss) on sales of operating securities: gain and loss are recognised on the transaction date.

D. Interest income and financial cost of bond transactions under repurchase or resale agreements: interest income and financial cost are recognized on the accrual basis during the transaction period.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The Company's securities department does not have any accounting policies that involve applying critical judgements, estimates and assumptions, as well any accounting policies that may significantly impact recognised amounts within the financial report.

6. Details of Significant Accounts

(1) Financial assets at fair value through profit or loss

	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss:		
Government bonds	$ 6,823,753	$ 11,329,479
Corporate bonds	1,108,751	953,181
Total	$ 7,932,504	$ 12,282,660

The methods and assumptions are used by management to estimate the fair value of financial instruments and related financial risk, please refer to Note 12(1) of the Company's financial report. As of December 31, 2020 and 2019, financial assets at fair value through profit or loss were categorised as Level 2.

(2) Other receivables

	December 31, 2020	December 31, 2019
Interest receivable	$ 33,252	$ 54,064

(3) Property and equipment

	For the years ended December 31,	
Other equipment	2020	2019
At January 1		
Cost	$ 334	$ 334
Accumulated depreciation	(111)	(44)
	$ 223	$ 290
For the years ended December 31		
At January 1	$ 223	$ 290
Depreciation	(67)	(67)
At December 31	$ 156	$ 223
At December 31		
Cost	$ 334	$ 334
Accumulated depreciation	(178)	(111)
	$ 156	$ 223

(4) Other payables

	December 31, 2020	December 31, 2019
Tax payable	$ 957	$ 3,578

(5) Other non-current liabilities

It represents the inter-office balance between securities department and other units of the Company. As of December 31, 2020 and 2019, the ending balances are $6,357,159 thousand (credit balance) and $10,802,351 thousand (credit balance), respectively.

(6) Revenues from underwriting business

	For the years ended December 31,	
	2020	2019
Handling fee revenues from underwriting bonds	$ 21,739	$ -

(7) Gain on sale of operating securities

	For the years ended December 31,	
	2020	2019
Government bonds	$ 88,840	$ 22,054
Corporate bonds	2,457	-
Total	$ 91,297	$ 22,054

(8) Interest income and Finance costs

	For the years ended December 31,	
	2020	2019
Interest income		
Government bonds	$ 41,566	$ 92,407
Corporate bonds	4,384	9,255
Total	$ 45,950	$ 101,662
Finance cost		
Other	$ 78	$ 528

(9) (Loss) gain on operating securities at fair value through profit or loss

	For the years ended December 31,	
	2020	2019
Government bonds	($ 3,363)	$ 35,170
Corporate bonds	1,716	489
Total	($ 1,647)	$ 35,659

(10) Employee benefits expenses

	For the years ended December 31,	
	2020	2019
Salaries and bonuses	$ 79,909	$ 75,276
Labor and health insurance expense	4,221	3,315
Pension costs	2,395	2,105
Other employee benefit expense	1,225	824
Total	$ 87,750	$ 81,520

A. For the years ended December 31, 2020 and 2019, the number of employees were 28 and 24, respectively. There were no directors acting concurrently as employees.

B. For the years ended December 31, 2020 and 2019, the average employee benefit expenses were $3,134 thousand and $3,397 thousand, respectively.

C. For the years ended December 31, 2020 and 2019, the average salaries and bonuses were $2,854 thousand and $3,137 thousand, respectively.

D. For the year ended December 31, 2020, the average salaries and bonuses has decreased by 9.02%.

E. For the years ended December 31, 2020 and 2019, the remuneration of supervisors were both $0. The company has set up an audit committee; therefore there is no supervisor.

F. Managers and Employees：To attract talents to join and work together with the Company to achieve the goal of becoming the best bank in Asia, the employees’ salary offered is higher than the legal minimum wage. This salary is based on an appropriate level, taking into account market dynamics as well as job responsibilities and professional skills. In addition, a robust performance management system ensures external competitiveness and internal fairness. The overall compensation is determined by the employee's role, performance, contribution to the achievement of the Company goals, and competitiveness of the salary in the market. A robust performance management system is an important key to ensure the fairness of salaries and benefits, so that employees' salaries can be calculated according to employees’ performance and to ensure that employees are not unfairly treated due to non-job-related factors such as gender or age.

(11) Depreciation and amortization expenses

	For the years ended December 31, 2020	For the years ended December 31, 2019
Depreciation expense	$ 67	$ 67

(12) Other operation expenses

	For the years ended December 31, 2020	For the years ended December 31, 2019
Tax	$ 198	$ 700
Others	853	816
Total	$ 1,051	$ 1,516

7. Related Party Transactions

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company
DBS Bank Ltd	The parent company of the Company
DBS Bank Ltd, Hong Kong Branch	Controlled by the same company

(2) Significant transactions with related parties

Brokerage handling fee revenue

	For the years ended December 31, 2020	For the years ended December 31, 2019
Parent and its branches		
DBS Bank Ltd	$ 8,328	$ 7,320
DBS Bank Ltd, Hong Kong Branch	57	-
	$ 8,385	$ 7,320

The above account represents brokerage commission revenue from the related parties. The trading price and collection terms were the same as normal trades.

8. Pledged Assets

In accordance with Regulations Governing Securities Firms, Taipei Exchange Rules for Administration of Additional Deposits by Securities Firms to the Joint Responsibility System Clearing and Settlement Fund and Taipei Exchange Regulations Governing Bond Payment Settlement Reserves for the Electronic Bond Trading System, the Company’s securities department pledged "Financial assets at fair value through other comprehensive income" for operational guarantee deposits and clearing and settlement funds. These were deposited to the designated bank of the Securities and Futures Bureau and the Taipei Exchange. As of December 31 2020 and 2019, operational guarantee deposits were both $100,000 thousand and clearing and settlement funds were $50,000 thousand. Please refer to Note 8 of the Company’s financial statements.

9. Significant Contingent Liabilities and Unrecognised Contractual Commitments

None.

10. Significant Losses from Disasters

None.

11. Significant Subsequent Event

None.

12. Other

For the year ended December 31, 2020, the income of the securities department of the Company's Offshore Banking Unit was $2,195 thousand. In 2019, the securities department of the Company's Offshore Banking Unit did not undertake any of the relevant business.

13. Supplementary Disclosures

(1) Related information on significant transactions

None.

(2) Related information on invested enterprises

None.

(3) Related information on overseas branch offices and representative offices

None.

(4) Related information on investments in Mainland China

None.

(5) Information on major shareholders: A securities firm whose stock is listed on the TWSE or listed on the TPEx shall disclose the names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the securities firm's equity

Not applicable.

Detail of Significant Account

According to the "Regulations Governing the Preparation of Financial Reports by Securities Firms", the following table provides the Company's securities department correspondence details of significant accounts and notes to the financial statements.

Details of significant accounts	Notes to the financial statements
Other receivables	Note 6(2)
Property and equipment	Note 6(3)
Property and equipment accumulated depreciation	Note 6(3)
Other payables	Note 6(4)
Other non-current liabilities	Note 6(5)
Interest income	Note 6(8)
Finance cost	Note 6(8)
(Loss) gain on operating securities at fair value through profit or loss	Note 6(9)
Employee benefits expenses, Depreciation and amortization expenses and Other operating expenses	Notes 6(10), 6(11) and 6(12)

DBS BANK (TAIWAN) LTD - SECURITIES DEPARTMENT
Details of Financial Assets at Fair Value through Profit or Loss
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Financial instrument type	Description (Maturity date)	Shares /Units	Par Value	Total	Interest rate	Acquisition cost(Note 2)	Fair Value: Unit price	Fair Value: Total amount	Change in fair value attributable to changes in its credit risk	Note
Financial assets mandatorily measured at fair value through profit or loss:										
1.Government bonds										
A09109	2030.10.14	-	$ -	$ 800,000	0.250%	$ 794,666	$ 99.42	$ 795,378	$ -	
A09107	2025.7.17	-	-	700,000	0.250%	698,241	100.24	701,706	-	
A00109	2021.9.30	-	-	500,000	1.250%	502,662	100.86	504,302	-	
A09101	2025.1.10	-	-	500,000	0.500%	500,767	101.31	506,549	-	
A06105	2022.4.21	-	-	400,000	0.750%	400,986	100.84	403,354	-	
A90108	2021.11.13	-	-	400,000	3.875%	411,072	103.27	413,078	-	
A07107	2023.7.20	-	-	350,000	0.625%	348,995	101.24	354,356	-	
A08107	2024.7.17	-	-	350,000	0.500%	348,565	101.13	353,947	-	
Others	-	-	-	2,750,000	0.125%~4.000%	2,773,092	-	2,791,083	-	Note 1
Subtotal				6,750,000		6,779,046		6,823,753		
2.Corporate bonds										
B97852	2024.9.15	-	-	300,000	0.590%	300,000	100.28	300,835	-	
B618BZ	2025.9.3	-	-	300,000	0.500%	300,000	100.14	300,413	-	
G13311	2023.2.5	-	-	200,000	1.480%	204,069	102.14	204,285	-	
B903WC	2022.4.21	-	-	200,000	1.130%	201,077	100.91	201,821	-	
B64475	2022.1.14	-	-	100,000	1.800%	101,289	101.40	101,397	-	
Subtotal				1,100,000		1,106,435		1,108,751		
Total				$ 7,850,000		$ 7,885,481		$ 7,932,504		

Note 1：The value of each item does not exceed 5%of this account's total ending balance
Note 2：The bond's acquisition cost are par value plus amortised the premium or discount value of bond.

DBS BANK (TAIWAN) LTD - SECURITIES DEPARTMENT
Details of Brokerage Handling Fee Revenue
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

	Handling fee revenues from brokered trading					
Month	Revenues from brokered trading - TWSE	Revenues from brokered trading - OTC	Handling fees from securities financing	Other handling fee revenues	Total	Note
January	$ -	$ -	$ -	$ 12	$ 12	
February	-	-	-	122	122	
March	-	-	-	244	244	
April	-	-	-	510	510	
May	-	-	-	2,579	2,579	
June	-	-	-	796	796	
July	-	-	-	577	577	
August	-	-	-	9	9	
September	-	-	-	1,700	1,700	
October	-	-	-	394	394	
November	-	-	-	570	570	
December	-	-	-	872	872	
Total	$ -	$ -	$ -	$ 8,385	$ 8,385	

DBS BANK (TAIWAN) LTD - SECURITIES DEPARTMENT

Details of Revenues from Underwriting Business

FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars)

Month	Revenues from underwriting securities on a firm commitment basis	Handling fee revenues from underwriting securities on best-efforts basis	Processing fee revenues from underwriting operations	Handling fee revenues from underwriting bonds	Revenues from underwriting consultation	Other revenue	Total	Note
January	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
February	-	-	-	-	-	-	-	
March	-	-	-	-	-	-	-	
April	-	-	-	-	-	-	-	
May	-	-	-	-	-	-	-	
June	-	-	-	-	-	-	-	
July	-	-	-	-	-	-	-	
August	-	-	-	-	-	-	-	
September	-	-	-	21,739	-	-	21,739	
October	-	-	-	-	-	-	-	
November	-	-	-	-	-	-	-	
December	-	-	-	-	-	-	-	
Total	$ -	$ -	$ -	$ 21,739	$ -	$ -	$ 21,739	

DBS BANK (TAIWAN) LTD - SECURITIES DEPARTMENT
DETAILS OF GAINS ON SALE OF SECURITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Revenue from sale of securities	Cost of sold securities	Gains on sale of securities	Note
Dealer				
OTC				
Bond	$ 44,244,523	$ 44,153,226	$ 91,297	