

**Shin Kong Financial Holding Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2020 and 2019 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Shin Kong Financial Holding Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Shin Kong Financial Holding Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2020, December 31, 2019 and January 1, 2019, the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020, December 31, 2019 and January 1, 2019, and its consolidated financial performance for the years ended December 31, 2020 and 2019, and its consolidated cash flows for the years ended December 31, 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Statements by Insurance Companies, Guidelines Governing the Preparation of Financial Statements by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Guidelines Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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.

### **Emphasis of Matter**

As disclosed in Note 3 to the consolidated financial statements, the Group has changed its accounting policies for investment properties effective January 1, 2020, and subsequently measured investment properties using the fair value model. As a result of the retrospective application of accounting policy, the consolidated financial statements as of and for the year ended December 31, 2019, the consolidated balance sheet as of December 31, 2019 and January 1, 2019 have been restated. Our opinion is not modified in respect of this matter.

## **Key Audit Matters**

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

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

### Valuation of Reserve for Life Insurance Liability and Liability Adequacy Test

The description of the key audit matter:

As described in Note 33.a.(3) to the accompanying consolidated financial statements, the reserve for life insurance liability amounted to NT\$2,966,354,145 thousand, 72% of the total consolidated liabilities. Note 33.a.(6) also describes the exemption from reserve for liability adequacy after testing and valuation by management.

The management of Shin Kong Life Insurance Co., Ltd., a subsidiary of Shin Kong Financial Holding Co., Ltd., adopts actuarial models and several significant assumptions for estimating the reserve for life insurance liability and the reserve for liability adequacy. Judging the reserve for life insurance liability involves significant assumptions, which include the mortality rate, discount rate, lapse rate, morbidity rate, etc. The setup of assumptions is based on legislation, regulations, knowledge of the Group's actual experience and industry-specific experience. The tests performed in respect of the reserve for liability adequacy on insurance contracts are in accordance with regulations enacted by the Actuarial Institute of the Republic of China, and the setup of future test discount rates accounts for the Group's best estimate scenario as well as the rate of the portfolio return under the current information.

Refer to Notes 4.p.(3), 4.p.(6), 4.q, 5.a and 33 to the accompanying consolidated financial statements for the details of the related information, accounting policies, accounting estimate and assumption uncertainty for the reserve for life insurance liability and the reserve for the liability adequacy.

Since any changes in the actuarial models and important assumptions may lead to significant impacts on the results of the reserves for life insurance liability and for the liability adequacy test estimations, the reserves for life insurance liability and for liability adequacy were identified as a key audit matter.

Corresponding audit procedures:

1. We understand the internal controls related to management's estimation of the reserves for life insurance liability and for the liability adequacy test as well as evaluate the operating effectiveness of these internal controls.
2. We obtain actuarial reports regarding management's estimations of the reserves for life insurance liability and for liability adequacy test as well as evaluate the Group's contracted actuarial specialist's professional ability and competence.

3. Our actuarial specialist performs the following procedures, and we compare the results with the actuarial report published by the Group's contracted actuary in order to evaluate the rationality of the actuarial models and significant assumptions regarding the recognition of the reserve for life insurance liability applied by management. The main audit procedures are described as follows:
  - a. Our actuarial specialist randomly samples the insurance products of Shin Kong Life Insurance Co., Ltd. to examine whether the calculations of the reserve for life insurance liability were made in accordance with the regulations.
  - b. Our actuarial specialist focuses on the actuarial models and important assumptions of selected insurance policies and verifies the recognized amount of the reserve for life insurance liability.
  - c. Our actuarial specialist performs profiling tests focused on long term insurance policies to identify any abnormal situations with recognized amounts of reserve of life insurance liability on single insurance policies for the year ended December 31, 2020.
  - d. Our actuarial specialist uses the previously recognized amounts of the reserve for life insurance liability taking into consideration the business development for this year and performs a ratio analysis of the reasonableness of the reserve for life insurance liability to estimate the overall recognized amount of reserve for life insurance liability.
4. Our actuarial specialist performs the following procedures, and we compare the results with the actuarial report published by the Group's contracted actuary in order to evaluate the rationality of the actuarial models and significant assumptions regarding the recognition of the reserve for liability adequacy test applied by management. The main audit procedures are described as follows:
  - a. Our actuarial specialist focuses on the tests of selected insurance policies provided by Shin Kong Life Insurance Co., Ltd. for our audit in order to examine whether the assumptions were consistent with regulations and the important built-in assumptions with the actuarial tools.
  - b. Our actuarial specialist focuses on the tests of selected insurance policies in order to evaluate the discount rates for the future years applied by Shin Kong Life Insurance Co., Ltd. for the reserve for liability adequacy test, and our actuarial specialist performs individual recalculations.
  - c. Our actuarial specialist performs a comparative analysis of the prior year's results taking into consideration the impact of the current business development in order to evaluate the rationality of the calculation of the reserve for liability adequacy test.

Valuation of Non-derivative Financial Instruments at Fair Value through  
Profit or Loss or Other Comprehensive Income by Valuation Models with  
Non-active Quoted Price in Non-active Markets

The description of the key audit matter is as follows:

In 2020, Shin Kong Life Insurance Co., Ltd. held non-derivative financial instruments at fair value through profit or loss or other comprehensive income by valuation models with quoted price in non-active markets. The amount of the financial instruments that were classified as Level 2 and Level 3 financial assets, amounted to NT\$48,228,798 thousand, 5% of the total financial assets at fair value through profit or loss or other comprehensive income. The non-derivative financial instruments at fair value through profit or loss or other comprehensive income by valuation models

with quoted price in non-active markets were mainly stocks and bond investments. For the above financial instruments, the management of Shin Kong Life Insurance Co., Ltd. applied valuation models to determine the fair values.

Refer to Notes 4m, 5b, 8, 9, and 52b to the accompanying consolidated financial statements for details on the relevant information, accounting policies, accounting estimate, and assumption uncertainty for the valuation of non-derivative financial instruments at fair value through profit or loss or other comprehensive income by valuation models with quoted price in non-active markets.

The valuation models of the non-derivative financial instruments at fair value through profit or loss or other comprehensive income is selected based on the rules and practical experience of IFRS 13 “Fair Value Measurement” and Evaluation Standards 12 “Evaluation of Financial Instruments” by Accounting Research and Development Foundation, included the adjusted observable and unobservable inputs. The selection of the valuation models, as mentioned, and the inputs were involved in the critical judgments and estimations from management. Therefore, the valuation of the above-mentioned financial instruments was considered to be a key audit matter.

Corresponding audit procedures:

1. We understand the internal controls related to management’s valuation of the non-derivative financial instruments at fair value through profit or loss or other comprehensive income by valuation models with no quoted price in non-active markets as well as evaluate the design of the internal controls.
2. With sampling the investment targets of the Level 2 and Level 3 non-derivative financial instruments at fair value through profit or loss or other comprehensive income by valuation models, we evaluate whether the valuation models and inputs adopted by management were reasonable, and recalculate the results to evaluate whether the carrying amounts are reasonable.

#### Expected Credit Loss Valuation of Discounts and Loans

The description of the key audit matter:

Shin Kong Commercial Bank Co., Ltd., the subsidiary company of Shin Kong Financial Holding Co., Ltd., which had discounts and loans that amounted to \$644,470,441 thousand, representing 15% of the consolidated total assets at December 31, 2020. The expected credit losses of discounts and loans for the year ended December 31, 2020 amounted to \$946,684 thousand. The expected credit losses of discounts and loans are material to the financial statements of Shin Kong Commercial Bank Co., Ltd. as a whole, and the measurement of expected credit losses of loans and overdue loans involves various financial factors, such as the probability of default and loss given default, and must follow the relevant laws and regulations; therefore, the expected credit loss of discounts and loans was deemed as a key audit matter.

Refer to Notes 4.m, 5.c and 15 to the accompanying consolidated financial statements for details on the related information, accounting policies, accounting estimates, and assumption uncertainty for the estimations of the expected credit losses of discounts and loans.

Corresponding audit procedures:

1. We understand and test the internal controls related to the expected credit losses of discounts and loans of Shin Kong Commercial Bank Co., Ltd.
2. We sample discounts and loans of Shin Kong Commercial Bank Co., Ltd. with significant expected credit losses and evaluate whether the value of collateral used for the expected credit loss estimations was reasonable for the individual expected credit loss assessment.

3. We focus on the expected credit loss of discounts and loans of Shin Kong Commercial Bank Co., Ltd. as a whole for understanding and testing the classification of loans and the important inputs of impairment models (risk of default and expected loss rate) in order to evaluate the rationality of the expected credit loss used to conform with the current experience and economic situation.
4. Recalculate whether the recognized amount meets the requirements of relevant laws and orders of the competent authority.

#### Assessment of the Fair Values of Investment Properties

The description of the key audit matter:

The investment properties of Shin Kong Financial Holding Co., Ltd. are measured at their fair values. To support the management in making reasonable estimates, Shin Kong Financial Holding Co., Ltd. used the fair values assessed by external independent appraisers. As the appraisal method and parameters used in the assessment of investment properties' fair values involve significant judgments and estimates, we deemed the assessment of the fair values of investment properties as a key audit matter. For the accounting policies, accounting estimates, assumption uncertainty and relevant disclosure information on the assessment of fair values of investment properties, refer to Notes 4 h, 5 b and 18 to the accompanying consolidated financial statements.

Corresponding audit procedures:

1. We evaluated the professional capability, competence and objectivity of the external independent real estate appraisers, and verified the qualification of the real estate appraisers.
2. We appointed an internal valuation specialist to evaluate the reasonableness of the appraisal reports adopted by its management, including the appraisal methods, main parameters and discount rate of the appraisal reports.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Statements by Insurance Companies, Guidelines Governing the Preparation of Financial Statements by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and Guidelines Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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.

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

The engagement partners on the audit resulting in this independent auditors' report are Wang-Seng Lin and Kwan-Chung Lai.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 26, 2021

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	December 31, 2020		December 31, 2019 (Restated)		January 1, 2019 (Restated)	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 127,052,114	3	\$ 201,897,933	5	\$ 51,679,250	1
DUE FROM CENTRAL BANK AND OTHER BANKS (Notes 4 and 7)	51,592,655	1	51,801,518	1	38,818,698	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 52)	588,108,652	13	476,321,145	12	388,623,506	10
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9 and 42)	468,434,675	11	349,069,530	9	394,108,421	11
FINANCIAL ASSETS AT AMORTIZED COST (Notes 4, 10 and 42)	1,886,318,420	43	1,802,686,194	45	1,714,648,273	46
BONDS PURCHASED UNDER RESALE AGREEMENTS (Notes 4, 12 and 41)	22,546,037	1	10,736,713	-	9,657,198	-
ACCOUNTS RECEIVABLE (Notes 4, 13 and 15)	89,644,281	2	72,698,862	2	76,657,778	2
CURRENT TAX ASSETS (Notes 4 and 40)	943,931	-	1,296,063	-	2,299,374	-
NONCURRENT ASSETS CLASSIFIED AS HELD FOR SALE (Notes 4 and 14)	-	-	-	-	37,976	-
LOANS, NET (Notes 4, 15 and 41)	793,218,918	18	754,966,218	19	725,435,818	20
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Notes 4 and 17)	1,239,964	-	422,990	-	511,677	-
ASSET ON INSURANCE PRODUCTS - SEPARATE ACCOUNTS (Notes 4 and 31)	41,925,996	1	41,833,811	1	41,300,877	1
MISCELLANEOUS FINANCIAL ASSETS	7,510,988	-	6,484,770	-	7,467,229	-
INVESTMENT PROPERTIES, NET (Notes 3, 4, 18 and 42)	180,511,091	4	176,510,411	4	168,034,626	5
PROPERTY AND EQUIPMENT (Notes 3, 4, 19 and 42)	33,010,092	1	32,032,794	1	31,854,369	1
RIGHT-OF-USE ASSETS (Notes 4 and 20)	4,742,815	-	5,168,346	-	5,190,933	-
INTANGIBLE ASSETS, NET (Notes 4 and 21)	3,096,982	-	3,019,275	-	2,935,570	-
DEFERRED INCOME TAX ASSETS (Notes 4 and 40)	27,048,249	1	17,218,974	-	18,972,433	1
OTHER ASSETS (Notes 4, 22, 41 and 42)	30,177,936	1	25,648,172	1	22,392,798	1
<b>TOTAL</b>	<b>\$ 4,357,123,796</b>	<b>100</b>	<b>\$ 4,029,813,719</b>	<b>100</b>	<b>\$ 3,700,626,804</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
DUE TO CENTRAL BANK AND OTHER BANKS (Note 23)	\$ 4,648,555	-	\$ 8,493,819	-	\$ 8,705,068	-
DUE TO THE CENTRAL BANK AND BANKS (Note 24)	267,740	-	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	9,578,105	-	5,503,637	-	8,552,203	-
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Notes 4, 25 and 41)	39,285,610	1	40,823,365	1	42,654,744	1
COMMERCIAL PAPERS ISSUED, NET (Note 26)	2,399,935	-	-	-	-	-
ACCRUED EXPENSES	8,072,389	-	7,823,258	-	7,472,618	-
BONDS PAYABLE - CURRENT PORTION (Note 28)	1,500,000	-	3,000,000	-	3,500,000	-
OTHER PAYABLES (Note 32)	41,939,498	1	28,112,050	1	38,191,793	1
CURRENT TAX LIABILITIES (Notes 4 and 40)	1,532,210	-	142,762	-	211,241	-
DEPOSITS AND REMITTANCES (Notes 27 and 41)	839,810,153	19	772,279,330	19	707,967,035	19
BONDS PAYABLE (Notes 4 and 28)	64,328,072	2	57,762,248	2	56,197,196	2
OTHER LOANS (Note 29)	3,332,033	-	1,176,770	-	592,771	-
PROVISIONS						
Insurance liability reserves (Notes 4 and 33)	2,993,887,290	69	2,766,723,787	69	2,544,893,193	69
Reserve for employee benefits (Notes 4 and 30)	779,383	-	657,265	-	1,172,923	-
Other reserves	416,306	-	279,068	-	274,984	-
LIABILITIES ON INSURANCE PRODUCTS - SEPARATE ACCOUNTS (Notes 4 and 31)	41,925,996	1	41,833,811	1	41,300,877	1
MISCELLANEOUS FINANCIAL LIABILITIES	17,093,715	-	16,734,605	-	19,226,324	1
LEASE LIABILITIES (Notes 4 and 20)	6,820,371	-	7,036,559	-	6,930,556	-
DEFERRED TAX LIABILITIES (Notes 3, 4 and 40)	10,382,944	-	11,200,958	-	9,672,559	-
OTHER ADVANCE RECEIPTS	3,279,130	-	4,247,060	-	4,438,814	-
OTHER LIABILITIES	24,265,503	1	18,060,675	1	14,791,591	1
Total liabilities	<u>4,115,544,938</u>	<u>94</u>	<u>3,791,891,027</u>	<u>94</u>	<u>3,516,746,490</u>	<u>95</u>
EQUITY ATTRIBUTABLE TO THE OWNER OF THE COMPANY (Note 34)						
Share capital						
Ordinary shares	130,203,941	3	126,003,941	3	121,855,057	3
Preference shares	2,970,000	-	750,000	-	-	-
Advance receipts for share capital	-	-	-	-	748,884	-
Capital surplus	20,502,607	1	13,655,226	1	13,935,322	-
Retained earnings						
Legal reserve	6,530,395	-	4,845,115	-	5,517,796	-
Special reserve	38,862,530	1	21,154,359	1	21,154,359	1
Unappropriated retained earnings	35,630,422	1	59,388,379	1	38,591,913	1
Other equity						
Exchange differences on translating the financial statements of foreign operations	(197,737)	-	(38,013)	-	77,887	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	(1,012,655)	-	7,252,609	-	108,835	-
Unrealized gain on investments in debt instruments at fair value through other comprehensive income	914,159	-	2,070,714	-	(3,060,523)	-
Gains on property revaluation	168,856	-	90,250	-	-	-
Reclassified to other comprehensive income based on the overlay approach	6,723,319	-	2,750,206	-	(15,056,530)	-
Treasury shares	(115,053)	-	(401,846)	-	(401,846)	-
Total equity attributable to owner of the Company	<u>241,180,784</u>	<u>6</u>	<u>237,520,940</u>	<u>6</u>	<u>183,471,154</u>	<u>5</u>
NON-CONTROLLING INTERESTS (Notes 16 and 34)	398,074	-	401,752	-	409,160	-
Total equity	<u>241,578,858</u>	<u>6</u>	<u>237,922,692</u>	<u>6</u>	<u>183,880,314</u>	<u>5</u>
<b>TOTAL</b>	<b>\$ 4,357,123,796</b>	<b>100</b>	<b>\$ 4,029,813,719</b>	<b>100</b>	<b>\$ 3,700,626,804</b>	<b>100</b>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte &amp; Touche auditors' report dated February 26, 2021)

# SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019 (Restated)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST INCOME (Notes 38 and 41)	\$ 106,593,007	40	\$ 112,980,638	41	(6)
INTEREST EXPENSE (Note 41)	<u>(6,307,389)</u>	<u>(3)</u>	<u>(7,778,867)</u>	<u>(3)</u>	(19)
NET INTEREST INCOME	<u>100,285,618</u>	<u>37</u>	<u>105,201,771</u>	<u>38</u>	(5)
NET INCOME AND GAINS OTHER THAN INTEREST INCOME					
Net processing fee and commission fee (Notes 4, 31, 36 and 41)	(2,235,704)	(1)	(6,531,904)	(2)	(66)
Net income from the life insurance business (Notes 33 and 37)	140,228,149	53	156,621,148	56	(10)
Gain on financial assets and liabilities at fair value through profit or loss (Notes 8 and 38)	53,201,778	20	48,274,487	17	10
Realized gain on financial assets at fair value through other comprehensive income (Note 38)	9,196,946	4	11,670,234	4	(21)
Net gain (loss) on derecognition of financial assets at amortized cost (Note 38)	37,836,265	14	9,889,007	4	283
Share of loss of associates accounted for using the equity method (Note 17)	(191,682)	-	(127,647)	-	50
Gain (loss) on reclassification based on overlay approach (Note 8)	(4,578,062)	(2)	(21,438,812)	(8)	(79)
Gain on investment properties (Notes 38 and 41)	5,993,315	2	6,066,701	2	(1)
Foreign exchange gain or loss (Note 8)	(72,112,156)	(27)	(31,569,805)	(11)	128
Impairment loss recognized on assets (Note 38)	(59,273)	-	308,019	-	(119)
Other investment loss, net (Note 38)	(640)	-	-	-	-
Other miscellaneous income, net (Note 41)	<u>572,595</u>	<u>-</u>	<u>881,827</u>	<u>-</u>	(35)
PROFIT FROM OPERATIONS	<u>268,137,149</u>	<u>100</u>	<u>279,245,026</u>	<u>100</u>	(4)
NET CHANGES IN INSURANCE LIABILITY RESERVES (Note 33)	<u>(231,247,233)</u>	<u>(86)</u>	<u>(234,264,063)</u>	<u>(84)</u>	(1)
PROVISION FOR BAD DEBT EXPENSES (Note 15)	<u>(1,433,375)</u>	<u>(1)</u>	<u>(476,752)</u>	<u>-</u>	201

(Continued)

# SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019 (Restated)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES (Notes 39 and 41)					
Employee benefit expenses	\$ (16,825,123)	(6)	\$ (15,824,929)	(6)	6
Depreciation and amortization expenses	(2,003,626)	(1)	(1,852,798)	-	8
Other selling and administrative expenses	<u>(8,135,741)</u>	<u>(3)</u>	<u>(8,196,967)</u>	<u>(3)</u>	(1)
Total operating expenses	<u>(26,964,490)</u>	<u>(10)</u>	<u>(25,874,694)</u>	<u>(9)</u>	4
CONSOLIDATED INCOME BEFORE INCOME TAX	8,492,051	3	18,629,517	7	(54)
INCOME TAX BENEFIT (Notes 4 and 40)	<u>5,967,208</u>	<u>3</u>	<u>1,271,765</u>	<u>-</u>	369
CONSOLIDATED NET INCOME	<u>14,459,259</u>	<u>6</u>	<u>19,901,282</u>	<u>7</u>	(27)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Loss on remeasurement of defined benefit plans	7,728	-	194,414	-	(96)
Gains on property revaluation	90,879	-	113,974	-	(20)
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	(11,121,459)	(4)	8,245,796	3	(235)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 40)	1,205,262	-	(1,035,101)	-	216
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating the financial statements of foreign operations	(159,724)	-	(115,900)	-	38
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	(1,897,411)	(1)	6,261,295	2	(130)

(Continued)

# SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019 (Restated)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Reclassification to other comprehensive loss based on the overlay approach	\$ 4,578,062	2	\$ 21,438,812	8	(79)
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method	(6,008)	-	8,449	-	(171)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 40)	<u>141,915</u>	<u>-</u>	<u>(4,770,583)</u>	<u>(2)</u>	103
Total other comprehensive (loss) income, net of income tax	<u>(7,160,756)</u>	<u>(3)</u>	<u>30,341,156</u>	<u>11</u>	(124)
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 7,298,503</u>	<u>3</u>	<u>\$ 50,242,438</u>	<u>18</u>	(85)
INCOME ATTRIBUTABLE TO:					
Owner of the Company	\$ 14,385,587	5	\$ 19,833,125	7	(27)
Non-controlling interests	<u>73,672</u>	<u>-</u>	<u>68,157</u>	<u>-</u>	8
	<u>\$ 14,459,259</u>	<u>5</u>	<u>\$ 19,901,282</u>	<u>7</u>	(27)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Owner of the Company	\$ 7,232,559	3	\$ 50,179,882	18	(86)
Non-controlling interests	<u>65,944</u>	<u>-</u>	<u>62,556</u>	<u>-</u>	5
	<u>\$ 7,298,503</u>	<u>3</u>	<u>\$ 50,242,438</u>	<u>18</u>	(85)
EARNINGS PER SHARE (Note 35)					
Basic	<u>\$1.12</u>		<u>\$1.61</u>		
Diluted	<u>\$1.07</u>		<u>\$1.54</u>		

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated February 26, 2021)

(Concluded)

SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owner of the Company											Total Equity Attributable to the Owner of the Company	Non-controlling Interests	Total	
	Share Capital				Retained Earnings			Other Equity							
	Ordinary Shares	Preference Shares	Capital Collected in Advance	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Other Comprehensive Income on Reclassification Based on the Overlay Approach	Gains on Property Revaluation				Treasury Shares
BALANCE, JANUARY 1, 2019	\$ 121,855,057	\$ -	\$ 748,884	\$ 13,935,322	\$ 5,517,796	\$ 21,154,359	\$ (672,681)	\$ 77,887	\$ (2,951,688)	\$ (15,056,530)	\$ -	\$ (401,846)	\$ 144,206,560	\$ 409,160	\$ 144,615,720
Effect of retrospective application	-	-	-	-	-	-	39,264,594	-	-	-	-	-	39,264,594	-	39,264,594
BALANCE, JANUARY 1, 2019 AS RESTATED	121,855,057	-	748,884	13,935,322	5,517,796	21,154,359	38,591,913	77,887	(2,951,688)	(15,056,530)	-	(401,846)	183,471,154	409,160	183,880,314
Appropriation of 2018 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve used to offset accumulated deficits	-	-	-	-	(672,681)	-	672,681	-	-	-	-	-	-	-	-
Capital surplus distributed to cash dividends	-	-	-	(2,445,185)	-	-	-	-	-	-	-	-	(2,445,185)	-	(2,445,185)
Non-controlling interest change - cash dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	(69,964)	(69,964)
Issuance of shares	3,400,000	750,000	-	2,126,862	-	-	-	-	-	-	-	-	6,276,862	-	6,276,862
Convertible bonds converted to ordinary shares	748,884	-	(748,884)	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	38,227	-	-	-	-	-	-	-	-	38,227	-	38,227
Net income for the year ended December 31, 2019	-	-	-	-	-	-	19,833,125	-	-	-	-	-	19,833,125	68,157	19,901,282
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	155,059	(115,900)	12,410,612	17,806,736	90,250	-	30,346,757	(5,601)	30,341,156
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	-	19,988,184	(115,900)	12,410,612	17,806,736	90,250	-	50,179,882	62,556	50,242,438
Gain on disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	135,601	-	(135,601)	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2019 (RESTATED)	126,003,941	750,000	-	13,655,226	4,845,115	21,154,359	59,388,379	(38,013)	9,323,323	2,750,206	90,250	(401,846)	237,520,940	401,752	237,922,692
Special reserve appropriated under Rule No. 10310000140 issued by the FSC	-	-	-	-	-	42,541,998	(42,541,998)	-	-	-	-	-	-	-	-
Reversal of special reserve under No. 10904917647 issued by the FSC	-	-	-	-	-	(12,000,000)	12,000,000	-	-	-	-	-	-	-	-
Life insurance liability recognize under governing the preparation of financial statements by insurance companies	-	-	-	-	-	-	(12,000,000)	-	-	-	-	-	(12,000,000)	-	(12,000,000)
Appropriation of 2019 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	-	-	1,685,280	-	(1,685,280)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	18,670	(18,670)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(12,852,497)	12,852,497	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(5,040,158)	-	-	-	-	-	(5,040,158)	-	(5,040,158)
Cash dividends of preference share	-	-	-	-	-	-	(33,732)	-	-	-	-	-	(33,732)	-	(33,732)
Issuance of shares	4,200,000	2,220,000	-	6,805,640	-	-	-	-	-	-	-	-	13,225,640	-	13,225,640
Share-based payments	-	-	-	64,351	-	-	-	-	-	-	-	-	64,351	342	64,693
Proceeds from sale of treasury shares	-	-	-	-	-	-	(52,398)	-	-	-	-	174,053	121,655	-	121,655
Disposal of company shares by subsidiaries recognized as treasury share transactions	-	-	-	(30,685)	-	-	-	-	-	-	-	112,740	82,055	-	82,055
Overdue dividends unclaimed by subsidiaries	-	-	-	8,075	-	-	-	-	-	-	-	-	8,075	-	8,075
Changes in non-controlling interests - cash dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	(69,964)	(69,964)
Net income for the year ended December 31, 2020	-	-	-	-	-	-	14,385,587	-	-	-	-	-	14,385,587	73,672	14,459,259
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	-	6,163	(159,724)	(11,051,186)	3,973,113	78,606	-	(7,153,028)	(7,728)	(7,160,756)
Total comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	-	14,391,750	(159,724)	(11,051,186)	3,973,113	78,606	-	7,232,559	65,944	7,298,503
Gain on disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(1,629,367)	-	1,629,367	-	-	-	-	-	-
Gain on disposal of investments in equity instruments designated as at fair value through other comprehensive income from participating policy transfer in special reserve	-	-	-	-	-	-	(601)	-	-	-	-	-	(601)	-	(601)
BALANCE, DECEMBER 31, 2020	\$ 130,203,941	\$ 2,970,000	\$ -	\$ 20,502,607	\$ 6,530,395	\$ 38,862,530	\$ 35,630,422	\$ (197,737)	\$ (98,496)	\$ 6,723,319	\$ 168,856	\$ (115,053)	\$ 241,180,784	\$ 398,074	\$ 241,578,858

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated February 26, 2021)

# SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated income before income tax	\$ 8,492,051	\$ 18,629,517
Adjustments for:		
Depreciation expenses	1,552,599	1,420,386
Amortization expenses	451,027	432,412
Provision for bad debt expense	1,433,375	476,752
Gain on financial assets and liabilities at fair value through profit or loss	(53,201,778)	(48,274,487)
Interest expense	6,307,389	7,778,867
Interest income	(106,593,007)	(112,980,638)
Dividend income	(18,111,891)	(17,290,841)
Changes in insurance liability reserve	215,007,555	221,813,666
Compensation cost of share-based payments	64,693	38,227
Loss of associates and joint ventures accounted for using the equity method	191,682	127,647
Loss on other investment, net	640	-
(Gain) loss on reclassification of overlay approach	4,578,062	21,438,812
(Gain) loss on disposal of property and equipment	(2,059)	1,258
Gain on sale of investments	(38,255,478)	(11,245,568)
Impairment loss on financial assets (reversal of impairment loss on financial assets)	59,273	(308,019)
Gain on fair value adjustment of investment property	(2,163,067)	(2,204,745)
Loss on lease modification	9,590	4,799
Net changes in operating assets and liabilities		
Increase in due from the Central Bank and other banks	(2,512,053)	(1,173,848)
Increase in financial assets at fair value through profit or loss	(47,903,428)	(5,561,919)
(Increase) decrease in financial assets at fair value through other comprehensive income	(132,630,304)	54,888,448
Increase in investment in debt instruments at amortized cost	(21,417,233)	(55,802,040)
Increase in securities purchased under resell agreements	(11,809,324)	(1,079,515)
(Increase) decrease in receivables	(18,353,534)	2,920,835
Increase in loans	(38,201,856)	(29,499,217)
(Increase) decrease in other financial assets	(2,285,592)	525,448
Increase in other assets	(2,344,274)	(1,628,739)
Decrease in due to Central Bank and other banks	(3,845,264)	(211,249)
Decrease in financial liabilities at fair value through profit or loss	(6,595,593)	(36,909,419)
Increase (decrease) in payables	14,889,867	(9,476,531)
Increase (decrease) in other financial liabilities	359,110	(2,491,719)
Decrease in other liabilities	(1,609,838)	(1,800,867)
Increase in deposits and remittances	67,530,823	64,312,295
(Decrease) increase in reserve for employee benefits	129,846	(321,243)
Cash used in operations	(186,777,991)	56,548,765
Interests received	83,640,200	92,504,240
Dividends received	17,637,793	16,858,767

(Continued)

# SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019 (Restated)
Interests paid	\$ (6,823,632)	\$ (7,828,164)
Income tax paid	<u>(1,591,954)</u>	<u>(319,528)</u>
Net cash flows (used in) generated from operating activities	<u>(93,915,584)</u>	<u>157,764,080</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using equity method	(1,060,000)	(45,000)
Disposal of investments accounted for using equity method	44,865	-
Acquisition of property and equipment	(1,681,348)	(2,014,019)
Proceeds from disposal of property and equipment	6,270	7,607
Increase in guarantee deposits paid	(1,438,252)	-
Decrease in guarantee deposits paid	-	4,240,163
Acquisition of intangible assets	(237,987)	(311,792)
Acquisition of investment properties	(1,999,567)	(5,049,145)
Decrease in other assets	109,873	13,168
Increase of deferred expenses, net	<u>(237,946)</u>	<u>(364,156)</u>
Net cash flows used in investing activities	<u>(6,494,092)</u>	<u>(3,523,174)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in commercial papers payable	2,155,263	583,999
Increase in due to the Central Bank and banks	267,740	-
Increase in commercial papers issued	2,399,935	-
Proceeds from issuing bonds	3,000,000	-
Proceeds from issuing bank notes payable	8,000,000	4,500,000
Repayments of bank notes payable	(6,000,000)	(3,500,000)
(Decrease) increase in notes and bonds issued under repurchase agreements	(1,537,755)	(1,831,379)
Increase (decrease) in guarantee deposits received	6,957,146	4,882,043
Repayments of leased liabilities	(677,630)	(794,206)
Cash dividends paid	(5,073,890)	(2,445,185)
Proceeds from issuing shares	13,225,640	6,276,862
Proceeds from sale of treasury shares	203,710	-
Change in non-controlling interests - cash dividends	<u>(69,964)</u>	<u>-</u>
Net cash flows generated from financing activities	<u>22,850,195</u>	<u>7,672,134</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(7,254)</u>	<u>114,615</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(77,566,735)	162,027,655
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>233,653,302</u>	<u>71,625,647</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 156,086,567</u>	<u>\$ 233,653,302</u>

(Continued)

# SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

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Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2020 and 2019:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents reported in consolidated balance sheets	\$ 127,052,114	\$ 201,897,933
Due from Central Bank and other banks qualified for cash and cash equivalents under the definition of IAS 7	<u>29,034,453</u>	<u>31,755,369</u>
Cash and cash equivalents at the end of the year	<u>\$ 156,086,567</u>	<u>\$ 233,653,302</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated February 26, 2021)

(Concluded)

# SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Shin Kong Financial Holding Co., Ltd. (the “Company” or SKFHC) is a financial holding company established by Shin Kong Life Insurance Co., Ltd. (SKLIC) and Shin Kong Securities Co., Ltd. (SKSC, originally named Li Shih Securities Co., Ltd.) through a share swap and the Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since February 19, 2002. The Company is mainly engaged in managing its subsidiaries and investing in businesses approved by the relevant authorities. The Company and its subsidiaries are collectively referred to as the “Group”.

To expand the area and scale of operations and utilize the comprehensive operational efficiency and competitiveness of financial institutions, the Company issued 208,504 thousand shares to acquire Taiwan Shin Kong Commercial Bank Co., Ltd. (TSKCB, formerly known as United-Credit Commercial Bank Co., Ltd.) as a wholly owned subsidiary.

The Company issued 661,850 thousand shares to acquire 100% equity interest of Macoto Bank Co., Ltd. (Macoto Bank) on October 3, 2005 through a share swap. On December 31, 2005, Macoto Bank merged with TSKCB and Macoto Bank was the surviving company. At the same time, Macoto Bank was renamed as TSKCB.

To expand the scale of asset management and enhance the synergy of channel integration and resource sharing, the Company purchased 100% of the shares of Shin Kong Investment Trust Co., Ltd. (SKITC) in July 2006.

To utilize the comprehensive operational efficiency and competitiveness of financial institutions, the Company issued 1,063,744 thousand shares and gave such shares to the shareholders of MasterLink Securities Co., Ltd., which serves as payment for the shares of MasterLink Securities Co., Ltd. that are not owned by the Company, after which MasterLink Securities Co., Ltd. became a wholly owned subsidiary of the Company.

SKLIC was established in July 1963 and its shares were listed on the TWSE in December 1993. SKLIC is mainly engaged in the business of life insurance, including individual and group life, accident, health, and so on. SKLIC’s headquarters are located in Taipei City, with 25 branch offices throughout Taiwan.

TSKCB was approved as a commercial bank by the Ministry of Finance on September 23, 1996 under Letter Tai-Tsai-Rong No. 85546025. TSKCB acquired its company license from the Ministry of Economic Affairs on December 31, 1996 and operating permit from the Ministry of Finance on January 1, 1997. TSKCB is engaged in the banking business approved by the Banking Act of the Republic of China (ROC) and other services approved by the relevant authorities, and TSKCB had 103 branches as of December 31, 2020, including the business department, trust departments, foreign exchange transaction department, and an offshore banking branch in Taiwan.

MasterLink Securities Corp. (MLSC) was established by the approval of the Ministry of Economic Affairs on March 23, 1989 and started operations on May 29, 1989, and the shares of MLSC have been listed on the TWSE since September 16, 2002. MLSC is mainly engaged in securities brokering, underwriting, processing of share registration matters, futures brokering, futures dealing services, security transfer services and other services approved by the authorities. As of December 31, 2020, MLSC had 47 branches.

On September 24, 2009, the board of directors resolved on behalf of the shareholders the dissolution date of SKSC as of January 5, 2010. On March 12, 2020, the liquidation procedures of SKSC were completed.

SKITC is mainly engaged in negotiable securities investment trust, securities and investment advisory business, carte blanche investment, concurrent future trust business and other services approved by the Securities and Futures Bureau of the Financial Supervisory Commission (FSC). On October 9, 2006, SKITC merged with New Light Asset Management Co., Ltd., and SKITC was the surviving company.

Shin Kong Venture Capital International Co., Ltd. (SKVIC) was established on April 20, 2011. SKVIC is mainly engaged in the venture capital business. SKVIC established Lion Investment (Samoa) Co., Ltd. on May 11, 2011.

Shin Kong Property Insurance Agency Co., Ltd. (SKPIAC) is engaged in the business of property and casualty insurance.

Taiwan Shin Kong Insurance Brokerage Co., Ltd. (TSKIBC), formerly known as Shin Kong Insurance Brokerage Co., Ltd. (SKIBC), is engaged in the property and casualty insurance and life insurance brokerage business. On August 31, 2006, SKIBC merged with TSKIBC, and SKIBC was the surviving company and was renamed into TSKIBC. On March 14, 2014, TSKIBC was resolved to dissolution by the board of directors on behalf of the shareholders on March 29, 2014. On July 24, 2019, the liquidation process of TSKIBC was completed.

Shin Kong Life Real Estate Service Company (SKLRESC) was established on July 12, 1988 and obtained operating permit on August 17, 1988. SKLRESC is mainly engaged in management services, sanitary services, repair and maintenance of utilities equipment, commerce and installation of water-proof, burglarproof, and fire alarm equipment, commerce and installation of car parking equipment, operation of parking lots, housing brokerage, and real estate business management.

Shin Fu Insurance Agency Co., Ltd. (SFIAC, originally named Shin Kong Life Insurance Agency Co., Ltd.), is engaged in the life insurance agency business.

Shin Kong Marketing Consultant Co., Ltd. (SKMC) is mainly engaged in consulting services for loan market, investment advisory, credit services, human resource allocation, agency services, data processing services, information software services, electronic information supply services, general advertising services and non-store retailing.

Shin Kong Leasing (Suzhou) Co., Ltd. (SKLSC) was established on September 15, 2011. SKLSC is mainly engaged in the financial leasing business.

## **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company's board of directors on February 26, 2021.

## **3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

### **a. Initial application of new accounting policies**

The management of the Company and entities controlled by the Company (collectively, the "Group") considered that the investment properties under fair value model can provide reliable and more relevant information. Therefore, on May 22, 2020, the Company's board of directors resolved to change the Group's accounting policy for investment properties effective January 1, 2020. Under the new accounting policy, investment properties are subsequently measured using the fair value model, and a special reserve shall be appropriated in accordance with Rule No. 10310000140 issued by the FSC.

The impact on the current year is set out as follows:

	<b>December 31, 2020</b>
	<b>Investment Properties under the Fair Value Model - Adjustments</b>
<b>Impact on Assets, Liabilities and Equity</b>	
Increase in investment properties	\$ 51,974,966
Increase in property and equipment - net	164,070
Decrease in right-of-use assets	(2,164)
Increase in deferred tax assets	<u>11,242</u>
Total effect on assets	<u>\$ 52,148,114</u>
Increase in deferred tax liabilities	<u>\$ 6,381,103</u>
Total effect on liabilities	<u>\$ 6,381,103</u>
Increase in retained earnings	\$ 45,598,155
Increase in other equity	<u>168,856</u>
Total effect on equity	<u>\$ 45,767,011</u>
	<b>Investment Properties under the Fair Value Model - Adjustments</b>
	<b>For the Year Ended December 31, 2020</b>
<b>Impact on Total Comprehensive Income</b>	
Increase in gain on investment properties	\$ 2,163,067
Decrease in depreciation and amortization expenses	1,218,391
Increase in income tax expense	<u>(318,885)</u>
Increase in net profit for the year	<u>3,062,573</u>
Gain on property revaluation	90,879
Income taxes related to gains on property revaluation	<u>(12,273)</u>
Increase in other comprehensive income for the year, net of tax	<u>78,606</u>
Increase in total comprehensive income for the year	<u>\$ 3,141,179</u>
Increase in net profit attributable to:	
Owners of the Company	\$ 3,062,573
Non-controlling interests	<u>-</u>
	<u>\$ 3,062,573</u>

(Continued)

	<b>Investment Properties under the Fair Value Model - Adjustments</b>
	<b>For the Year Ended December 31, 2020</b>
<b>Impact on Total Comprehensive Income</b>	
Increase in total comprehensive income attributable to:	
Owners of the Company	\$ 3,141,179
Non-controlling interests	<u>-</u>
	<u>\$ 3,141,179</u>
Increase in basic earnings per share	<u>\$0.24</u>
Increase in diluted earnings per share	<u>\$0.23</u>
	(Concluded)

The impact on the prior year is set out as follows:

<b>Impact on Assets, Liabilities and Equity</b>	<b>As Originally Stated</b>	<b>Investment Properties under the Fair Value Model - Adjustments</b>	<b>Restated</b>
<u>December 31, 2019</u>			
Investment properties	\$ 128,028,117	\$ 48,482,294	\$ 176,510,411
Property and equipment - net	31,850,554	182,240	32,032,794
Deferred tax assets	<u>17,203,608</u>	<u>15,366</u>	<u>17,218,974</u>
Total effect on assets	<u>\$ 177,082,279</u>	<u>\$ 48,679,900</u>	<u>\$ 225,762,179</u>
Deferred tax liabilities	<u>\$ 5,146,890</u>	<u>\$ 6,054,068</u>	<u>\$ 11,200,958</u>
Total effect on liabilities	<u>\$ 5,146,890</u>	<u>\$ 6,054,068</u>	<u>\$ 11,200,958</u>
Retained earnings	\$ 16,852,797	\$ 42,535,582	\$ 59,388,379
Other equity	<u>12,035,516</u>	<u>90,250</u>	<u>12,125,766</u>
Total effect on equity	<u>\$ 28,888,313</u>	<u>\$ 42,625,832</u>	<u>\$ 71,514,145</u>
			(Continued)

<b>Impact on Assets, Liabilities and Equity</b>	<b>As Originally Stated</b>	<b>Investment Properties under the Fair Value Model - Adjustments</b>	<b>Restated</b>
<u>January 1, 2019</u>			
Investment properties (Note 1)	\$ 122,823,147	\$ 45,211,479	\$ 168,034,626
Deferred tax assets	<u>18,954,916</u>	<u>17,517</u>	<u>18,972,433</u>
Total effect on assets	<u>\$ 141,778,063</u>	<u>\$ 45,228,996</u>	<u>\$ 187,007,059</u>
Deferred tax liabilities	<u>\$ 3,708,157</u>	<u>\$ 5,964,402</u>	<u>\$ 9,672,559</u>
Total effect on liabilities	<u>\$ 3,708,157</u>	<u>\$ 5,964,402</u>	<u>\$ 9,672,559</u>
Retained earnings	\$ (672,681)	\$ 39,264,594	\$ 38,591,913
Other equity (Note 2)	<u>(17,930,331)</u>	<u>-</u>	<u>(17,930,331)</u>
Total effect on equity	<u>\$ (18,603,012)</u>	<u>\$ 39,264,594</u>	<u>\$ 20,661,582</u> (Concluded)

<b>Impact on Total Comprehensive Income</b>	<b>As Originally Stated</b>	<b>Investment Properties under the Fair Value Model - Adjustments</b>	<b>Restated</b>
<u>For the year ended December 31, 2019</u>			
Gain on investment properties	\$ 3,861,956	\$ 2,204,745	\$ 6,066,701
Depreciation and amortization expenses	(2,987,134)	1,134,336	(1,852,798)
Income tax revenue	<u>1,339,858</u>	<u>(68,093)</u>	<u>1,271,765</u>
Total effect on net profit for the year	<u>2,214,680</u>	<u>3,270,988</u>	<u>5,485,668</u>
Gain on property revaluation	-	113,974	113,974
Income taxes related to gains on property revaluation	<u>(1,011,377)</u>	<u>(23,724)</u>	<u>(1,035,101)</u>
Total effect on other comprehensive income for the year, net of tax	<u>(1,011,377)</u>	<u>90,250</u>	<u>(921,127)</u>
Total effect on total comprehensive income for the year	<u>\$ 1,203,303</u>	<u>\$ 3,361,238</u>	<u>\$ 4,564,541</u>
Impact on net profit attributable to:			
Owners of the Company	\$ 2,214,680	\$ 3,270,988	\$ 5,485,668
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,214,680</u>	<u>\$ 3,270,988</u>	<u>\$ 5,485,668</u> (Continued)

<b>Impact on Total Comprehensive Income</b>	<b>As Originally Stated</b>	<b>Investment Properties under the Fair Value Model - Adjustments</b>	<b>Restated</b>
Impact on total comprehensive income attributable to:			
Owners of the Company	\$ 1,203,303	\$ 3,361,238	\$ 4,564,541
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,203,303</u>	<u>\$ 3,361,238</u>	<u>\$ 4,564,541</u>
Impact on earnings per share:			
Basic	<u>\$1.34</u>	<u>\$0.27</u>	<u>\$1.61</u>
Diluted	<u>\$1.28</u>	<u>\$0.25</u>	<u>\$1.54</u>
			(Concluded)

Note 1: The amount originally stated on January 1, 2019 includes the impact of the initial application of IFRS 16 on the assets, liabilities and equity. The relevant adjustments are as follows:

	<b>As Originally Stated</b>	<b>Investment Properties under the Fair Value Model - Adjustments</b>	<b>Restated</b>
<u>January 1, 2019</u>			
Right-of-use assets	\$ -	\$ 5,190,933	\$ 5,190,933
Investment properties	110,484,998	12,338,149	122,823,147
Other assets	<u>32,991,324</u>	<u>(10,598,526)</u>	<u>22,392,798</u>
Total effect on assets	<u>\$ 143,476,322</u>	<u>\$ 6,930,556</u>	<u>\$ 150,406,878</u>
Lease liabilities	<u>\$ -</u>	<u>\$ 6,930,556</u>	<u>\$ 6,930,556</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 6,930,556</u>	<u>\$ 6,930,556</u>

Note 2: On January 1, 2019, investment properties were measured by fair value. Due to the large number of properties considered, retrospective calculation is not feasible in practice. Therefore, the fair value of investment properties on January 1, 2019 is adopted as the initial classification of the fair value model measurement, and the number of the impact on other equity at the beginning of the year before the change year is zero.

- b. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

- c. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

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

“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

Hedging accounting

The amendments provide the following temporary exceptions to hedging relationships that are subject to the reform:

- 1) The changes to the hedging relationship that are needed to reflect changes required by the reform are treated as a continuation of the existing hedging relationship, and do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship.

- 2) If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.
- 3) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- 4) An entity should allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and should designate the hedged benchmark rate separately.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

d. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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 IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	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 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated.

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

3) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10 %. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

4) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

5) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group will restate its comparative information when it initially applies the aforementioned amendments.

6) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Group will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of the initial application.

7) IFRS 17 “Insurance Contracts”

IFRS 17 sets out the accounting standards for insurance contracts that will supersede IFRS 4. The main standards and relevant amendments of IFRS 17 are as follows:

Level of aggregation

IFRS 17 requires the Group to identify portfolios of insurance contracts, which comprise contracts that are subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. Each portfolio of insurance contracts issued shall be divided into a minimum of:

- a) A group of contracts that are onerous at initial recognition;
- b) A group of contracts that at initial recognition that has no significant possibility of becoming onerous;
- c) A group of the remaining contracts in the portfolio.

The Group is not permitted to include contracts issued more than one year apart in the same group.

### Recognition

The Group shall recognize a group of insurance contracts arising from the earliest of the following:

- a) The beginning of the coverage period of the group of contracts;
- b) The date when the first payment from a policyholder in the group becomes due; and
- c) For a group of onerous contracts, when the group becomes onerous.

### Measurement

The Group shall include all the future cash flows within the boundary of each contract in the Group. The fulfilment cash flows comprises the estimates of future cash flows, an adjustment to reflect the time value of money, and a risk adjustment for non-financial risk. The contractual service margin represents the unearned profit of a group of insurance contracts that the Group will recognize as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- a) The initial recognition of an amount for the fulfilment cash flows;
- b) Any cash flows arising from the contracts in the group at that date.
- c) The derecognition at the initial recognition date of the following:
  - i. Any assets or liabilities recognized for acquisition of cash flows from insurance; and
  - ii. All other assets or liabilities previously recognized for cash flows related to the group of contracts.

### Subsequent measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future services and the contractual service margin of the group at that date. On subsequent measurement, if a group of insurance contracts becomes onerous or more onerous, that excess shall be recognized in profit or loss.

### Onerous contracts

An insurance contract is onerous at initial recognition if the total of the fulfilment cash flows allocated, any previously recognized acquisition cash flows and any cash flows arising from the contract at that date are a net outflow. The Group shall recognize a loss in profit or loss for the net outflow in profit and loss, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the contractual service margin of the group being zero. The contractual service margin cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss as part of a service expense.

### Premium allocation approach

The Group may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on one of the conditions that, at the inception of the group:

- a) The Group reasonably expects that this will be a reasonable approximation of the general model, or
- b) The coverage period of each contract in the group is one year or less.

At the inception of the group, if the Group expects significant variances in the fulfilment cash flows during the period before a claim is incurred, such contracts are not eligible for the application of the PAA.

When using the PAA, the liability for remaining coverage shall be initially recognized as the premiums:

- a) Received at initial recognition;
- b) Minus any insurance acquisition cash flows at that date;
- c) The derecognition at the initial recognition date of the following:
  - i. Any assets or liabilities recognized for acquisition of cash flows from insurance; and
  - ii. All other assets or liabilities previously recognized for cash flows related to the group of contracts.

Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortization of acquisition cash flows, minus the amount recognized as insurance revenue for service provided in that period, and minus all investment components paid or transferred to the liability for incurred claims.

### Investment contracts with discretionary participation features

An investment contract with discretionary participation features is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of the standard only if the issuer also issues insurance contracts. The requirements of the standard are modified for such investment contracts.

### Modification and derecognition

If the terms of an insurance contract are modified, the Group shall derecognize the original contract and recognize the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The Group shall derecognize an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

### Transition

The Group shall apply the standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilize reasonable and supportable information and maximize the use of information that would have been used to apply a full retrospective approach, but only needs to use available information without undue cost or effort. The Group shall apply fair value approach if reasonable and supportable information is unavailable.

Under the fair value approach, the Group determines the contractual service margin at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

#### 8) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

#### 9) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Statements by Insurance Companies, Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Statements by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and IFRSs as endorsed and issued into effect by the FSC.

##### **Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values, investment properties, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c. Level 3 inputs are unobservable inputs for the asset or liability.

##### **Classification of Current and Non-current Assets and Liabilities**

The assets and liabilities in the consolidated financial statements are classified according to the nature of each account and stated in the order of their liquidity rather than divided into current or noncurrent accounts.

##### **Basis of Consolidation**

- Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 16 and Table 4 following these notes to consolidated financial statements for the detailed information of subsidiaries, including the percentage of ownership and main business.

### **Foreign Currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

### **Investment in Associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method to account for its investments in associate.

Under the equity method, an investment in an associate and joint venture is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates and joint ventures. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate are not related to the Group.

### **Property and Equipment**

Property and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Properties and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

### **Investment Properties**

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Investment properties acquired through leases are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received.

From January 1, 2020 all investment properties are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Investment properties under construction, of which the fair value is not reliably measurable, are measured at cost less accumulated impairment loss until such time as either the fair value becomes reliably measurable or construction is completed (whichever comes earlier).

For a transfer of classification from investment properties to property, and equipment, the deemed cost of an item of property for subsequent accounting is its fair value.

For a transfer of classification from property, equipment and right-of-use assets to investment properties, any difference between the fair value of an item of property at the transfer date and its previous carrying amount is recognized in other comprehensive income.

The sale of land or houses is not part of the normal business activities of the amalgamating company. The houses acquired in exchange for land in accordance with the joint construction contract are classified as investment properties, and the exchange gains and losses are not recognized at the time of exchange, and when they meet the conditions for classification as pending sale under IFRS 5, they are classified as assets for sale.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

### **Goodwill**

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### **Intangible Assets**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. Any changes in estimates are accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

### **Impairment of Investment Properties (Measured at Cost Less Accumulated Depreciation and Accumulated Impairment Loss), Property, Equipment, Right-of-use Assets, Tangible and Intangible Assets Other Than Goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its investment properties (measured at cost less accumulated depreciation and accumulated impairment loss) property, equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the Corporate assets can be allocated to the individual cash-generating units, allocated on a reasonable and consistent basis; otherwise, allocated to the smallest group of cash-generating units.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **Assets Held for Sale**

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

## **Financial Instruments**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

### **a. Financial assets**

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

#### **1) Measurement categories**

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, investments in debt instruments measured at fair value through other comprehensive income, and investments in equity instruments measured at fair value through other comprehensive income.

##### **a) Financial assets at FVTPL**

A financial assets is classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or loss. Fair value is determined in the manner described in Note 52.

### Overlay approach

In order to reduce the accounting mismatch when IFRS 9 is applied on a date earlier than IFRS 17, the Group chose to adopt the overlay approach from IFRS 4 and reclassified the fair value changes of FVTPL from profit or loss to other comprehensive income. Disposal gains and losses are still expressed in profit or loss.

Financial assets using the overlay method must meet the following conditions at the same time:

- i. Holding is related to IFRS 4
  - ii. Under IFRS 9, the holding is measured at fair value through profit or loss but under IAS 39, the holding is not measured at a fair value through profit and loss; and
  - iii. Initial application of IFRS 9, designated the use of the overlay approach; new assets designated or meet the conditions.
- b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and loans, net, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

The Group classifies time deposits that can be converted into cash at any time within 12 months of the contract period and with low risk of value changes as cash equivalents. Cash equivalents include time deposits and notes and bonds purchased under resale agreements with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

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

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. For financial instruments and contract assets, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

SKLIC evaluate the collectability of credit assets based on the financial conditions of the borrowers and the payments of principal or interests as well as the values of specific loan collateral assessed by the companies according to the conditions of the collaterals and the length of time overdue, in accordance with Regulation Governing the Procedures for Insurance Companies to Evaluate Assets and Deal with Nonperforming/Non-accrual Loans

Credit assets are classified into five categories as normal (category 1), those require special mention (category 2), substandard (category 3), doubtful (category 4), and losses (category 5), with the minimum loan loss provision and guarantee reserve as the sum of 2%, 10%, 50% and 100% of category 2-5 of unsound credit assets, respectively. Besides, additional allowance for doubtful accounts should be provided as 0.5% of normal credit assets excluding policy loans, premium loans and loans to government institutions. In addition to the aforementioned assessment, and in accordance with the FSC letter No. 10402506096, in order to strengthen the insurance industry's ability to bear the losses of certain loan assets, the allowance for bad debts should be at least 1.5%. Allowance for doubtful accounts estimated under the FSC regulations or the expected credit loss assessment results, whichever is higher, is recognized as the amount of allowance for losses.

TSKCB evaluate the collectability of credit assets based on the financial conditions of the borrowers and the payments of principal or interests as well as the values of specific loan collateral assessed by the companies according to the conditions of the collaterals and the length of time overdue Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrual Loans issued by the FSC.

TSKCB provides allowance of doubtful accounts at least 1% of total loans according to the Rule No. 10010006830 issued by the Bank Bureau. The allowance of doubtful accounts for property loan should be reserved at least 1.5% according to Rule No. 10300329440 issued by the Bank Bureau. Allowance for doubtful accounts estimated under the rules of the Bank Bureau or the expected credit loss assessment results, whichever is higher, is recognized as the amount of allowance for losses.

Credit assets deemed uncollectible are written off after the approval of the board of directors.

### 3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

### 4) Offset of financial instruments

Financial assets and financial liabilities can be offset and expressed as a net amount in the consolidated balance sheet only when the following conditions meet at the same time:

- a) There is currently a legally enforceable right to offset the recognized amounts,
- b) When the intention is to settle on a net basis, or to realize assets and repay liabilities at the same time.

### b. Equity instruments

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

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### c. Financial liabilities

#### 1) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

##### a) Financial liabilities at FVTPL

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability.

A financial liability may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which does not incorporate any interest or dividends paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 52.

b) Financial guarantee contracts

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of:

- i. The amount of the loss allowance reflecting expected credit losses; and
- ii. The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and foreign exchange options.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

e. Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

### **Margin Trading, Short Sale and Re-financing for Security Business**

The Group recognizes margin loans receivable while providing financing to investors. Margin loans made by the Group are collateralized by securities purchased using the margin loans. These collateralized securities are only recorded in memorandum instead of statutory accounts. After the security investors settle the margin loan, these pledged securities are returned to investors.

If there is a need for funds while the Group providing financing to investors, it will transfer the borrowing money from the other securities lenders, and recognize refinancing collateral payable. Refinancing collateral payable made by the Group are collateralized by securities purchased using the refinancing collateral payable.

Margin loans receivable will be reclassified to overdue receivables when the investors' margin ratio is lower than the prescribed rate and the balance of margin loans has not been repaid within the time limit. If the securities purchased using the margin loans cannot be sold, the margin loans will be reclassified to other receivables or overdue receivables.

The Group receives deposits from security investors for providing short sale services to investors. The deposits are recorded as deposits on short sale transactions. The lending of securities to clients as short sale are recorded in memorandum. The amounts collected from short selling of securities (net of brokerage fee, handling fee and securities transaction tax) are kept by the Group as collateral and recorded as payable for short sale transactions. The deposits and payable for short sale are returned to security investors after investors settle the short sale transactions.

The Group borrows securities from other securities lenders when the Group does not have sufficient securities to conduct securities trading, for which the deposits paid are recorded as refinancing margins, and the related amounts for sales of borrowed securities collected from clients are collateralized to the securities lenders and recorded as refinancing deposits receivable.

The Group recorded the receivables from security investors in the security business as accounts receivable, and recorded receivables from money lending - any use as receivable of money lending - any use with allowance for doubtful accounts based on their collectability on the balance sheet date. The collaterals received in the security business are recorded in the memorandum. The fee income collected from customers is recorded as handling fee revenue.

The securities collateral received in the security business are only recorded in memorandum instead of statutory accounts; cash collaterals are recorded as securities lending refundable deposits. The security deposit pay to TWSE for borrows securities are recorded as security borrowing margin. The deposits for securities financing paid for securities borrowing due to the need to issue warrants and the need to hedge the trading of options are recorded as security borrowing collateral price. And the security deposit are recorded as security borrowing margin.

Securities lending refundable deposits and borrowing margin are paid or returned when the securities were returned. The proceeds from security lending and processing fee are recorded as security lending income.

### **Separate Accounts**

The Group sells investment type insurance policies. The insurance premiums paid by policyholders, net of several expenses of the insurance companies, according to agreed terms are invested in separate accounts at allocation agreed with or directed by the policyholders. The value of the separate-account assets on the valuation date is measured in accordance with the related regulations and model of accounting policy for life insurance industry.

The assets and liabilities of separate accounts, which are generated either from insurance contracts or from insurance contracts with features of financial instrument, are recorded in assets on insurance products - separate accounts and liabilities on insurance products - separate accounts. The revenues and expenses of separate accounts, which represent income and expenses, pursuant to IFRS 4 "Insurance Contracts", are recorded in income on insurance products - separate accounts and disbursements on insurance products - separate accounts.

### **Insurance Liability Reserves**

SKLIC provides reserve for insurance products and financial instruments with discretionary participation features pursuant to the Regulations Governing Calculation of Various Reserves for Operations, which are attested by actuaries accredited by the FSC. Except that the provision for short-term group insurance should be based on premium income received according to Tai-Tsai-Bao No. 852367814, other provision methodology is stated as follows:

a. Reserve for unearned premiums

Reserve for unearned premiums of effective policies with a term less than one year and of accident insurance with a term exceeding one year is provided by policy type according to the risk for the remaining policy period.

b. Reserve for claim payments

Reserve for claim payments is for claims which are reported but not yet paid and incurred but not yet reported. Reserve for claim payments reported but not yet paid is provided by case based on actual data. Reserve for claim payments incurred but not yet reported is provided as follows:

- 1) Health insurance and life insurance with a term less than one year is provided by insurance based on past claims experience and expenses in accordance with actuarial principle, such as loss triangle; and
- 2) Accident insurance is provided by insurance based on past claims experience and expenses in accordance with actuarial principle, such as loss triangle.

c. Reserve for life insurance liability

Reserve for life insurance liability is provided according to modified standards stated by Article 12 of the Regulations Governing Calculation of Various Reserves for Operations and other calculation descriptions of insurance product reported to and approved by authorities, based on the mortality table and projected interest rate in effect at the time when each insurance product is reported to and approved by the authorities.

For the effective policies whose policy dividends are applicable to the dividends formula of Tai-Tsai-Bao No. 800484251, the amount of decrease in dividends due to the netting-off of gain and loss from mortality margin and from interest margin in the current period should be provided in the reserve for life insurance liability of long-term effective policies.

If the investment properties are recognized under the fair value model, the subsequent measurement of insurance liabilities shall be evaluated in accordance with the fair value evaluation conditions of the liabilities designated by the FSC each year. If the fair value of insurance liabilities exceeds the amount recognized in the account, a reinforcement plan shall be submitted. If the reinforcement plan includes a reserve amount, the increased amount shall be included in the liability reserve and the retained earnings shall be reduced. SKLIC has changed the accounting policy for subsequent measurement of investment properties from the cost model to the fair value model since 2020. For information on insurance liabilities assessed in accordance with regulations, please refer to Note 33.

d. Special reserve for life insurance

The Group sells participating life insurance. According to related regulations, at annual closing, special reserve for participating policy dividends should be provided according to income before tax of participating life insurance business each year, which is calculated based on Expenses and Revenues Allocation Principles of Participating and Nonparticipating Life Insurance reported to authorities, and should be reversed on declaration date. If the balance of special reserve for participating policy dividends is negative, special reserve for dividend risks should be provided in equal amount.

SKLIC measured investment properties at fair value according to Article 32 of Regulations Governing the Preparation of Financial Statements by Insurance Companies, and the surplus should be first offset by the negative effect of other accounts due to first-time adoption of IFRSs and then provided as a special reserve for insurance liabilities as of the date of transition to IFRSs. Please refer to Note 35.

e. Reserve for insufficient premiums

New life insurance, health insurance and annuity policies written since 2001, with terms exceeding one year and with premiums lower than the corresponding liability reserve required by regulations, are subject to reserve for insufficient premiums, and the amount by which the premium falls short of the liability reserve is provided as reserve for insufficient premiums.

In addition, valid contract that has not yet expired for a period of less than 1 year and for injury insurance with an insurance period of more than one year, the indemnity and expenses that may occur in the future should be assessed. If the assessed amount exceeds the reserve for unearned premiums recognized and premiums income in the future, the difference should be recognized in the reserve for insufficient premiums by each insurance category.

f. Liability adequacy reserve

Liability adequacy reserve is based on the result of liability adequacy test according to IFRS 4.

g. Reserve for Changes in Foreign Exchange Valuation

The reserve for changes in foreign exchange valuation is provided for by life insurance companies to manage the foreign exchange risk, lower cost and strengthen solvency. SKLIC provides this reserve according to Article 23-1 of Regulations Governing Calculation of Various Reserves for Operations for its foreign investment assets.

### **Liability Adequacy Test**

Liability adequacy test is performed in accordance with IFRS 4. The adequacy test of insurance liabilities is applied to recognize insurance liabilities based on current estimates of future cash flows from insurance policies. If the insurance liabilities are insufficient, the deficiency should be recognized as liability adequacy reserve.

### **Customers' Margin Accounts and Futures Customers' Equity**

#### Customers' margin accounts

The Group receiving margin deposits from customers for futures transactions as requirements is in accordance with the regulations. Customers' margin account balances are calculated daily by marking to market the open positions of each customer and determining the required margin levels, recognized as current assets in the balance sheet.

#### Futures customers' equity

Margin deposits received from customers for futures transactions and futures customers' equity are calculated daily by marking to market, and recognized as current liabilities in the balance sheet. Futures customers' equity cannot be offset unless these accounts pertain to the same customers. The debit balance of "futures customers' equity", which results from losses on futures transactions in excess of the margin deposits, is recorded as "futures commission merchant receivable".

### **Revenue Recognition**

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

a. Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

b. Service fee and commission income

The transaction price of service fee revenue and expense which are generated from loans and other services will be allocated to performance obligations when the performance obligations are identified from customer contracts by the Group, and revenue will be recognized when all the performance obligations have been fulfilled. For contracts where the difference in timing between the service rendered and receipt of payment is within a year, the transaction price will not be adjusted.

c. Brokerage, underwriting, registrar and consulting revenue

These kinds of services belong to stand-alone pricing or negotiation services. The Group provide services based on number of times services are provided and recognizes revenue when performance obligations are satisfied at some point in time.

### **Classification of Insurance Products**

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The Group identifies significant insurance risk as significant extra payments incurred only if there is an insured event, and excluding the circumstances without commercial substance (that is, the economic effect is small).

Insurance contract with the nature of financial instruments is a contract that makes the contract issuer exposed to financial risk and without significant insurance risk. Financial risk is the risk that one or multiple interest rates, the price of financial instruments, commodity price, exchange rate, price index, insurance premium index, credit ratings, credit index or other variables (if it is a non-financial variable, it has to be non-specific to both parties) will change in the future.

The policy that initially met the definition of insurance contract remains an insurance contract until all of the rights and obligations expire, even though the insurance risk has been significantly reduced through the duration of insurance. However, if significant insurance risk of the insurance contract with the nature of financial instruments is transferred to the Group afterwards, it shall be reclassified into insurance contract.

Insurance contracts whether or not with the nature of financial instruments can also be classified as whether or not with discretionary participation feature. Discretionary participation feature is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits:

- a. That is likely to be a significant portion of the total contractual benefits;
- b. Whose amount or timing is contractually at the discretion of the issuer; and
- c. That is contractually based on:
  - 1) The performance of a specified pool of contracts or a specified type of contract;
  - 2) Realized and/or unrealized investment returns on a specified assets held by the Group; or
  - 3) The profit or loss of the Group, fund or other entity that issues the contract.

An embedded derivative shall be separated from its host contract and accounted for as a derivative when (1) the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract; (2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (3) the entire instrument is not measured at fair value with changes in fair value recognized in the income statement.

## Reinsurance

In order to limit potential losses from certain risk events, the Group enters into reinsurance agreements with the reinsurers according to its business needs and related insurance regulations. The Group cannot refuse to perform the obligations to the insured on the ground the reinsurers has failed to fulfill their obligations.

The Group's rights to the reinsurers, including reinsurance assets, claims recovered from reinsurers, and net due from reinsurers and ceding companies, are required to be tested for impairment testing on a regular basis. An impairment loss is recognized when there is objective evidence that an event happens after initial recognition causing the Group to be unable to collect receivables as stated in contract and the irrecoverable amount can be reliably measured. The difference between the recoverable amount and the book value of the underlying right is recognized as an impairment loss.

The reinsurance contract is classified by whether or not the Group transfers significant insurance risk to the reinsurers. If significant insurance risk is not transferred, the contract should apply deposit accounting.

For the reinsurance contract with significant insurance risk transferred, if the Group can evaluate the deposit component individually, the insurance component and the deposit component are unbundled separately. That is, the difference between the contract consideration the Group receives or pays and the amount of the insurance component is recognized as financial liabilities or assets instead of revenues or expenses. The financial assets or liabilities are recognized and measured at fair value, which is based on the discounted value of future cash flows.

## Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

### a. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

For a lease modification that is not accounted for as a separate lease, if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease and measures the carrying amount of the underlying asset as the finance lease receivables immediately before the effective date of the lease modification. Other lease modifications are accounted for by adjusting the finance lease receivables in accordance with IFRS 9.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets, except for those that meet the definition of investment properties. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to Note 4 (investment properties) for the accounting policies for investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in

an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease substantially less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to lease contracts, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability. For other rent concessions with no practical expedient applied, the Group still has to assess whether to account for the rent concessions as lease modifications.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

### **Employee Benefits**

#### **a. Short-term employee benefits**

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

#### **b. Retirement benefits**

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plan or reductions in future contributions to the plan.

#### **c. Other long-term employee benefits**

Other long-term employee benefits are accounted for in the same way as the accounting required for the defined benefit plan except that remeasurement is recognized in profit or loss.

d. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

### **Share-based Payment Arrangements**

- Equity-settled share-based payment arrangements granted to employees and others providing similar services

The fair value at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

The grant by the Company of its equity instruments to the employees of a subsidiary under equity-settled share-based payment arrangements is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry-forwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that

there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

The Company and its subsidiaries which the Company holds more than 90% of the outstanding shares adopted the accounting treatment of the consolidated income tax return. The difference in current income tax and deferred income tax between the consolidated income tax return and the sum of income tax of the subsidiaries included in the consolidated tax returns is considered as the Company's income tax adjustment. Any distribution of cash payments and receipts among the consolidated group members is recorded as a receivable or payable.

### **Securities Purchased/Sold Under Resale/Repurchase Agreements**

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on resale agreements or interest incurred on repurchase agreements is recognized as interest revenue or interest expense over the life of each agreement.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Valuation of reserve for life insurance liability and liability adequacy test

Management adopts actuarial models and several significant assumptions for estimating the reserve for life insurance liability and the reserve for liability adequacy. Judging the reserve for life insurance liability involves significant assumptions, which include the mortality rate, discount rate, lapse rate, morbidity rate, etc. The setup of assumptions are based on legislation, regulations, knowledge of the Group's actual experience and industry-specific experience. The tests performed in respect of the reserve for liability adequacy on insurance contracts are in accordance with regulations enacted by the Actuarial Institute of the Republic of China, and the setup of future test discount rates accounts for the Group's best estimate scenario as well as the rate of portfolio return under the current information.

The management examines these estimates continuously and made adjustments when necessary, but actual results may differ from these estimates.

b. Valuation of investment properties and financial instruments at fair value through profit or loss or other comprehensive income by valuation models with no quoted price in active markets

Where some of the Group's assets measured at fair value have no quoted prices in active markets, the Group determines the appropriate valuation techniques for the fair value measurements and whether engage third-party qualified valuers according to relevant regulations or judgements.

Where Level 1 inputs are not available, the Group and real estate appraiser will engage valuers to determine the appropriate inputs by referring to the analyses of the financial status and operating results of the investee, the latest transaction price, the quotation of the same equity instrument in the inactive market, the quotation of similar instruments in the active market, the evaluation multiplier of comparable companies, the interest rate of the bond market, the existing lease contracts and neighboring rent prices. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly. The Group and real estate appraiser updates inputs every quarter to confirm the appropriateness of the fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 18 and 52.

c. Estimated impairment of financial assets

The provision for impairment of notes discounted and loans, trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 52. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 3,763,411	\$ 5,563,487
Checking accounts and demand deposits	37,001,796	62,994,803
Time deposits with original maturities not exceeding three months	82,914,517	131,154,635
Checks for clearing	1,310,731	1,024,574
Cash equivalents	2,455,522	1,554,297
Less: Guarantee deposits paid	<u>(393,863)</u>	<u>(393,863)</u>
	<u>\$ 127,052,114</u>	<u>\$ 201,897,933</u>

The interest rate intervals of time deposits with original maturities not exceeding three months at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Time deposits (domestic and foreign)	0.06%-2.50%	0.07%-2.70%

## 7. DUE FROM CENTRAL BANK AND OTHER BANKS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Checking account reserve	\$ 14,568,197	\$ 20,774,768
Demand account reserve	22,558,202	20,046,149
Inter-bank clearing account	2,000,974	1,206,406
Foreign currency deposit reserve	133,988	112,897
Due from banks	<u>12,331,294</u>	<u>9,661,298</u>
	<u>\$ 51,592,655</u>	<u>\$ 51,801,518</u>

The deposit reserves, which are calculated by multiplying the average monthly balances of all deposit accounts by the legally required ratio, are kept in the Central Bank of China. Among the above reserves, the demand account reserve can be used only for the monthly adjustment of the deposit reserve, and other reserves can be used any time. In addition, on December 31, 2020, the Group used the demand account reserve of \$3,000,000 thousand to pay for the central bank's project financing deposit. Please refer to Note 42 for the details.

## 8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets mandatorily measured at FVTPL</u>		
Domestic investments		
Listed shares and emerging market shares	\$ 65,000,803	\$ 50,853,278
Unlisted shares	250,855	324,418
Beneficiary certificates	259,280,409	180,806,952
Corporate bonds and bank debentures	54,851,878	54,706,749
Government bonds	3,827,184	4,449,369
Commercial paper	24,356,153	11,602,387
Negotiable time deposits	87,343,938	77,056,297
Currency options	201,377	294,435
Currency swap contracts	14,979,993	10,272,103
Asset swap options	1,820,201	987,863
Equity swap contracts	29,520	88,619
Short-term notes	1,397,483	1,097,735
Others	<u>1,027,290</u>	<u>169,296</u>
	<u>514,367,084</u>	<u>392,709,501</u>
Foreign investments		
Listed shares	9,180,770	23,126,887
Beneficiary certificates	40,787,500	30,655,498
Bonds	17,328,771	24,597,787
Structured deposits	24,543	23,516
Foreign exchange forward contracts	3,924,898	4,078,291
Interest rate swap contracts	277,542	226,267
Asset swaps - linked corporate bonds	<u>2,217,544</u>	<u>903,398</u>
	<u>73,741,568</u>	<u>83,611,644</u>
	<u>\$ 588,108,652</u>	<u>\$ 476,321,145</u>
<u>Financial liabilities measured at FVTPL</u>		
Domestic investments		
Currency swap contracts	\$ 685,072	\$ 325,988
Currency options	201,382	294,435
Asset swap options	2,616,279	1,329,423
Borrowed securities payable - non-hedge	742,902	287,792
Borrowed securities payable - hedge	439,421	284,328
Interest rate swap contracts	265,327	228,469
Equity swap contracts	29,521	88,620
Share warrants liabilities, net	607,336	321,477
Put options liabilities - futures	43,394	35,332
Asset swap IRS contract value	196,818	155,527
Others	<u>453,074</u>	<u>535,222</u>
	<u>6,280,526</u>	<u>3,886,613</u>
Foreign investments		
Foreign exchange forward contracts	<u>1,629,546</u>	<u>113,603</u>
	<u>\$ 7,910,072</u>	<u>\$ 4,000,216</u>
<u>Financial liabilities designated as at FVTPL</u>		
Structured instrument notes - credit-linked	<u>\$ 1,668,033</u>	<u>\$ 1,503,421</u>

- a. As of December 31, 2020, SKLIC had committed amounts of private equity fund and infrastructure fund of \$11,409,781 thousand and \$3,615,427 thousand, respectively. The amounts transferred out were \$6,438,575 thousand and \$1,709,479 thousand, respectively, and were recorded as domestic beneficiary certificates and foreign beneficiary certificates, respectively.
- b. At the end of the reporting period, SKLIC's outstanding derivative instruments contracts (notional amount) were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Currency swap contracts	US\$ 19,922,000	US\$ 22,012,000
Foreign exchange forward contracts	US\$ 15,130,000	US\$ 12,795,000

SKLIC entered into derivative instruments during the years ended December 31, 2020 and 2019 to manage exposure to exchange rate and interest rate fluctuations. The financial risk management objective of SKLIC is to minimize risks due to changes in fair value or cash flows. SKLIC did not adopt hedge accounting for derivative instruments.

- c. SKLIC entered into trust agreements with Mega International Commercial Bank to invest in foreign securities in a prescribed manner. Furthermore, SKLIC reached a discretionary investment agreement with Asset Management One Hong Kong Ltd. ("AMO"), JP Morgan Asset Management Co., Ltd., Goldman Sachs Assets Management Co., Ltd., BlackRock Assets Management Co., Ltd., GAM Holding Ltd., Shin Kong Investment Trust Co., Ltd., Fuh Hwa Securities Investment Trust Co., Ltd., and MasterLink Securities Investment Advisory Co., Ltd. consigning these companies to invest in foreign securities.

As of December 31, 2020, the summary of the above-mentioned transactions was as follows:

	<b>Consigning Amount</b>	<b>Advanced to Consignee (Note 1)</b>
Mega International Commercial Bank	US\$2 billion	NT\$ 576,132 thousand
AMO		NT\$ 15,955 thousand (Note 3)
JP Morgan Asset Management Co., Ltd.		NT\$ 5,973 thousand (Note 2)
BlackRock Assets Management Co., Ltd.	US\$0.1 billion	NT\$ 1,982,806 thousand
GAM		NT\$ 11,003 thousand (Note 4)
Shin Kong Investment Trust Co., Ltd.	US\$1.5 billion	NT\$ 1,485,520 thousand
Fuh Hwa Securities Investment Trust Co., Ltd.	US\$1.5 billion	NT\$ 1,516,561 thousand
MasterLink Securities Investment Advisory Co., Ltd.	US\$1.5 billion	NT\$ 1,607,151 thousand

Note 1: The entrusted transactions include financial assets designated at FVTPL, financial assets designated at FVOCI, and financial assets measured at amortized cost.

Note 2: The Group terminated the discretionary investment agreement with JP Morgan Asset Management Co., Ltd. on March 16, 2016. As of December 31, 2020, the discretionary assets had not been settled.

Note 3: The Group terminated the AMO discretionary investment agreement on May 21, 2020, and the amount listed is the unsettled balance of the discretionary investment agreement as of December 31, 2020.

Note 4: The Group terminated the GAM discretionary investment agreement on December 2, 2020, and the amount listed is the unsettled balance of the discretionary investment agreement as of December 31, 2020.

- d. The Group's settled gain (loss), revaluation gain (loss), foreign currency assets exchange (loss) gain, and net changes of reserve for changes in foreign exchange valuation in relation to currency derivatives were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Currency derivatives		
Settled gain (loss)	\$ 27,113,780	\$ (18,464,306)
Evaluation gain (loss)	2,601,095	15,442,246
Foreign currency assets exchange gain (loss)	(72,634,569)	(32,073,952)
Net changes of reserve for changes in foreign exchange valuation	<u>(3,081,913)</u>	<u>2,655,944</u>
	<u>\$ (46,001,607)</u>	<u>\$ (32,440,068)</u>

- e. Since the application of IFRS 9 starting from January 1, 2018, the Group adopted at the same time the overlay approach of IFRS 4 "Insurance Contracts" for the presentation of profit or loss of designated financial assets.

The financial assets related to investment activities of issued insurance contracts that adopted the overlay approach were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets at fair value through profit or loss</u>		
Domestic listed shares and emerging market shares	\$ 59,131,311	\$ 47,487,351
Foreign shares	8,593,036	15,662,603
Domestic beneficiary certificates	210,050,453	151,612,316
Foreign beneficiary certificates	38,205,205	27,254,550
Domestic bank debentures	22,098,924	21,594,878
Foreign bank debentures	10,251,645	8,279,150

For the years ended December 31, 2020 and 2019, the amounts due to reclassification of profit or loss of financial assets (that adopted the overlay approach) - to other comprehensive income were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Gain under IAS 39	\$ 18,023,345	\$ 26,870,576
(Gain) loss under IFRS 9	<u>(22,601,407)</u>	<u>(48,309,388)</u>
(Loss) gain on reclassification based on the overlay approach	<u>\$ (4,578,062)</u>	<u>\$ (21,438,812)</u>

For the years ended December 31, 2020 and 2019, under adjustments based on the overlay approach, the gain of assets at FVTPL was reduced from \$53,201,778 thousand and 48,274,487 thousand to \$48,623,716 thousand and \$26,835,675 thousand, respectively.

- f. TSKCB entered into derivative instrument transactions in order to meet customer needs and for managing its foreign currency demand and risk control.

- g. MLSC entered into derivative instrument transactions with centralized market participants, hence, its liquidity risk is not high.
- h. As of December 31, 2020 and 2019, the Group's outstanding derivative contracts were summarized as follows:

	<b>(In Thousands)</b>
<b>December 31, 2020</b>	<b>Contract Amount</b>
Foreign exchange forward contracts	US\$ 15,130,000 NT\$ 1,659,542
Currency swap contracts	US\$ 19,922,000 NT\$ 67,147,003
Interest rate swap contracts value	NT\$ 19,700,000
Equity swap contracts	NT\$ 916,474
Currency options	NT\$ 3,060,564
Asset swap options	NT\$ 10,891,500
Interest rate swap contracts	NT\$ 60,285,074
Put options liabilities - futures	NT\$ 42,331
Structured instrument notes - credit linked	NT\$ 1,663,600
Call options - futures	NT\$ 18,534
Share index futures contracts	NT\$ 240,759

	<b>(In Thousands)</b>
<b>December 31, 2019</b>	<b>Contract Amount</b>
Foreign exchange forward contracts	US\$ 12,795,000 NT\$ 1,465,322
Currency swap contracts	US\$ 22,012,000 NT\$ 71,437,090
Foreign exchange swap contracts	US\$ 10,000
Interest rate swap contracts value	NT\$ 28,000,000
Equity swap contracts	NT\$ 1,657,619
Currency options	NT\$ 2,445,250
Asset swap options	NT\$ 9,651,700
Interest rate swap contracts	NT\$ 16,963,852
Put options liabilities - futures	NT\$ 45,770
Structured instrument notes - credit linked	NT\$ 1,501,900
Call options - futures	NT\$ 16,872
Share index futures contracts	NT\$ 108,260

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Investments in equity instruments at FVTOCI	\$ 171,073,746	\$ 213,103,195
Investments in debt instruments at FVTOCI	303,039,029	141,648,935
Less: Security for deposits paid (Note 22)	<u>(5,678,100)</u>	<u>(5,682,600)</u>
	<u>\$ 468,434,675</u>	<u>\$ 349,069,530</u>

a. Investments in equity instruments at FVTOCI

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Domestic investments		
Listed shares and emerging market shares	\$ 127,916,945	\$ 172,675,402
Unlisted shares	6,871,558	5,493,602
Preference shares	33,131,429	32,430,547
Real Estate Investment Trust	<u>63,635</u>	<u>-</u>
	<u>167,983,567</u>	<u>210,599,551</u>
Foreign investments		
Ordinary shares	892,617	218,255
Preference shares	<u>2,197,562</u>	<u>2,285,389</u>
	<u>3,090,179</u>	<u>2,503,644</u>
	<u>\$ 171,073,746</u>	<u>\$ 213,103,195</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

For the years ended December 31, 2020 and 2019, the Group sold its shares in order to manage credit concentration risk. The sold shares had a fair value of \$67,614,786 thousand and \$43,170,932 thousand and the Group transferred a gain of \$(1,629,367) thousand and \$135,601 thousand from other equity to retained earnings, respectively.

Dividend income recognized relating to investments in equity instruments at FVTOCI for the years ended December 31, 2020 and 2019 was \$8,777,733 thousand and \$10,313,673 thousand, respectively. Those related to investments derecognized for the years ended December 31, 2020 and 2019 were \$1,851,738 thousand and \$1,221,026 thousand, respectively, and those related to investments held for the years ended December 31, 2020 and 2019 were \$6,925,995 thousand and \$9,092,647 thousand, respectively.

b. Investments in debt instruments at FVTOCI

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Domestic investments		
Government bonds	\$ 53,680,558	\$ 47,454,477
Corporate bonds	63,496,566	37,388,552
Less: Security for deposits paid (Note 22)	<u>(5,678,100)</u>	<u>(5,682,600)</u>
	<u>111,499,024</u>	<u>79,160,429</u>
Foreign investments		
Government bonds	121,718,437	26,004,254
Corporate bonds	<u>64,143,468</u>	<u>30,801,652</u>
	<u>185,861,905</u>	<u>56,805,906</u>
	<u>\$ 297,360,929</u>	<u>\$ 135,966,335</u>

1) Refer to Note 11 for information relating to their credit risk management and impairment.

- 2) Refer to Note 42 for information relating to investments in debt instruments at FVTOCI pledged as security.

## 10. FINANCIAL ASSETS AT AMORTIZED COST

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Domestic investments		
Government bonds	\$ 13,109,501	\$ 38,936,657
Corporate bonds	39,613,043	19,927,503
Time deposits with original maturities of more than 3 months	29,350,410	4,040,833
Less: Security deposits paid	<u>(10,102,558)</u>	<u>(9,184,553)</u>
	<u>71,970,396</u>	<u>53,720,440</u>
Foreign investments		
Overseas bonds	1,076,839,318	1,039,293,750
Overseas mortgage-backed bonds	9,578,465	12,701,303
Overseas callable bonds	<u>728,623,699</u>	<u>697,632,293</u>
	1,815,041,482	1,749,627,346
Less: Allowance for impairment loss	<u>(693,458)</u>	<u>(661,592)</u>
	<u>\$ 1,886,318,420</u>	<u>\$ 1,802,686,194</u>

- a. For the years ended December 31, 2020 and 2019, the Group sold part of its debt instruments which were not significant individually or as a whole. The bonds sold had a fair value of \$181,361,116 thousand and \$56,486,730 thousand and the Group recognized gain on disposal of \$35,077,389 thousand and \$6,573,177 thousand, respectively. The callable debt instruments for the years ended December 31, 2020 and 2019 had a fair value of \$300,001,033 thousand and \$121,678,539 thousand, respectively, and the Group recognized a gain of \$2,758,876 thousand and \$3,315,830 thousand, respectively.
- b. The interest rate ranges for time deposits with original maturities of more than 3 months were approximately 0.08%-1.95% and 0.14%-1.04% per annum as of December 31, 2020 and 2019, respectively.
- c. Refer to Note 11 for information relating to their credit risk management and impairment.
- d. Refer to Note 42 for information relating to investments in financial assets at amortized cost pledged as security.

## 11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

December 31, 2020

	<b>At FVTOCI</b>	<b>At Amortized Cost</b>	<b>Total</b>
Gross carrying amount	\$ 303,077,524	\$ 1,867,764,026 Note	\$ 2,170,841,550
Less: Allowance for impairment loss	<u>(56,652)</u>	<u>(693,458)</u>	<u>(750,110)</u>
Amortized cost	303,020,872	<u>\$ 1,867,070,568</u>	2,170,091,440
Adjustment to fair value	<u>18,157</u>		<u>18,157</u>
	<u>\$ 303,039,029</u>		<u>\$ 2,170,109,597</u>

Note: The amount of debt instruments designated at FVTOCI included security deposits paid of \$5,678,100 thousand. The amount of debt instruments at amortized cost included security deposits paid of \$10,102,558 thousand, excluding time deposits with original maturities of more than 3 months of \$29,350,410 thousand.

December 31, 2019

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 139,772,669	\$ 1,808,491,507	Note \$ 1,948,264,176
Less: Allowance for impairment loss	<u>(48,498)</u>	<u>(661,592)</u>	<u>(710,090)</u>
Amortized cost	139,724,171	<u>\$ 1,807,829,915</u>	1,947,554,086
Adjustment to fair value	<u>1,924,764</u>		<u>1,924,764</u>
	<u>\$ 141,648,935</u>		<u>\$ 1,949,478,850</u>

Note: The amount of debt instruments designated at FVTOCI included security deposits paid of \$5,682,600 thousand. The amount of debt instruments at amortized cost included security deposits paid of \$9,184,553 thousand, excluding time deposits with original maturities of more than 3 months of \$4,040,833 thousand.

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The external credit ratings of debt investment are continuously monitored. The Group also reviews changes in share price of debt issuer and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

December 31, 2020

Category	Gross Carrying Amount at December 31, 2020 Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs	0.00%-0.44%	\$ 2,170,841,550
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit impaired	-	-
In default	There is evidence indicating the asset is credit impaired	Lifetime ECLs - credit impaired	-	-
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	-	-

December 31, 2019

Category	Gross Carrying Amount at December 31, 2019 Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs	0.00%-0.44%	\$ 1,948,264,176
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit impaired	-	-
In default	There is evidence indicating the asset is credit impaired	Lifetime ECLs - credit impaired	-	-
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	-	-

The movements of the allowance for impairment loss of investments in debt instruments at amortized cost were as follows:

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	In Default (Lifetime ECLs - Credit- impaired)
<b>Allowance for Impairment Loss</b>			
Balance at January 1, 2020	\$ 718,934	\$ -	\$ -
Transfers			
From performing to doubtful	-	-	-
From doubtful to in performing	-	-	-
From in default to write-off	-	-	-
New financial assets purchased	171,137	-	-
Derecognition	(179,331)	-	-
Change in model or risk parameters	66,173	-	-
Change in exchange rates or others	<u>(18,518)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 758,395</u>	<u>\$ -</u>	<u>\$ -</u>

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	In Default (Lifetime ECLs - Credit- impaired)
<b>Allowance for Impairment Loss</b>			
Balance at January 1, 2019	\$ 735,297	\$ 297,032	\$ -
Transfers			
From performing to doubtful	-	-	-
From doubtful to performing	11,591	(284,066)	-
From in default to write-off	-	-	-
New financial assets purchased	169,281	-	-
Derecognition	(166,911)	(12,966)	-

(Continued)

	<b>Credit Rating</b>		
	<b>Performing (12-month ECLs)</b>	<b>Doubtful (Lifetime ECLs - Not Credit- impaired)</b>	<b>In Default (Lifetime ECLs - Credit- impaired)</b>
<b>Allowance for Impairment Loss</b>			
Change in model or risk parameters	\$ (32,082)	\$ -	\$ -
Change in exchange rates or others	<u>1,758</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 718,934</u>	<u>\$ -</u>	<u>\$ -</u> (Concluded)

The balance of allowance for impairment loss at December 31, 2020 and 2019 included allowance for impairment of interest receivables of \$8,285 thousand and \$8,844 thousand, respectively.

## 12. NOTES AND BONDS PURCHASED UNDER RESALE AGREEMENTS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Investment amount	<u>\$ 22,546,037</u>	<u>\$ 10,736,713</u>
Interest rate	0.19%-0.31%	0.50%-0.60%

## 13. ACCOUNTS RECEIVABLE, NET

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Notes receivable	\$ 155,625	\$ 283,187
Accounts receivable	13,725,581	11,116,697
Interest receivable	23,725,406	25,505,535
Forward contracts receivable	6,379,860	4,319,952
Bank acceptance receivables	315,816	248,839
Receivables of transactions on securities	463,109	418,886
Receivables of margin trading	16,047,049	12,530,302
Trade receivables	21,175,216	11,461,133
Earned revenue receivable	3,436,764	3,604,920
Others	<u>6,176,429</u>	<u>5,553,577</u>
	91,600,855	75,043,028
Less: Allowance for impairment loss (Note 15)	<u>(1,956,574)</u>	<u>(2,344,166)</u>
	<u>\$ 89,644,281</u>	<u>\$ 72,698,862</u>

The Group recorded part of the allowance for impairment loss of accounts receivable by the simplified approach under IFRS 9, which considering the historical experience of credit loss in the past three years, current financial position and industrial economic situation. The Group evaluated the past information and concluded that there was no significant difference between the economic situation of the past, the current and the future. As result of the evaluation, the Group used the historical average rate of expected credit loss to calculate the expected credit loss.

If there is evidence showing that a counterparty suffered a huge financial crisis and the Group is not able to predict the recoverable amount, the Group should write-off the related accounts receivable, take recourse and record the related recoverable amount as profit or loss.

### Movements of the allowance for receivables, net and other financial assets

#### For the year ended December 31, 2020

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Individual)	Lifetime ECLs (Credit-impaired Financial Assets)	Lifetime ECLs (Credit-impaired Financial Assets Purchased)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance at January 1, 2020	\$ 57,952	\$ 39,269	\$ -	\$ 2,150,251	\$ -	\$ 2,247,472	\$ 25,438	\$ 2,272,910
Transfers								
To lifetime ECLs	(317)	7,561	94	(14,851)	-	(7,513)	-	(7,513)
To credit-impaired financial assets	(35)	(501)	-	60,903	-	60,367	-	60,367
To 12-month ECLs	151	(2,207)	-	(173)	-	(2,229)	-	(2,229)
Derecognition of financial assets	(4,930)	(3,430)	-	(735,529)	-	(743,889)	-	(743,889)
New financial assets purchased	93,058	55,736	-	83,254	-	232,048	-	232,048
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	-	-	-	148,746	148,746
Write-offs	-	-	-	(685,714)	-	(685,714)	(75,442)	(761,156)
Withdrawal after write-offs	-	-	-	87,485	-	87,485	-	87,485
Exchange rate or other changes	(1,754)	(5,951)	-	539,687	-	531,982	-	531,982
Balance at December 31, 2020	<u>\$ 144,125</u>	<u>\$ 90,477</u>	<u>\$ 94</u>	<u>\$ 1,485,313</u>	<u>\$ -</u>	<u>\$ 1,720,009</u>	<u>\$ 98,742</u>	<u>\$ 1,818,751</u>

#### For the year ended December 31, 2019

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Individual)	Lifetime ECLs (Credit-impaired Financial Assets)	Lifetime ECLs (Credit-impaired Financial Assets Purchased)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance at January 1, 2019	\$ 48,279	\$ 48,927	\$ -	\$ 2,255,426	\$ -	\$ 2,352,632	\$ -	\$ 2,352,632
Transfers								
To lifetime ECLs	(308)	8,056	-	(18,160)	-	(10,412)	-	(10,412)
To credit-impaired financial assets	(47)	(794)	-	34,519	-	33,678	-	33,678
To 12-month ECLs	116	(1,693)	-	(422)	-	(1,999)	-	(1,999)
Derecognition of financial assets	(10,179)	(8,897)	-	(95,643)	-	(114,719)	-	(114,719)
New financial assets purchased	8,314	682	-	5,562	-	14,558	-	14,558
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	-	-	-	120,837	120,837
Write-offs	-	-	-	(41,417)	-	(41,417)	(95,399)	(136,816)
Withdrawal after write-offs	-	-	-	88,292	-	88,292	-	88,292
Exchange rate or other changes	11,777	(7,012)	-	(77,906)	-	(73,141)	-	(73,141)
Balance at December 31, 2019	<u>\$ 57,952</u>	<u>\$ 39,269</u>	<u>\$ -</u>	<u>\$ 2,150,251</u>	<u>\$ -</u>	<u>\$ 2,247,472</u>	<u>\$ 25,438</u>	<u>\$ 2,272,910</u>

The allowance at December 31, 2020 and 2019 listed above excluded the allowance for receivables of margin trading of \$199,128 thousand and \$123,350 thousand, allowance for interest receivables of \$8,285 thousand and \$8,844 thousand and allowance for accounts receivable upon the application of the simplified approach under IFRS 9 of \$1,391 thousand and \$1,388 thousand, but included the allowance for other assets - non-accrual loans of \$70,981 thousand and \$62,326 thousand, respectively.

#### 14. ASSETS CLASSIFIED AS HELD FOR SALE

	<b>Land and Buildings</b>	
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cost	\$ -	\$ -
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2017, the board of directors of SKLIC approved the sale of land in the Rui'an Section in Taipei, with a carrying amount of \$37,976 thousand. The contract with the buyer was completed in 2017 and the sale contract was accompanied by a two-year integration period. The integration work was performed by the buyer. The period for completing the sale of the aforementioned land was extended to more than one year and was classified as assets for sale in accordance with IFRS 5. Because the buyer failed to complete the integration within two years, the aforementioned contract was terminated on December 4, 2019 due to the expiration of the integration period, and the related assets were reclassified to investment properties.

#### 15. LOANS, NET

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Policy loans	\$ 97,835,029	\$ 103,720,045
Premium loans	10,017,978	10,019,433
Loans	693,562,762	648,272,896
Overdue loans	<u>922,762</u>	<u>1,203,897</u>
	802,338,531	763,216,271
Allowance for impairment loss	<u>(9,119,613)</u>	<u>(8,250,053)</u>
	<u>\$ 793,218,918</u>	<u>\$ 754,966,218</u>

For the year ended December 31, 2020, TSKCB's balance of loans and allowance for impairment loss recognized on loans were \$644,470,441 thousand and \$946,684 thousand, respectively.

Movements in the allowance for impairment loss recognized on loans and overdue loans, and accounts receivable and other financial assets were as follows:

	<b>For the Year Ended December 31, 2020</b>		
	<b>Accounts</b>		<b>Total</b>
	<b>Loans and Overdue Loans</b>	<b>Receivable and Other Assets</b>	
Balance, January 1, 2020	\$ 8,250,053	\$ 2,406,492	\$ 10,656,545
Impairment losses recognized	906,668	352,706	1,259,374
Written off as uncollectible	(1,133,205)	(718,136)	(1,851,341)
Amounts recovered from prior years' write-off	1,106,926	87,484	1,194,410
Net exchange differences	(50,844)	(104,446)	(155,290)
Reclassified	<u>40,015</u>	<u>3,455</u>	<u>43,470</u>
Balance, December 31, 2020	<u>\$ 9,119,613</u>	<u>\$ 2,027,555</u>	<u>\$ 11,147,168</u>

**For the Year Ended December 31, 2019**

	<b>Accounts</b>		<b>Total</b>
	<b>Loans and Overdue Loans</b>	<b>Receivable and Other Assets</b>	
Balance, January 1, 2019	\$ 8,821,112	\$ 2,490,651	\$ 11,311,763
Impairment losses recognized	458,136	13,910	472,046
Written off as uncollectible	(1,831,151)	(146,218)	(1,977,369)
Amounts recovered from prior years' write-off	833,139	88,292	921,431
Net exchange differences	<u>(31,183)</u>	<u>(40,143)</u>	<u>(71,326)</u>
 Balance, December 31, 2019	 <u>\$ 8,250,053</u>	 <u>\$ 2,406,492</u>	 <u>\$ 10,656,545</u>

Movements of the allowance for loans, net

For the year ended December 31, 2020

Allowance for Discounts and Loans, Net	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Individual)	Lifetime ECLs (Credit-impaired Financial Assets)	Lifetime ECLs (Credit-impaired Financial Assets Purchased)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Transfers									
To lifetime ECLs	(14,566)	328,795	6,577	(21,988)	-	298,818	-	-	298,818
To credit-impaired financial assets	(2,502)	(36,521)	-	654,620	-	615,597	-	-	615,597
To 12-month ECLs	19,783	(235,108)	-	(20,657)	-	(235,982)	-	-	(235,982)
Derecognition of financial assets	(929,834)	(546,297)	-	(533,535)	-	(2,009,666)	-	-	(2,009,666)
New financial assets purchased	1,221,871	1,142,872	-	128,371	-	2,493,114	-	-	2,493,114
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	-	-	-	3,717	566,154	569,871
Write-offs	(142)	(4,768)	-	(199,116)	-	(204,026)	-	(885,539)	(1,089,565)
Withdrawal after write-offs	-	-	-	1,106,926	-	1,106,926	-	-	1,106,926
Other changes	<u>53,189</u>	<u>(5,092)</u>	<u>-</u>	<u>(927,650)</u>	<u>-</u>	<u>(879,553)</u>	<u>-</u>	<u>-</u>	<u>(879,553)</u>
Balance at December 31, 2020	<u>\$ 1,860,234</u>	<u>\$ 1,670,516</u>	<u>\$ 6,577</u>	<u>\$ 2,909,659</u>	<u>\$ -</u>	<u>\$ 6,446,986</u>	<u>\$ 587,132</u>	<u>\$ 2,085,495</u>	<u>\$ 9,119,613</u>

For the year ended December 31, 2019

Allowance for Discounts and Loans, Net	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Individual)	Lifetime ECLs (Credit-impaired Financial Assets)	Lifetime ECLs (Credit-impaired Financial Assets Purchased)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Transfers								
To lifetime ECLs	(13,647)	291,480	-	(25,462)	-	252,371	-	252,371
To credit-impaired financial assets	(5,985)	(85,575)	-	1,213,071	-	1,121,511	-	1,121,511
To 12-month ECLs	11,420	(242,660)	-	(15,499)	-	(246,739)	-	(246,739)
Derecognition of financial assets	(912,778)	(355,252)	-	(1,800,045)	-	(3,068,075)	-	(3,068,075)
New financial assets purchased	1,020,463	527,889	-	143,903	-	1,692,255	-	1,692,255
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	-	-	-	1,712,456	1,712,456
Write-offs	(2,795)	(11,383)	-	(330,810)	-	(344,988)	(1,486,162)	(1,831,150)
Withdrawal after write-offs	-	-	-	833,139	-	833,139	-	833,139
Other changes	<u>(76,952)</u>	<u>(34,742)</u>	<u>-</u>	<u>(925,133)</u>	<u>-</u>	<u>(1,036,827)</u>	<u>-</u>	<u>(1,036,827)</u>
Balance at December 31, 2019	<u>\$ 1,512,435</u>	<u>\$ 1,026,635</u>	<u>\$ -</u>	<u>\$ 2,722,688</u>	<u>\$ -</u>	<u>\$ 5,261,758</u>	<u>\$ 2,988,295</u>	<u>\$ 8,250,053</u>

## 16. SUBSIDIARIES

### a. Subsidiaries and joint ventures included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership	
			2020	2019
SKFHC	SKLIC	Insurance	100.00	100.00
	SKSC	Securities	-	100.00
			(Note 1)	(Note 1)
	TSKCB	Banking	100.00	100.00
	TSKIBC	Insurance brokerage	-	-
			(Note 5)	(Note 5)
	SKITC	Investment trust	100.00	100.00
	SKVIC	Venture capital	100.00	100.00
	SKPIAC	Property insurance agency	100.00	100.00
	MLSC	Securities	100.00	100.00
SKLIC	SKLRESC	Building management	72.01	72.01
TSKCB	SFIAC (Note 4)	Life insurance agency	100.00	100.00
	SKMC	Promotion marketing	100.00	100.00
			(Note 2)	(Note 2)
MLSC	MasterLink Futures Co., Ltd.	Futures brokerage and trading	100.00	100.00
	MasterLink Venture Management Corp., Ltd.	Management consulting	100.00	100.00
	MasterLink Venture Capital Corp., Ltd.	Venture capital, operations such as investing, transferring, reinvesting and management entrusted to professional venture investment management institutes	100.00	100.00
	MasterLink Securities Investment Advisory Corp.	Research and analysis about securities investment, publication of investment research reports, securities investment consulting services and discretionary investment services	100.00	100.00
	MasterLink Securities (B.V.I.) Corporation (MLSBC)	1. Southeast Asia investment transfer service of securities 2. Other approved securities investment	100.00	100.00
	MasterLink Insurance Agency Co., Ltd.	Life insurance agency	100.00	100.00
	MasterLink Venture Management Corporation (Tianjin)	Management consulting	100.00	100.00
	MasterLink Venture Capital Corporation (Tianjin)	Venture capital	100.00	100.00
	MasterLink (Hong Kong)	Consulting services, industry report and research	99.99	99.99
	Shanghai MasterLink Investment Advisory Corp.	Securities investment consulting and training services	100.00	100.00
MLSBC	MasterLink Agency (Hong Kong)	Agency of securities	99.99	99.99
SKVIC	Lion Investment (Samoa) Co., Ltd.	Reinvestment	100.00	100.00
Lion Investment (Samoa) Co., Ltd.	SKLSC	Financial lease	100.00	100.00

Note 1: On March 12, 2020, the liquidation process of SKSC was completed.

Note 2: The ownership percentage includes the indirect equity interest owned by SKLIAC, a subsidiary of TSKCB.

Note 3: The ownership percentage includes the indirect equity interest owned by MasterLink Venture Capital Corp. Ltd. and a subsidiary of MLSC.

Note 4: Shin Kong Life Insurance Agency Co., Ltd. was renamed as Shin Fu Insurance Agency Co., Ltd. on May 19, 2017.

Note 5: On July 24, 2019, the liquidation process of TSKIBC was completed.

### b. All of the subsidiaries are included in the consolidated financial statements.

## 17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31			
	2020		2019	
	Carrying Value	% of Ownership and Voting Rights	Carrying Value	% of Ownership and Voting Rights
Associates that are not <u>individually material</u>				
DingCheng Life Insurance Co. (formerly known as Shin-Kong Hainan Life Insurance Co.)	\$ 186,127	25.00	\$ 378,021	25.00
Kaixin Energy Co.	-	-	44,969	45.00
Century Biotech Development Corporation	599,502	24.00	-	-
Jih-yao Energy Co., Ltd.	34,800	35.00	-	-
LeadsunFox Greenergy Investment Co., Ltd.	<u>419,535</u>	28.33	<u>-</u>	-
	<u>\$ 1,239,964</u>		<u>\$ 422,990</u>	

Refer to “Information on Investments in Mainland China” following the notes to consolidated financial statements for information on nature of activities, principal place of business and country of incorporation of the associates.

On September 28, 2020, SKLIC bought 42,500 thousand ordinary shares of LeadsunFox Greenergy Investment Co., Ltd. for \$425,000 thousand. After subscription of the shares, the shareholding ratio was 28.33%, and SKLIC had significant influence on the investee.

On July 22, 2020, the Group bought 3,500 thousand ordinary shares of Jih-yao Energy Co., Ltd. for \$35,000 thousand. After subscription of the shares, the shareholding ratio was 35%, and SKLIC had significant influence on the investee.

On May 22, 2020, SKLIC’s board of directors resolved to participate in DingCheng Life Insurance Company’s capital increase project through the issuance of shares, with a total amount of CNY187.5 million, and signed the share transfer agreement with China company to sell all of DingCheng Life Insurance Company’s shares. SKLIC collected a deposit in the amount of CNY50,000 thousand which was recorded as deposits received. On September 2, 2020, SKLIC remitted capital increase of \$807,188 thousand (CNY187,500 thousand) to DingCheng Life’s Insurance Company capital increase account. As of December 31, 2020, the capital increase case is still waiting for China Banking and Insurance Regulatory Commission’s approval. The capital increase account was recorded as advance investment. Refer to Note 22.

On May 6, 2020, SKLIC sold all of its shares held of Kaixin Energy Company and completed the transaction on June 19, 2020, resulting in a loss on disposal of CNY640 thousand, which was recorded as other investment income or loss, net.

On March 31, 2020, SKLIC bought 60,000 thousand ordinary shares of Century Biotech Development Corporation for \$600,000 thousand. After subscription of the shares, the shareholding ratio was 24%, and SKLIC had significant influence on the latter.

On November 8, 2019, SKLIC bought 4,500 thousand ordinary shares of Kaixin Energy Co. with \$45,000 thousand. The shareholding ratio after the subscription was 45%, which had a significant influence on the company.

On April 3, 2019, SKHLIC obtained an approval from the Bank of China Insurance Regulatory Commission to change its name to DingCheng Life Insurance Company.

The summarized financial information below represents amounts shown in the associates' and joint ventures' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

DingCheng Life Insurance Co. (formerly known as Shin-Kong Hainan Life Insurance Co.)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Group's share of:		
Profit from continuing operations	\$ (186,055)	\$ (127,616)
Other comprehensive loss	<u>(5,839)</u>	<u>(6,040)</u>
 Total comprehensive income for the year	 <u>\$ (191,894)</u>	 <u>\$ (133,656)</u>

Kaixin Energy Co.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Group's share of:		
Profit from continuing operations	\$ 536	\$ (31)
Other comprehensive loss	<u>-</u>	<u>-</u>
 Total comprehensive income for the year	 <u>\$ 536</u>	 <u>\$ (31)</u>

Century Biotech Development Corporation

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Group's share of:		
Profit from continuing operations	\$ (498)	\$ -
Other comprehensive loss	<u>-</u>	<u>-</u>
 Total comprehensive income for the year	 <u>\$ (498)</u>	 <u>\$ -</u>

Jih-yao Energy Co., Ltd.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Group's share of:		
Profit from continuing operations	\$ (200)	\$ -
Other comprehensive loss	<u>-</u>	<u>-</u>
 Total comprehensive income for the year	 <u>\$ (200)</u>	 <u>\$ -</u>

LeadsunFox Greenergy Investment Co., Ltd.

**For the Year Ended December 31**  
**2020**                      **2019**

The Group's share of:		
Profit from continuing operations	\$ (5,465)	\$ -
Other comprehensive loss	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ (5,465)</u>	<u>\$ -</u>

Except for Kaixin Energy Co., Century Biotech Development Corporation, Jih-yao Energy Co., Ltd. and LeadsunFox Greenergy Investment Co., Ltd., investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the unaudited financial statements of Kaixin Energy Co., Century Biotech Development Corporation, Jih-yao Energy Co., Ltd. and LeadsunFox Greenergy Investment Co., Ltd.

**18. INVESTMENT PROPERTIES**

	Land	Buildings and Building Facilities	Prepayments for Buildings and Constructions in Progress	Right-of-use Assets	Total
<u>December 31, 2020</u>					
Measured at fair value	\$ 104,853,245	\$ 49,800,548	\$ 28,000	\$ 12,505,328	\$ 167,187,121
Measured at cost	<u>8,727,779</u>	<u>-</u>	<u>1,883,279</u>	<u>2,712,912</u>	<u>13,323,970</u>
	<u>\$ 113,581,024</u>	<u>\$ 49,800,548</u>	<u>\$ 1,911,279</u>	<u>\$ 15,218,240</u>	<u>\$ 180,511,091</u>
<u>December 31, 2019</u>					
Measured at fair value	\$ 101,262,351	\$ 47,152,099	\$ 25,857	\$ 12,202,645	\$ 160,642,952
Measured at cost	<u>11,170,067</u>	<u>4,762</u>	<u>2,698,571</u>	<u>1,994,059</u>	<u>15,867,459</u>
	<u>\$ 112,432,418</u>	<u>\$ 47,156,861</u>	<u>\$ 2,724,428</u>	<u>\$ 14,196,704</u>	<u>\$ 176,510,411</u>

The right-of-use assets in investment properties refer to part of the superficies rights and buildings obtained by the Group for sublease under operating leases. The relevant right-of-use assets are listed in investment properties. Refer to Note 20(c) for the related items.

Because the market conditions were severely affected by COVID-19 in 2020, the Group agreed to provide unconditional rent reduction. The rent concessions amount was \$37,204 thousand.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2020 and 2019 was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Year 1	\$ 3,376,347	\$ 3,433,314
Year 2	2,782,668	2,661,378
Year 3	2,323,176	2,113,676
Year 4	1,881,672	1,809,914
Year 5	1,631,597	1,446,624
Year 6 onwards	<u>5,036,758</u>	<u>5,039,650</u>
	<u>\$ 17,032,218</u>	<u>\$ 16,504,556</u>

a. Investment properties measured at fair value

	<b>Land</b>	<b>Buildings and Building Facilities</b>	<b>Prepayments for Buildings and Constructions in Progress</b>	<b>Right-of-use Assets</b>	<b>Total</b>
Balance at January 1, 2020 (restated)	\$ 101,262,351	\$ 47,152,099	\$ 25,857	\$ 12,202,645	\$ 160,642,952
Additions	-	46,606	2,143	46,732	95,481
Disposals	-	-	-	(8,982)	(8,982)
Transferred from property and equipment	101,855	205,415	-	-	307,270
Transferred to property and equipment	(195,572)	(189,959)	-	-	(385,531)
Transferred from right-of-use assets	-	-	-	58,195	58,195
Transferred to right-of-use assets	-	-	-	(31,617)	(31,617)
Other reclassifications	2,442,288	1,903,998	-	-	4,346,286
Gain on changes in fair value of investment properties	<u>1,242,323</u>	<u>682,389</u>	<u>-</u>	<u>238,355</u>	<u>2,163,067</u>
Balance at December 31, 2020	<u>\$ 104,853,245</u>	<u>\$ 49,800,548</u>	<u>\$ 28,000</u>	<u>\$ 12,505,328</u>	<u>\$ 167,187,121</u>
Balance at January 1, 2019	\$ 669,782	\$ 474,237	\$ -	\$ -	\$ 1,144,019
Reclassification	66,470,369	28,455,675	460,510	10,314,944	105,701,498
Fair value adjustments	<u>29,996,252</u>	<u>12,988,078</u>	<u>-</u>	<u>2,048,735</u>	<u>45,033,065</u>
Balance at January 1, 2019 (restated)	97,136,403	41,917,990	460,510	12,363,679	151,878,582
Additions	1,258,874	1,768,267	51,548	-	3,078,689
Transferred from property and equipment	821,868	718,255	38	-	1,540,161
Transferred to property and equipment	(356,346)	(70,785)	-	-	(427,131)
Transferred from right-of-use assets	-	-	-	228,775	228,775
Transferred to right-of-use assets	-	-	-	(96,351)	(96,351)
Other reclassifications	421,979	2,299,742	(486,239)	-	2,235,482
Gain (loss) on changes in fair value of investment properties	<u>1,979,573</u>	<u>518,630</u>	<u>-</u>	<u>(293,458)</u>	<u>2,204,745</u>
Balance at December 31, 2019	<u>\$ 101,262,351</u>	<u>\$ 47,152,099</u>	<u>\$ 25,857</u>	<u>\$ 12,202,645</u>	<u>\$ 160,642,952</u>

1) SKLIC and its subsidiaries

Valuation of the investment properties of SKLIC had been performed by the following appraisers of the joint appraisal firms meeting the requirements of Article No. 9 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises for real estate appraisers, with valuation dates on December 31, 2020, December 31, 2019 and January 1, 2019.

<b>Name of Appraisal Firm</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1 2019</b>
DTZ Real Estate Appraiser Firm	Chun-chun, Hu; Jia-he, Tsai; Chang-da, Yang; Gen-yuan, Li	Chun-chun, Hu; Jia-he, Tsai; Chang-da, Yang; Gen-yuan, Li	Chun-chun, Hu; Jia-he, Tsai; Chang-da, Yang; Gen-yuan, Li
Savills plc Real Estate Appraiser Firm	Hong-kai, Zhang; Yu-fen, Ye; Guang-ping, Dai; Yi-zhi, Zhang	Hong-kai, Zhang; Yu-fen, Ye; Guang-ping, Dai; Yi-zhi, Zhang; Jia-xian, Liao	Hong-kai, Zhang; Yu-fen, Ye; Guang-ping, Dai; Yi-zhi, Zhang; Jia-xian, Liao
REPro Knight Frank Real Estate Appraiser Firm	Yu-hsiang, Tsai; Hong-xu, Wu; Shang-yi, Shin; Andrew Low	Yu-hsiang, Tsai; Hong-xu, Wu; Andrew Low	Yu-hsiang, Tsai; Zhi-hao, Wu; Hong-xu, Wu; Fu-xue, Shi; Andrew Low
Great Eastern Real Estate Joint Appraisers Firm	Zhi-ming, Zhang; Shu-yuan, Jian; Han-sheng, Yuan	Zhi-ming, Zhang; Shu-yuan, Jian; Han-sheng, Yuan	Zhi-ming, Zhang; Shu-yuan, Jian; Han-sheng, Yuan
Shang-shang Real Estate Joint Appraisers Firm	Hong-yuan, Wang	Hong-yuan, Wang	Hong-yuan, Wang
CCIS Real Estate Joint Appraisers Firm	Jing-sheng, Huang; Huo-ming Huang	Jing-sheng, Huang; Huo-ming Huang	Jing-sheng, Huang; Huo-ming Huang
Elite Real Estate Joint Appraisers Firm	Yu-lin, Chen; Yi-hui, Luo	Yu-lin, Chen; Yi-hui, Luo	Yu-lin, Chen; Yi-hui, Luo
Euro-Asia Real Estate Joint Appraiser Firm	Zhao-Yan, Huang; Shih-yuan, Jhou	-	-
Sinyi Real Estate Joint Appraiser Firm	Wei-xin, Chi; Wen-zhe, Cai; Liang-an, Ji; Shi-ming Wang	-	-
Colliers International	Martyn Munford; P C Willis; Jian-hui, Gu	Martyn Munford; P C Willis; Jian-hui, Gu	Martyn Munford; P C Willis; Jian-hui, Gu

The fair value is determined by the lower of fair value evaluation method stipulated by the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the normal market value. The fair value evaluation methods stipulated in the Regulations Governing the Preparation of Financial Statements by Insurance Companies are the discounted cash flow analysis method of the income approach and the cost approach. The normal market value is supported by observable evidence in the market. The main appraisal approaches applied include the sales comparison approach, income approach - direct capitalization method, income approach - discounted cash flow analysis method, cost approach and the method of land development analysis. Commercial office buildings and residences are mainly valued by the sales comparison approach and income approach because of the market liquidity and comparable sales and rental cases in the neighboring areas. Hotels, department stores and marketplaces are mainly valued by the income approach - direct capitalization method and income approach - discounted cash flow analysis method because of the stable rental income in the long term. The second type of residential area, the third type of residential area and buildings have exceeded the residential areas that can be developed on land, and because the buildings have exceeded the economic and durable years, and the market has fewer homogeneous products, the buildings on the ground are not the most effective. Therefore, their fair values are determined by the method of land development analysis and comparison approach.

The main inputs used in the valuation are listed below. As the direct capitalization rates, the discount rates and overall capital interest rates decrease, the fair value will increase.

<b>Name of Appraisal Firm</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Direct capitalization rates, net	0.08%-5.60%	0.42%-4.94%	0.42%-6.68%
Discount rates	2.10%-5.10%	2.35%-4.80%	2.35%-4.54%
Overall capital interest rates	0.80%-7.21%	0.64%-6.16%	0.70%-7.43%

For the targets measured using the discounted cash flow analysis method of the income approach, their cash flow shall be valued on the basis of the existing lease. If there is an end-of-period value, the present value of the end-of-period value may be added. Their discount rate shall be determined using the risk premium approach only, with the calculation based on a certain interest rate, plus an estimate based on the individual characteristics of the investment property. The term "based on a certain interest rate" means the interest rate may not be lower than the floating interest rate offered by the Chunghwa Post Co., Ltd. For a 2-year time deposit of a small amount, plus 1.25 percentage points.

External appraisers use the market extraction method, search several comparable properties which are identical with or similar to the target property, and consider the liquidity risk and risk premium when disposed of in the future when deciding the direct capitalization rate and the discount rate.

The fair value of right-of-use assets is determined by adding back the amount of lease liabilities already recognized to the valuation result that reflects the expected lease income after deduction of expected payments.

## 2) TSKCB and its subsidiaries

Valuation of the investment property of TSKCB had been performed by the appraiser Wang Hong-yuan of Shang-shang Real Estate Appraiser Firm in Taiwan in accordance with the rules for assessment of fair value on a recurring basis of the Technical Rules for Real Estate Valuation with valuation dates on December 31, 2020, December 31, 2019 and January 1, 2019, respectively.

As office buildings have market liquidity and their rent levels are similar to comparable properties in neighboring areas, their fair values have been mainly determined using the comparison approach and income approach.

Net rental income is based on current market practices, assuming an annual rent increase of between 0% to 1.5% when extrapolating the total income of the underlying property, excluding losses as a result of idle and other reasons and related operations costs.

According to the R.O.C. Real Estate Appraisers Association Gazette No. 5, the house tax is determined based on the reference table of current house values assessed for each city/county to estimate the total current house value assessed. House tax is calculated based on the tax rates stipulated in the House Tax Act and the actual payment data.

Land value tax is based on the changes in the announced land values of the underlying property in the past years and the actual payment data, to further extrapolate the announced land value in the future.

In accordance with the R.O.C. Real Estate Appraisers Association Gazette No. 5, the replacement allowance for significant renovation costs is calculated based on 0.5% to 1.5% of construction costs and is amortized over its estimated useful life of 20 years.

The main inputs used are as follows. If the direct capitalization rate or the overall capital interest rate decreases, the fair value will increase.

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Direct capitalization rate	1.80%-3.77%	1.80%-3.73%	1.80%-3.73%
Overall capital interest rate	0.89%-3.21%	1.50%-2.49%	1.50%-2.49%

The second type of residential area, the third type of residential area and buildings have exceeded the residential areas that can be developed on land, and because the buildings have exceeded the economic and durable years, and the market has fewer homogeneous products, the buildings on the ground are not the most effective. Therefore, their fair values are determined by the method of land development analysis and comparison approach. The important assumptions are as follows. If estimated total sales increase, rate of return or overall capital interest rate decreases, the fair value will increase.

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Estimated total sales	<u>\$ 1,172,207</u>	<u>\$ 1,164,752</u>	<u>\$ 1,154,085</u>
Rate of return	12%-15%	12%-15%	12%-15%
Overall capital interest rate	2.01%-3.07%	2.32%-3.47%	2.32%-3.47%

All investment properties owned by the Group are leased out under operating leases, and the lease term is 5 to 10 years. At the end of the lease period, the lessee has no preferential rights to purchase the properties.

As of December 31, 2020, December 31, 2019 and January 1, 2019, the guarantee deposits received by the Group due to operating lease contracts were \$2,467 thousand, \$2,467 thousand and \$2,321 thousand, respectively.

### 3) MLSC and its subsidiaries

Valuation of the investment property of MLSC had been performed by appraiser Shang-hong Yang of Zhan-Mao Real Estate Appraisers Firm, licensed R.O.C. real estate appraisers, with valuation dates on December 31, 2020, December 31, 2019 and January 1, 2019, respectively.

The fair value of investment properties was measured using the income approach. The significant assumptions used are as follows. An increase in estimated future net cash inflows or a decrease in discount rates would result in an increase in the fair value.

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Expected future cash inflows	\$ 66,164	\$ 66,926	\$ 66,406
Expected future cash outflows	<u>15,007</u>	<u>13,948</u>	<u>13,874</u>
Expected future cash inflows, net	<u>\$ 51,157</u>	<u>\$ 52,978</u>	<u>\$ 52,532</u>
Discount rates	1.595%-2.745%	2.045%-2.845%	2.045%-2.845%

The market rentals in the area where the investment property is located were between \$0.3 thousand and \$1.3 thousand per ping (i.e., per 3.3 square meters). The market rentals for comparable properties were between \$0.3 thousand and \$1.3 thousand per ping (i.e., per 3.3 square meters).

All investment properties had been leased out under operating leases. The rental income generated for the years ended December 31, 2020 and 2019 was \$4,310 thousand and \$3,920 thousand, respectively.

The expected future cash inflows generated by investment properties include rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the MLSC's current lease contract and the average rental of the market, taking into account the annual rental growth rate; the income analysis covers a 10-year period, the interest income on rental deposits was extrapolated using the fixed deposit interest rate for a 1-year period; the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows incurred by investment properties include land value taxes, house taxes, insurance premiums and maintenance costs. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustments to the government-announced land value, the tax rate promulgated under the House Tax Act and construction expenses.

The discount rate was determined using the interest rate for a 2-year time deposits as posted by Chunghwa Post Co., Ltd., plus 0.75%, and any asset-specific risk premiums between 0% and 1.15%.

4) The movements in the fair value of investment properties within Level 3 of the hierarchy

The Group measured investment properties subsequently using the fair value model. The movements in the fair value of investment properties within Level 3 of the hierarchy were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1 (restated)	\$ 160,642,952	\$ 151,878,582
Recognized in profit or loss gain arising from the change in fair value of investment properties	2,163,067	2,204,745
Acquisitions	95,481	3,078,689
Transferred from property and equipment	307,270	1,540,161
Transferred to property and equipment	(385,531)	(427,131)
Transferred from right-of-use assets	58,195	228,775
Transferred to right-of-use assets	(31,617)	(96,351)
Modification of lease agreement of right-of-use assets	(8,982)	-
Transferred from investment properties measured at cost	<u>4,346,286</u>	<u>2,235,482</u>
Balance at December 31	<u>\$ 167,187,121</u>	<u>\$ 160,642,952</u>

b. Investment properties measured at cost

	Land	Buildings and Building Facilities	Prepayments for Buildings and Constructions in Progress	Right-of-use Assets	Total
<u>Cost</u>					
Balance, January 1, 2020 (restated)	\$ 11,195,966	\$ 10,636	\$ 2,698,571	\$ 2,023,205	\$ 15,928,378
Additions	-	434,633	749,686	750,155	1,934,474
Disposals	-	-	-	(914)	(914)
Transferred to property and equipment	-	-	(100,329)	-	(100,329)
Other reclassifications	(2,442,288)	(445,269)	(1,464,649)	-	(4,352,206)
Balance, December 31, 2020	<u>8,753,678</u>	<u>-</u>	<u>1,883,279</u>	<u>2,772,446</u>	<u>13,409,403</u>
<u>Accumulated depreciation</u>					
Balance, January 1, 2020	-	5,874	-	29,146	35,020
Depreciation expense	-	46	-	30,388	30,434
Other reclassifications	-	(5,920)	-	-	(5,920)
Balance, December 31, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,534</u>	<u>59,534</u>
<u>Accumulated impairment</u>					
Balance, January 1, 2020	25,899	-	-	-	25,899
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance, December 31, 2020	<u>25,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,899</u>
Carrying amount at January 1, 2020	<u>\$ 8,727,779</u>	<u>\$ -</u>	<u>\$ 1,883,279</u>	<u>\$ 2,712,912</u>	<u>\$ 13,323,970</u>
<u>Cost</u>					
Balance, January 1, 2019	\$ 77,637,393	\$ 40,508,288	\$ 3,456,311	\$ -	\$ 121,601,992
Adjustment on initial application of IFRS 16	-	-	-	12,897,175	12,897,175
Reclassifications	(66,505,302)	(40,497,652)	(460,510)	(10,873,970)	(118,337,434)
Balance at January 1, 2019 (restated)	11,132,091	10,636	2,995,801	2,023,205	16,161,733
Additions	-	-	1,938,252	-	1,938,252
Transferred from assets held for sale	63,875	-	-	-	63,875
Balance, December 31, 2020	<u>11,195,966</u>	<u>10,636</u>	<u>2,698,571</u>	<u>2,023,205</u>	<u>15,928,378</u>
<u>Accumulated depreciation</u>					
Balance, January 1, 2019	-	10,757,571	-	-	10,757,571
Reclassifications	-	(10,751,881)	-	-	(10,751,881)
Balance at January 1, 2019 (restated)	-	5,690	-	-	5,690
Depreciation expense	-	184	-	29,146	29,330
Balance, December 31, 2019	<u>-</u>	<u>5,874</u>	<u>-</u>	<u>29,146</u>	<u>35,020</u>
<u>Accumulated impairment</u>					
Balance, January 1, 2019	34,933	1,290,096	-	-	1,325,029
Adjustment on initial application of IFRS 16	-	-	-	559,026	559,026
Reclassifications	(34,933)	(1,290,096)	-	(559,026)	(1,884,055)
Balance at January 1, 2019 (restated)	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transferred from assets held for sale	25,899	-	-	-	25,899
Balance, December 31, 2019	<u>25,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,899</u>
Carrying amount at January 1, 2019 (restated)	<u>\$ 11,132,091</u>	<u>\$ 4,946</u>	<u>\$ 2,995,801</u>	<u>\$ 2,023,205</u>	<u>\$ 16,156,043</u>
Carrying amount at December 31, 2019	<u>\$ 11,170,067</u>	<u>\$ 4,762</u>	<u>\$ 2,698,571</u>	<u>\$ 1,994,059</u>	<u>\$ 15,867,459</u>

- 1) The Group's investment properties measured at cost were not available for use during construction, or the target could not be valued using the cost model in accordance with the financial reporting preparation standards of the insurance industry, so the fair value could not be determined reliably.
- 2) The depreciation expense of the investment properties - right-of-use assets for the years ended December 31, 2020 and 2019 were \$30,388 thousand and \$29,146 thousand, respectively, of which \$30,388 thousand and \$29,146 thousand were respectively capitalized into investment properties - prepaid building and construction costs.
- 3) All of the Group's investment properties were held under freehold interests. The investment properties held by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	45-62 years
Building facilities	
Elevators	20-25 years
Exterior walls	25-30 years
Air conditioning units	18-25 years
Extinguishing equipment	20-25 years
Others	2-25 years
Right-of-use assets	35-139 years

- 4) Refer to Note 42 for information of investment properties pledged as security.
- 5) As of December 31, 2020, the ownership of the foreign investment properties, held in name of the Group, was unrestricted.

## 19. PROPERTY AND EQUIPMENT

	Land	Buildings and Facilities	Transportation Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>						
Balance, January 1, 2020 (restated)	\$ 19,768,497	\$ 16,527,541	\$ 62,538	\$ 6,421,678	\$ 480,690	\$ 43,260,944
Additions	-	91,100	16,955	687,704	885,589	1,681,348
Disposals	(1,489)	(3,064)	(18,289)	(233,565)	-	(256,407)
Transferred from investment properties	195,572	189,959	-	-	100,329	485,860
Transferred to investment properties	(44,955)	(209,028)	-	-	-	(253,983)
Other reclassifications	-	1,126,029	1,385	20,413	(1,244,387)	(96,560)
Net exchange differences	(2,330)	2,558	-	(2,095)	(288)	(2,155)
Balance, December 31, 2020	<u>19,915,295</u>	<u>17,725,095</u>	<u>62,589</u>	<u>6,894,135</u>	<u>221,933</u>	<u>44,819,047</u>
<u>Accumulated depreciation</u>						
Balance, January 1, 2020 (restated)	-	5,994,668	35,738	4,783,926	-	10,814,332
Depreciation expense	-	368,517	7,805	487,969	-	864,291
Disposals	-	(3,064)	(16,500)	(232,632)	-	(252,196)
Transferred from investment properties	-	-	-	-	-	-
Transferred to investment properties	-	(29,614)	-	-	-	(29,614)
Net exchange differences	-	-	-	(1,676)	-	(1,676)
Balance, December 31, 2020	<u>-</u>	<u>6,330,507</u>	<u>27,043</u>	<u>5,037,587</u>	<u>-</u>	<u>11,395,137</u>

(Continued)

	Land	Buildings and Facilities	Transportation Equipment	Other Equipment	Construction in Progress	Total
<u>Accumulated impairment</u>						
Balance, January 1, 2020	\$ 396,431	\$ 17,387	\$ -	\$ -	\$ -	\$ 413,818
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transferred from investment properties	-	-	-	-	-	-
Balance, December 31, 2020	<u>396,431</u>	<u>17,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>413,818</u>
Carrying amount, at January 1, 2020	<u>\$ 19,518,864</u>	<u>\$ 11,377,201</u>	<u>\$ 35,546</u>	<u>\$ 1,856,548</u>	<u>\$ 221,933</u>	<u>\$ 33,010,092</u>
<u>Cost</u>						
Balance, January 1, 2019	\$ 20,231,325	\$ 14,893,358	\$ 66,015	\$ 6,451,142	\$ 1,195,395	\$ 42,837,235
Additions	-	825,901	9,378	461,818	717,610	2,014,707
Disposals	-	(4,340)	(12,855)	(528,536)	-	(545,731)
Transferred from investment properties	356,346	70,785	-	-	-	427,131
Transferred to investment properties	(819,174)	(603,448)	-	-	(38)	(1,422,660)
Other reclassifications	-	1,336,421	-	38,351	(1,432,192)	(57,420)
Net exchange differences	-	-	-	(1,097)	(85)	(1,182)
Balance, December 31, 2019	<u>19,768,497</u>	<u>16,518,677</u>	<u>62,538</u>	<u>6,421,678</u>	<u>480,690</u>	<u>43,252,080</u>
<u>Accumulated depreciation</u>						
Balance, January 1, 2019	-	5,677,459	38,173	4,853,416	-	10,569,048
Depreciation expense	-	288,143	7,070	454,406	-	749,619
Disposals	-	(4,340)	(9,505)	(523,021)	-	(536,866)
Transferred from investment properties	-	-	-	-	-	-
Transferred to investment properties	-	29,542	-	-	-	29,542
Net exchange differences	-	-	-	(875)	-	(875)
Balance, December 31, 2019	<u>-</u>	<u>5,990,804</u>	<u>35,738</u>	<u>4,783,926</u>	<u>-</u>	<u>10,810,468</u>
<u>Accumulated impairment</u>						
Balance, January 1, 2019	396,431	17,387	-	-	-	413,818
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance, December 31, 2019	<u>396,431</u>	<u>17,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>413,818</u>
Carrying amount at January 1, 2019	<u>\$ 19,834,894</u>	<u>\$ 9,198,512</u>	<u>\$ 27,842</u>	<u>\$ 1,597,726</u>	<u>\$ 1,195,395</u>	<u>\$ 31,854,369</u>
Carrying amount at December 31, 2019	<u>\$ 19,372,066</u>	<u>\$ 10,510,486</u>	<u>\$ 26,800</u>	<u>\$ 1,637,752</u>	<u>\$ 480,690</u>	<u>\$ 32,027,794</u>

(Concluded)

- a. Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	5-62 years
Building facilities	
Elevators	20-25 years
Exterior walls	25-30 years
Air conditioning units	18-25 years
Extinguishing equipment	20-25 years
Others	2-25 years
Transportation equipment	2-7 years
Other equipment	
Dynamos	18-20 years
Air conditioning units	10-20 years
Others	1-31 years

b. Refer to Note 42 for information of property and equipment pledged as security.

## 20. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Land and buildings	\$ 4,667,211	\$ 5,080,153
Others	<u>75,604</u>	<u>88,193</u>
	<u>\$ 4,742,815</u>	<u>\$ 5,168,346</u>
	<u>For the Year Ended December 31</u>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 295,078</u>	<u>\$ 711,392</u>
Disposals right-of-use assets	<u>\$ (22,523)</u>	<u>\$ -</u>
Right-of-use assets reclassified to investment properties	<u>\$ (50,217)</u>	<u>\$ (106,409)</u>
Investment properties reclassified to right-of-use assets	<u>\$ 31,617</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Aboveground rights	\$ (57,263)	\$ (36,842)
Land and buildings	(584,964)	(562,653)
Others	<u>(46,035)</u>	<u>(41,166)</u>
	<u>\$ (688,262)</u>	<u>\$ (640,661)</u>
Income from the subleasing of right-of-use assets (presented in other income)	<u>\$ 1,142,673</u>	<u>\$ 1,151,482</u>

The depreciation expense of the right-of-use assets for land and buildings for the year ended December 31, 2019 was \$36,892 thousand, of which \$688 thousand was capitalized into property and equipment - construction-in-progress.

The Group subleased part of its leasehold superficies and buildings under operating leases. The related right-of-use assets are presented as investment properties (as set out in Note 18). The amounts disclosed above with respect to the right-of-use assets do not include right-of-use assets that meet the definition of investment properties.

b. Lease liabilities

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Carrying amount	<u>\$ 6,820,371</u>	<u>\$ 7,036,559</u>

Movements of lease liabilities:

For the year ended December 31, 2020

	<b>January 1, 2020</b>	<b>Cash Flows (Note)</b>	<b>Non-cash Movements Addition</b>	<b>December 31, 2020</b>
Lease liabilities	<u>\$ 7,036,559</u>	<u>\$ (499,421)</u>	<u>\$ 283,233</u>	<u>\$ 6,820,371</u>

Note: Include payments of lease liabilities of \$677,630 thousand and interest expense of \$178,209 thousand.

For the year ended December 31, 2019

	<b>January 1, 2019</b>	<b>Cash Flows (Note)</b>	<b>Non-cash Movements Addition</b>	<b>December 31, 2019</b>
Lease liabilities	<u>\$ 6,930,556</u>	<u>\$ (599,101)</u>	<u>\$ 705,104</u>	<u>\$ 7,036,559</u>

Note: Include payments of lease liabilities of \$794,206 thousand and interest expense of \$195,105 thousand. Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Superficies	2.30%-5.45%	2.30%-4.51%
Land and buildings	0.82%-5.64%	1.02%-5.66%
Others	0.82%-5.64%	1.02%-5.66%

c. Material lease-in activities and terms

1) The Group adopted the amendment to IFRS 16 “Covid-19-Related Rent Concessions” for lease contracts subsidized by the government and with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. For the year ended December 31, 2020, the amount of rent reduction was \$86,545 thousand and recorded as other miscellaneous income, net.

2) The superficies leased by the Group include the following items:

- a) The Group purchased the superficies right of A12 in Xinyi Dist. by tender from Taipei City Government in November 2003, the right is for 50 years to December 2053.
- b) The Group purchased the superficies right of Xinban Section in Banqiao Dist. from Taiwan Tobacco & Liquor Corporation in June 2013, the right is for 50 years to June 2163.
- c) The Group purchased the superficies right of Dalong Section in Datong Dist. from CPC Corporation, Taiwan in October 2013, the right is for 50 years to October 2163.
- d) The Group purchased the superficies right of Nangang Business Section by tender from Taipei City Government in March 2014, the right is for 60 years to March 2074.
- e) The Group purchased the superficies right of Wenhua Section in Banqiao Dist. from CPC Corporation, Taiwan in October 2014, the right is for 50 years to October 2064.

- f) The Group purchased the superficies right of London City in United Kingdom from Gracechurch Street No. 1 Limited, the right is for 141 years and ten months to October 2157.
- g) The Group purchased the superficies right of Chenggong section in Zongzheng Dist. from Northern Region Branch, National Property Administration, MOF in June 2018, the right is for 70 years to June 2088.
- h) The Group purchased the superficies right of Nangang bus station from Taipei city government in December 2020; the right is for 50 years to December 2070.

d. Subleases

Refer to Note 18 for the details on subleases.

e. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	<u>\$ 187,393</u>	<u>\$ 205,937</u>
Expenses relating to low-value asset leases	<u>\$ 1,052</u>	<u>\$ 511</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 38</u>	<u>\$ 9,509</u>
Total cash outflow for leases	<u>\$ 866,113</u>	<u>\$ 1,010,163</u>

The Group leases certain assets under leases which qualify as short-term leases and certain assets which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 21. INTANGIBLE ASSETS, NET

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Goodwill	\$ 2,884,640	\$ 2,884,640
Accumulated impairment	<u>(549,594)</u>	<u>(549,594)</u>
	2,335,046	2,335,046
Computer software	<u>761,936</u>	<u>684,229</u>
	<u>\$ 3,096,982</u>	<u>\$ 3,019,275</u>

a. The acquisitions and changes in goodwill are summarized as follows:

- 1) TSKCB recognized as goodwill the excess of purchase price over net asset from acquisition of other financial institutions. As of December 31, 2020, the carrying amount of the goodwill was \$1,243,923 thousand.
- 2) The Group acquired 100% equity interest of SKITC in 2006. The excess of purchase price over net asset, amounting to \$1,478,750 thousand, was recognized as goodwill.
- 3) The Group progressively acquired 25.32% equity interest of MLSC since 2007. The excess of purchase price over net asset, amounting to \$161,967 thousand, was recognized as goodwill.

- 4) As of December 31, 2020, the Group's accumulated impairment loss was \$549,594 thousand.
- 5) After evaluation by the Group, no indications of impairment of goodwill was found for the years ended December 31, 2020 and 2019.

b. Movements in computer software were as follows:

	<b>For the Year Ended December 31, 2020</b>		
	<b>Computer Software</b>	<b>Prepaid Computer Software</b>	<b>Total</b>
Balance, January 1	\$ 411,651	\$ 272,578	\$ 684,229
Additions	158,074	79,913	237,987
Amortization	(259,562)	-	(259,562)
Net exchange differences	(148)	-	(148)
Reclassification	<u>409,128</u>	<u>(309,698)</u>	<u>99,430</u>
Balance, December 31	<u>\$ 719,143</u>	<u>\$ 42,793</u>	<u>\$ 761,936</u>

	<b>For the Year Ended December 31, 2019</b>		
	<b>Computer Software</b>	<b>Prepaid Computer Software</b>	<b>Total</b>
Balance, January 1	\$ 433,877	\$ 166,647	\$ 600,524
Additions	180,145	131,647	311,792
Amortization	(292,393)	-	(292,393)
Net exchange differences	(144)	-	(144)
Reclassification	<u>90,166</u>	<u>(25,716)</u>	<u>64,450</u>
Balance, December 31	<u>\$ 411,651</u>	<u>\$ 272,578</u>	<u>\$ 684,229</u>

Intangible assets are amortized on a straight-line basis over 3 to 10 years.

## 22. OTHER ASSETS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Prepaid expenses	\$ 345,081	\$ 423,920
Insurance Industry Stability Fund	6,060,377	5,350,893
Less: Reserve for Insurance Industry Stability Fund	(6,060,377)	(5,350,893)
Guarantee deposits paid (Note 42)	21,245,216	18,993,464
Restricted assets - time deposit and compensation deposit (Note 42)	1,227,876	1,337,749
Deferred expenses	713,441	669,830
Overdue receivable	70,981	62,326
Less: Allowance for impairment loss (Note 15)	(70,981)	(62,326)
Reinsurance assets	632,441	866,525
Receivable for underwriting of securities	1,899,865	1,655
Prepayment for investments accounted for using the equity method	856,295	1,260,000
Net defined benefit assets (Note 30)	1,805,155	1,102,674
Others	<u>1,452,566</u>	<u>992,355</u>
	<u>\$ 30,177,936</u>	<u>\$ 25,648,172</u>

- a. Under Tai-Tsai-Bao No. 811769212 issued by the Ministry of Finance on December 31, 1992, one thousandth (1/1000) of premiums should be contributed to the Insurance Industry Stability Fund starting from January 1, 1993. According to “the standard of Life and Property Insurance Stabilization Fund”, starting from July 1, 2014, the contribution to the Insurance Industry Stability Fund of Life Insurance Enterprises should be based on the premium income and contribution rate calculated using the difference between capital adequacy ratio and management performance rating indicator. The credit account, reserve for Insurance Industry Stability Fund, is a contra account of the Insurance Industry Stability Fund.
- b. Guarantee deposits paid comprised:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Insurance operation guarantee deposit	\$ 10,000,000	\$ 9,182,000
Deposit for foreign currencies	979,956	422,380
Bank operation guarantee deposit	5,631,205	5,635,352
Deposit for futures and options trading	368,157	289,017
Securities operation guarantee deposit	970,000	971,500
Clearing and settlement fund	254,266	267,984
Security lending guarantee deposits	1,662,503	803,958
Other guarantee deposits	<u>1,379,129</u>	<u>1,421,273</u>
	<u>\$ 21,245,216</u>	<u>\$ 18,993,464</u>

- 1) Based on Article 141 of the Insurance Law, insurance operation guarantee deposit should be deposited in the Central Bank equal to 15% of an insurance company’ paid-in capital. Article 142 of the same law further stipulates that this deposit can only be refunded if the insurance company ceases its business operations and completes the required liquidation process. As of December 31, 2020 and 2019, SKLIC deposited government bonds to the special treasury account as operating guarantee deposit.
- 2) TSKCB provided bank operation guarantee deposit and deposit for foreign currencies according to related laws and agreed percentage of fair values of contracts as performance bonds when engaged in derivative transactions.
- 3) When engaged in futures transactions, both the buyer and seller should provide guarantee deposits based on the value of the contract for performance in the future or for principal loss in liquidation.
- 4) Based on the Securities and Exchange Act, MLSC provided operating guarantee deposit and settlement fund. Based on the Securities and Exchange Act and Rules Governing Securities Firms, SKITC provided operating guarantee deposit.

### 23. DUE TO CENTRAL BANK AND OTHER BANKS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Call loans from banks	\$ 4,323,958	\$ 8,168,550
Due to Chunghwa Post Co., Ltd.	313,602	313,602
Due to banks	<u>10,995</u>	<u>11,667</u>
	<u>\$ 4,648,555</u>	<u>\$ 8,493,819</u>

## 24. FINANCED TO CENTRAL BANK AND OTHER BANKS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Re-financed to Central Bank	\$ <u>267,740</u>	\$ <u>-</u>
Re-financed to Central Bank rate	0.10%	-

Refer to Note 42 for collateral information of Re-financed to Central Bank.

## 25. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Notes and bonds issued under repurchase agreements	\$ <u>39,285,610</u>	\$ <u>40,823,365</u>
Interest rate	0.10%-2.60%	0.35%-3.30%

## 26. COMMERCIAL PAPERS ISSUED

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Nominal amount	\$ 2,400,000	\$ -
Less: Discount amount	<u>(65)</u>	<u>-</u>
	<u>\$ 2,399,935</u>	<u>\$ -</u>
Interest rate	0.328%-0.368%	-

As of December 31, 2020, the Group's outstanding short-term bills payable were as follows:

### December 31, 2020

Guarantee or Acceptance Agency	Denomination	Discount Amount	Carrying Amount	Interest Rate	Collateral
<u>Commercial papers issued</u>					
China Bills Finance Corporation	\$ 1,000,000	\$ (30)	\$ 999,970	0.358%	-
International Bills Finance Corporation	700,000	(14)	699,986	0.368%	-
Grand Commercial Bank	<u>700,000</u>	<u>(21)</u>	<u>699,979</u>	0.328%	-
	<u>\$ 2,400,000</u>	<u>\$ (65)</u>	<u>\$ 2,399,935</u>		

## 27. DEPOSITS AND REMITTANCES

	December 31	
	2020	2019
Savings account deposits	\$ 400,472,591	\$ 366,390,027
Time deposits	283,779,587	276,788,452
Demand deposits	148,036,302	121,587,366
Checking account deposits	7,219,480	7,111,083
Negotiable time deposits	101,400	132,900
Remittances outstanding	<u>200,793</u>	<u>269,502</u>
	<u>\$ 839,810,153</u>	<u>\$ 772,279,330</u>

## 28. BONDS PAYABLE

	December 31	
	2020	2019
Debentures payable	\$ 27,500,000	\$ 22,500,000
Bonds payable	<u>38,328,072</u>	<u>38,262,248</u>
	65,828,072	60,762,248
Less: Portion due within a year	<u>(1,500,000)</u>	<u>(3,000,000)</u>
	<u>\$ 64,328,072</u>	<u>\$ 57,762,248</u>

### a. Debentures payable

	December 31	
	2020	2019
Secondary financial debentures		
First subordinated debenture of 2010	\$ -	\$ 3,000,000
Second subordinated debenture of 2011	1,500,000	1,500,000
First subordinated debenture of 2012	3,000,000	3,000,000
Second subordinated debenture of 2014	2,500,000	2,500,000
First subordinated debenture of 2016	3,000,000	3,000,000
First subordinated debenture of 2018	2,500,000	2,500,000
Second subordinated debenture of 2018	2,500,000	2,500,000
First subordinated debenture of 2019	4,500,000	4,500,000
First subordinated debenture of 2020	3,000,000	-
Second subordinated debenture of 2020	3,000,000	-
Third subordinated debenture of 2020	<u>2,000,000</u>	<u>-</u>
	27,500,000	22,500,000
Less: Portion due within a year	<u>(1,500,000)</u>	<u>(3,000,000)</u>
	<u>\$ 26,000,000</u>	<u>\$ 19,500,000</u>

1) TSKCB issued the first non-cumulative secondary financial debenture without maturity date on June 30, 2010, which was approved under Rule No. 09900171020 issued by the Banking Bureau of the FSC on May 14, 2010. Details of the financial debenture issuance were summarized as follows:

- a) Total approved principal: \$3,000,000 thousand.
- b) Principal issued: \$3,000,000 thousand.

- c) Denomination: \$10,000 thousand, issued at par.
  - d) Period: Without maturity date.
  - e) Nominal interest rate: Fixed interest rate of 3.50% from the day issued to tenth year; if the Company does not redeem, the fixed interest rate will be adjusted to 4.50% on the next day the bond is issued to tenth year.
  - f) Early redemption right: When expiring within 10 years from the issuance date, if TSKCB's Capital Adequacy Ratio after redemption conforms to the relevant authorities' minimum regulation, TSKCB can early redeem each bond at par value plus accrued interest after approval by the relevant authorities. TSKCB enforced the right on June 30, 2020.
  - g) The interest is paid annually from the issue date.
- 2) TSKCB issued the second secondary financial debenture on September 26, 2011, which was approved by Rule No. 10000301920 issued by the Banking Bureau of the FSC on September 2, 2011. Details of the financial debenture issuance were summarized as follows:
- a) Total approved principal: \$2,000,000 thousand.
  - b) Principal issued: \$2,000,000 thousand.
  - c) Denomination: \$10,000 thousand, issued at par.
  - d) Period: Debenture I - 10 years with maturity on September 26, 2021. Debenture II - 7 years with maturity on September 26, 2018.
  - e) Nominal interest rate: Fixed interest rate of 1.95%.
  - f) Repayment: The financial debenture will be fully paid on the maturity date.
  - g) The interest is paid annually from the issue date.
- 3) TSKCB issued the first secondary financial debenture on December 28, 2012, which was approved under Rule No. 10100401120 issued by the Banking Bureau of the FSC on December 21, 2012. Details of the financial debenture issuance were summarized as follows:
- a) Total approved principal: \$4,000,000 thousand.
  - b) Principal issued: \$4,000,000 thousand.
  - c) Denomination: \$10,000 thousand, issued at par.
  - d) Period: Debenture I - 7 years with maturity on December 28, 2019. Debenture II - 10 years with maturity on December 28, 2022.
  - e) Nominal interest rate: Debenture I - \$1,000,000 thousand at fixed interest rate of 1.51%. Debenture II - \$3,000,000 thousand at fixed interest rate of 1.63%.
  - f) Repayment: The financial debenture will be fully paid on the maturity date.
  - g) The interest is paid annually from the issue date.

- 4) TSKCB issued the second subordinated financial debenture on December 15, 2014, which was approved on April 30, 2014 under Rule No. 10300114440 issued by the Banking Bureau of the FSC. Details of the financial debenture issuance are summarized as follows:
- a) Total approved principal: \$5,000,000 thousand.
  - b) Principal issued: \$2,500,000 thousand.
  - c) Denomination: \$10,000 thousand, issued at par.
  - d) Period: 10 years, with maturity on December 15, 2024.
  - e) Nominal interest rate: Fixed interest rate of 2.10%.
  - f) Repayment: Full repayment is due on the maturity date.
  - g) The interest is payable annually from the issue date.
- 5) TSKCB issued its first subordinated financial debenture on January 29, 2016, which was approved on December 22, 2015 under Rule No. 10400308600 issued by the Banking Bureau of the FSC. Details of the financial debenture issuance are summarized as follows:
- a) Total approved principal: \$3,000,000 thousand.
  - b) Principal issued: \$3,000,000 thousand.
  - c) Denomination: \$10,000 thousand, issued at par.
  - d) Period: Debenture I - 7 years, with maturity on January 29, 2023. Debenture II - 10 years, with maturity on January 29, 2026.
  - e) Nominal interest rate: Debenture I - \$800,000 thousand at fixed interest rate of 1.60%. Debenture II - \$2,200,000 thousand at fixed interest rate of 1.80%.
  - f) Repayment: Full repayment is due on the maturity date.
  - g) The interest is payable annually from the issue date.
- 6) TSKCB issued its first non-cumulative subordinated financial debenture on March 30, 2018, which was approved under Rule No. 10600186530 issued by the Banking Bureau of the FSC on August 7, 2017. Details of the financial debenture issuance are summarized as follows:
- a) Approved principal for issue: \$2,500,000 thousand.
  - b) Principal issued: \$2,500,000 thousand.
  - c) Denomination: \$10,000 thousand, issued at par.
  - d) Period: No due date.
  - e) Nominal interest rate: Fixed interest rate of 3.40%.
  - f) Early redemption rights: After 5 years and 3 months from the issue date, if the Bank's capital adequacy ratio after redemption meets the minimum requirement of the authorities and the authorities approve the application of the Bank, the Bank may redeem the debentures in advance.

- g) The interest is payable annually from the issue date.
- 7) TSKCB issued its second subordinated financial debenture on June 28, 2018, which was approved under Rule No. 10600186530 issued by the Banking Bureau of the FSC on August 7, 2017. Details of the financial debenture issuance are summarized as follows:
- a) Approved principal for issue: \$2,500,000 thousand.
  - b) Principal issued: \$2,500,000 thousand.
  - c) Denomination: \$10,000 thousand, issued at par.
  - d) Period: 10 years, maturity on June 28, 2028.
  - e) Nominal interest rate: Fixed interest rate of 1.62%.
  - f) Repayment: The financial debenture will be repaid in full on the maturity date.
  - g) The interest is payable annually from the issue date.
- 8) TSKCB issued its first non-cumulative subordinated financial debenture on June 21, 2019, which was approved under Rule No. 10802068560 issued by the Banking Bureau of the FSC on May 1, 2019. Details of the financial debenture issuance are summarized as follows:
- a) Approved principal for issue: \$6,500,000 thousand.
  - b) Principal issued: \$4,500,000 thousand.
  - c) Denomination: \$10,000 thousand, issued at par.
  - d) Period: No due date.
  - e) Nominal interest rate: Fixed interest rate of 2.20%.
  - f) Early redemption rights: After 5 years and 3 months from the issue date, if the Bank's capital adequacy ratio after redemption meets the minimum requirement of the authorities and the authorities approve the application of the Bank, the Bank may redeem the debentures in advance.
  - g) The interest is payable annually from the issue date.
- 9) TSKCB issued its first non-cumulative subordinated financial debenture on June 23, 2020, which was approved under Rule No. 1090209311 issued by the Banking Bureau of the FSC on April 30, 2020. Details of the financial debenture issuance are summarized as follows:
- a) Approved principal for issue: \$3,000,000 thousand.
  - b) Principal issued: \$3,000,000 thousand.
  - c) Denomination: \$10,000 thousand, issued at par.
  - d) Period: No due date.
  - e) Nominal interest rate: Fixed interest rate of 1.70%.

- f) Early redemption rights: After 5 years and 3 months from the issue date, if the Bank's capital adequacy ratio after redemption meets the minimum requirement of the authorities and the authorities approve the application of the Bank, the Bank may redeem the debentures in advance.
  - g) The interest is payable annually from the issue date.
- 10) TSKCB issued its second non-cumulative subordinated financial debenture on December 16, 2020, which was approved under Rule No. 1090228036 issued by the Banking Bureau of the FSC on October 28, 2020. Details of the financial debenture issuance are summarized as follows:
- a) Approved principal for issue: \$5,000,000 thousand.
  - b) Principal issued: \$3,000,000 thousand.
  - c) Denomination: \$10,000 thousand, issued at par.
  - d) Period: No due date.
  - e) Nominal interest rate: Fixed interest rate of 1.70%.
  - f) Early redemption rights: After 5 years and 3 months from the issue date, if the Bank's capital adequacy ratio after redemption meets the minimum requirement of the authorities and the authorities approve the application of the Bank, the Bank may redeem the debentures in advance.
  - g) The interest is payable annually from the issue date.
- 11) TSKCB issued its third non-cumulative subordinated financial debenture on December 23, 2020, which was approved under Rule No. 1090228036 issued by the Banking Bureau of the FSC on October 28, 2020. Details of the financial debenture issuance are summarized as follows:
- a) Approved principal for issue: \$5,000,000 thousand.
  - b) Principal issued: \$2,000,000 thousand.
  - c) Denomination: \$10,000 thousand, issued at par.
  - d) Period: 10 years, with maturity on December 23, 2030.
  - e) Nominal interest rate: Fixed interest rate of 0.75%.
  - f) Repayment: The financial debenture will be repaid in full on the maturity date.
  - g) The interest is payable annually from the issue date.

b. Bonds payable

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Domestic cumulative subordinate corporate bond of 2012 without maturity date - first issue	\$ 5,000,000	\$ 5,000,000
Domestic cumulative subordinate corporate bond of 2016 without maturity date - first issue	13,000,000	13,000,000
Domestic cumulative subordinate corporate bond of 2018 without maturity date - first issue	6,000,000	6,000,000
Domestic unsecured convertible bond - fourth issue	1,503,900	1,503,900
Domestic unsecured convertible bond - fifth issue	5,000,000	5,000,000
Domestic unsecured corporate bond of 2015 - first issue	-	3,000,000
Domestic unsecured corporate bond of 2017 - first issue	5,000,000	5,000,000
Domestic unsecured corporate bond of 2020 - first issue	<u>3,000,000</u>	<u>-</u>
	38,503,900	38,503,900
Less: Unamortized discount on domestic unsecured convertible bond - fourth issue	(27,600)	(44,150)
Less: Unamortized discount on domestic unsecured convertible bond - fifth issue	(148,228)	(197,502)
Less: Portion due within a year	<u>-</u>	<u>(3,000,000)</u>
	<u>\$ 38,328,072</u>	<u>\$ 35,262,248</u>

1) SKLIC issued its first domestic cumulative subordinate corporate bond without maturity on December 10, 2012 which was approved under Rule No. 10102908010 issued by the Insurance Bureau of the FSC and Rule No. 1010051395 issued by the FSC. Details of the bond payable issuance are summarized as follows:

- a) Principal issued: \$5,000,000 thousand.
- b) Denomination and issue price: \$1,000 thousand each, issued at par.
- c) Period: Without maturity date.
- d) Nominal interest rate: There is a fixed interest rate of 3.35% from the issue date to the tenth year; if not redeemed by the Company, the fixed interest rate will be adjusted to 4.35% on the day following the bond's issue date to the tenth year.
- e) The interest is paid annually from the issue date.
- f) Early redemption right: Within 10 years from the issue date, at which time the condition of expiry is met, if SKLIC's Capital Adequacy Ratio after redemption is two times more than the minimum Capital Adequacy Ratio required by the authorities' regulation, SKLIC is able to proceed with early redemption of each bond at par value plus accrued interest after the approval by the relevant authorities. SKLIC can redeem such bonds quarterly.
- g) Bonds form: Incorporately issued.

2) SKLIC issued its first domestic cumulative subordinate corporate bond without maturity on October 31, 2016 which was approved under Rule No. 10502911780 issued by the Insurance Bureau of the FSC and Rule No. 10500291131 issued by the Taipei Exchange. Details of the bond payable issuance are summarized as follows:

- a) Principal issued: \$13,000,000 thousand.

- b) Denomination and issue price: \$1,000 thousand each, issued at par.
  - c) Period: Without maturity date.
  - d) Early redemption right: Within 10 years from the issue date, at which time the condition of expiry is met, if SKLIC's Capital Adequacy Ratio after redemption is two times more than the minimum Capital Adequacy Ratio required by the authorities' regulation, SKLIC is able to proceed with early redemption of each bond at par value plus accrued interest after the approval by the relevant authorities.
  - e) Nominal interest rate: There is a fixed interest rate of 3.80% from the issue date to the tenth year; if not redeemed by the Company, 1% will be added to the fixed interest rate on the day following the bond's issue date to the tenth year.
  - f) The interest is paid annually from the issue date.
  - g) Bonds form: Incorporately issued.
- 3) SKLIC issued its first domestic cumulative subordinate corporate bond without maturity on June 29, 2018, which was approved under Rule No. 10704276590 issued by the Insurance Bureau of the FSC and Rule No. 10700153821 issued by the Taipei Exchange. Details of the bond payable issuance are summarized as follows:
- a) Principal issued: \$6,000,000 thousand.
  - b) Denomination and issue price: \$1,000 thousand each, issued at par.
  - c) Period: Without maturity date.
  - d) Early redemption rights: Within 10 years from the issue date, at which time the conditions of expiry are met, if SKLIC's Capital Adequacy Ratio after redemption is two times more than the minimum Capital Adequacy Ratio required by the authorities, SKLIC can proceed with early redemption of each bond at par value plus accrued interest after approval by the relevant authorities.
  - e) Nominal interest rate: There is a fixed interest rate of 3.50% from the issue date to the tenth year; if not redeemed by the Company, 1% will be added to the fixed interest rate on the day following the bond's issue date to the tenth year.
  - f) The interest is paid annually from the issue date.
  - g) Bond format: Incorporately issued.
- 4) The Company issued the fourth convertible bonds on August 22, 2017, which was approved under Rule No. 1060017794 issued by the FSC. Details of the bond payable issuance are summarized as follows:
- a) Principal issued: \$4,000,000 thousand.
  - b) Denomination and issue price: \$100 thousand each, issued at par.
  - c) Nominal interest rate: 0%.
  - d) Period: 5 years, from August 22, 2017 to August 22, 2022.

- e) Redemption at the Company's option:
- i. Redemption at maturity:  

Unless previously redeemed, converted, or canceled, the Company will redeem each bond at par value.
  - ii. Redemption before maturity:  

At any time after one month of the issue date until the 40th day before the maturity date, the Company may redeem the whole bonds at par value if the closing price for 30 consecutive trading days exceeds 30% of the conversion price.

At any time after one month of the issue date until the 40th day before the maturity date, the Company may redeem the whole bonds at par value if the unredeemed bonds are less than \$400,000 thousand (10% of original principal issued).
- f) Redemption at the bondholders' option:
- The bondholders may request the Company to redeem their bonds at par value in cash after three years from the issue date.
- g) Conversion method:
- i. Conversion period:  

Any time after three month of the issue date until the maturity date.
  - ii. Conversion price:  

The conversion premium rate is 110% multiplied by the standard price, which is the simple arithmetic average calculated at the closing price of one, three or five business days before the date of deciding the conversion price. The conversion price was NT\$9.35 per share.
  - iii. Adjustment to conversion price:
    - i) The conversion price is adjusted in accordance with the rules of anti-dilution (ex-right, ex-dividend and ordinary shares issued for cash, etc.).
    - ii) The conversion price is revised downward when SKFHC carries out the offering, issuing, or private placement of securities with ordinary shares conversion option or warranty or grants entitlement to ordinary shares (not for capital increase for cash); the conversion price is not adjusted upward. As of December 31, 2020 and 2019, the bond conversion price was NT\$8.33 and NT\$8.73 per share, respectively.
- h) SKFHC separated the conversion, put and call options from the host liabilities and recorded them as equity (please refer to Note 32) and liability components. The components were recognized as embedded derivatives and non-derivative liabilities. As of December 31, 2020 and 2019, the fair value of the embedded derivatives were \$(150) thousand and \$(301) thousand, respectively, and the net value of non-derivative bonds payable, which was measured at amortized cost, were \$1,476,300 thousand and \$1,459,750 thousand, respectively.

- i) For the years ended December 31, 2020 and 2019, SKFHC recognized the amortization of discount on bonds of \$16,550 thousand and \$16,410 thousand, respectively, and the valuation gain of \$151 thousand and \$4,362 thousand, respectively, on financial liabilities under interest expense and valuation gains or losses on financial assets and liabilities at FVTPL, respectively, for the fourth unsecured convertible bonds issued.
  - j) As of December 31, 2020, \$2,496,100 thousand of the fourth domestic unsecured convertible bonds issued by SKFHC had been converted.
- 5) The Company issued its fifth domestic unsecured convertible bonds on December 17, 2018, which was approved under Rule No. 1070342950 issued by the FSC. Details of the bond payable issuance are summarized as follows:
- a) Principal issued: \$5,000,000 thousand.
  - b) Denomination and issue price: \$100 thousand each, issued at 100.1% of par.
  - c) Nominal interest rate: 0%.
  - d) Period: 5 years, from December 17, 2018 to December 17, 2023.
  - e) Redemption at the Company's option:
    - i. Redemption at maturity:

Unless previously redeemed, converted, or canceled, the Company will redeem each bond at par value.
    - ii. Redemption before maturity:

At any time after one month of the issue date until the 40th day before the maturity date, the Company may redeem all the bonds at par value if the closing price for 30 consecutive trading days exceeds 30% of the conversion price.

At any time after one month of the issue date until the 40th day before the maturity date, the Company may redeem all the bonds at par value if the unredeemed bonds are less than \$500,000 thousand (10% of original principal issued).
  - f) Redemption at the bondholders' option:

The bondholders may request the Company to redeem their bonds at par value in cash after three years from the issue date.
  - g) Conversion method:
    - i. Conversion period:

Any time after three months of the issue date until the maturity date.
    - ii. Conversion price:

The conversion premium rate is 110% multiplied by the standard price, which is the simple arithmetic average calculated at the closing price of one, three or five business days before the date of deciding the conversion price. The conversion price was NT\$11.06 per share.

- iii. Adjustment to conversion price:
    - i) The conversion price is adjusted in accordance with the rules of anti-dilution (ex-right, ex-dividend and ordinary shares issued for cash, etc.).
    - ii) The conversion price is revised downwards when SKFHC carries out the offering, issuing, or private placement of securities with the option for conversion of ordinary shares or warranty or grants entitlement to ordinary shares (not for capital increase for cash); the conversion price is not adjusted upwards. As of December 31, 2020 and 2019, the bond conversion price was NT\$10.29 and NT\$10.78 per share, respectively.
  - h) SKFHC separated the conversion, put and call options from the host liabilities and recorded them as equity (refer to Note 32 for the details) and liability components. The components were recognized as embedded derivatives and non-derivative liabilities. As of December 31, 2020 and 2019, the fair value of the embedded derivatives was \$7,850 thousand and \$17,500 thousand and the net value of non-derivative bonds payable, which was measured at amortized cost, was \$4,851,772 thousand and \$4,802,498 thousand, respectively.
  - i) For the years ended December 31, 2020 and 2019, SKFHC recognized the amortization of discount on bonds of \$49,274 thousand and \$48,642 thousand and the valuation gain (loss) of \$(9,650) thousand and \$20,000 thousand on financial assets under interest expense and valuation gains or losses on financial assets and liabilities at FVTPL, respectively, for the issued fifth unsecured convertible bonds.
  - j) As of December 31, 2020, all of the fifth domestic unsecured convertible bonds issued by SKFHC had not been converted.
- 6) SKFHC issued the first domestic unsecured corporate bonds on July 22, 2015, which was approved by Rule No. 1040024200 issued by the FSC. Details of the bond payable issuance were summarized as follows:
- a) Principal issued: \$3,000,000 thousand.
  - b) Denomination and issue price: \$1,000 thousand each, issued at par.
  - c) Period: 5 years, from July 22, 2015 to July 22, 2020.
  - d) Repayment: On maturity.
  - e) Nominal interest rate: 1.42%.
  - f) Interest is paid annually from the issue date.
  - g) Bonds form: Incorporately issued.
- 7) SKFHC issued the first domestic unsecured corporate bonds on April 5, 2017, which was approved by Rule No. 10600053121 issued by the FSC. Details of the bond payable issuance were summarized as follows:
- a) Principal issued: \$5,000,000 thousand.
  - b) Denomination and issue price: \$1,000 thousand each, issued at par.
  - c) Period: 5 years, from April 5, 2017 to April 5, 2022.
  - d) Repayment: On maturity.

- e) Nominal interest rate: 1.25%.
  - f) Interest is paid annually from the issue date.
  - g) Bonds form: Incorporately issued.
- 8) SKFHC issued the first domestic unsecured corporate bonds on May 27, 2020, which was approved by Rule No. 10900043761 issued by the FSC. Details of the bond payable issuance were summarized as follows:
- a) Principal issued: \$3,000,000 thousand.
  - b) Denomination and issue price: \$1,000 thousand each, issued at par.
  - c) Period: 5 years, from May 27, 2020 to May 26, 2025.
  - d) Repayment: On maturity.
  - e) Nominal interest rate: 0.82%.
  - f) Interest is paid annually from the issue date.
  - g) Bonds form: Incorporately issued.

## 29. OTHER LOANS

	<b>December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Interest Rate</b>	<b>Ending</b>	<b>Interest Rate</b>	<b>Ending</b>
	<b>%</b>	<b>Balance</b>	<b>%</b>	<b>Balance</b>
Secured loans	-	\$ -	1.14-3.02	\$ 248,245
Unsecured loans	0.75-5.94	<u>3,332,033</u>	1.45-5.94	<u>928,525</u>
		<u>\$ 3,332,033</u>		<u>\$ 1,176,770</u>

As of December 31, 2020, the Company provided 42,000 thousand shares of SKLIC for credit line.

Refer to Note 42 for information on pledged assets.

## 30. PROVISIONS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Net defined benefit liabilities	\$ 624,235	\$ 515,466
Other employee benefit liabilities	<u>155,148</u>	<u>141,799</u>
	<u>\$ 779,383</u>	<u>\$ 657,265</u>

The retirement expense recognized under defined benefit plans is calculated using the determined discount rates as of December 31, 2020 and 2019 and are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Employee benefits expense	<u>\$ 73,096</u>	<u>\$ 117,426</u>

a. Defined contribution plans

The Company and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The employees of subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes proportional amount of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy. Also, SKLIC established the Committee of Pension Trust Fund to manage said pension fund.

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 7,914,765	\$ 8,688,613
Fair value of plan assets	<u>(9,095,685)</u>	<u>(9,275,821)</u>
Net defined benefit (assets) liabilities	<u>\$ (1,180,920)</u>	<u>\$ (587,208)</u>
Defined benefit assets (Note 22)	<u>\$ 1,805,155</u>	<u>\$ 1,102,674</u>
Defined benefit liabilities	<u>\$ 624,235</u>	<u>\$ 515,466</u>

Movements in net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2019	<u>\$ 9,164,608</u>	<u>\$ (8,102,654)</u>	<u>\$ 1,061,954</u>
Service cost			
Current service cost	106,887	-	106,887
Past service cost	2,478	-	2,478
Net interest expense (income)	<u>100,999</u>	<u>(92,938)</u>	<u>8,061</u>
Recognized in profit or loss	<u>210,364</u>	<u>(92,938)</u>	<u>117,426</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(548,836)	(548,836)
Actuarial loss - changes in demographic assumptions	90,435	-	90,435
Actuarial loss - changes in financial assumptions	187,468	-	187,468
Actuarial loss - experience adjustments	<u>76,519</u>	<u>-</u>	<u>76,519</u>
Recognized in other comprehensive income	<u>354,422</u>	<u>(548,836)</u>	<u>(194,414)</u>
Contributions from the employer	-	(1,568,357)	(1,568,357)
Benefits paid	(1,036,964)	1,036,964	-
Others	<u>(3,817)</u>	<u>-</u>	<u>(3,817)</u>
Balance at December 31, 2019	<u>8,688,613</u>	<u>(9,275,821)</u>	<u>(587,208)</u>
Service cost			
Current service cost	81,850	-	81,850
Past service cost	(1,530)	-	(1,530)
Net interest expense (income)	<u>79,512</u>	<u>(86,736)</u>	<u>(7,224)</u>
Recognized in profit or loss	<u>159,832</u>	<u>(86,736)</u>	<u>73,096</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(109,076)	(109,076)
Actuarial loss - changes in demographic assumptions	172,932	-	172,932
Actuarial loss - changes in financial assumptions	(8,499)	-	(8,499)
Actuarial loss - experience adjustments	<u>(63,085)</u>	<u>-</u>	<u>(63,085)</u>
Recognized in other comprehensive income	<u>101,348</u>	<u>(109,076)</u>	<u>(7,728)</u>
Contributions from the employer	-	(660,910)	(660,910)
Benefits paid	(1,033,043)	1,033,043	-
Others	<u>(1,985)</u>	<u>3,815</u>	<u>1,830</u>
Balance at December 31, 2020	<u>\$ 7,914,765</u>	<u>\$ (9,095,685)</u>	<u>\$ (1,180,920)</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.
- 4) Changes in demographic assumptions risk: The present value of the defined benefit obligation is calculated by reference to the turnover rate of plan participants. As such, a decrease in the turnover rate of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

Measurement Date	Discount Rate	Expected Rate of Salary Increase
<u>December 31, 2020</u>		
SKLIC	0.69%	0.00%-6.40%
SKLRESC	0.50%	2.00%
SKITC	0.35%	2.75%
MLSC	0.40%	0.05%-1.00%
TSKCB	0.50%	2.25%
SKMC	0.50%	2.25%
<u>December 31, 2019</u>		
SKLIC	1.00%	0.00%-9.20%
SKLRESC	0.75%	2.00%
SKITC	0.80%	2.75%
MLSC	0.70%	0.05%-1.00%
TSKCB	0.75%	2.25%
SKMC	0.75%	2.25%
SKLIAC	0.75%	3.25%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Discount rate(s)		
0.5% increase	<u>\$ (277,034)</u>	<u>\$ (259,773)</u>
0.5% decrease	<u>\$ 293,708</u>	<u>\$ 277,146</u>
Expected rate(s) of salary increase		
0.5% increase	<u>\$ 295,335</u>	<u>\$ 268,520</u>
0.5% decrease	<u>\$ (281,088)</u>	<u>\$ (254,297)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
The expected contributions to the plan for the next year	<u>\$ 198,344</u>	<u>\$ 225,190</u>
The average duration of the defined benefit obligation	3-13 years	3-13 years

Shares and bonds of the consolidated entities, affiliates, and related parties held by the pension trust fund in the custody of the Committee of Pension Trust Funds were summarized as follows:

		<b>Unit: Share/Units</b>	
Name	Category	<u>December 31</u>	
		<u>2020</u>	<u>2019</u>
<u>Shares</u>			
SKFHC	Listed shares	88,025,007	122,634,210
SKFHC	Series A preferred shares	391,000	-
SKFHC	Series B preferred shares	21,312,364	-
Taiwan Shin Kong Security Co., Ltd.	Listed shares	11,108,001	15,593,883
Shin Hai Gas Corporation	Listed shares	<u>3,404,636</u>	<u>3,404,636</u>
		<u>124,241,008</u>	<u>141,632,729</u>
<u>Beneficiary certificates</u>			
SKITC	Shin Kong Shiller CAPE Fund	-	2,500,000
SKITC	Shin Kong Global Preferred Stock Income Fund	3,000,000	3,000,000
SKITC	Shin Kong Emerging Wealthy Nations Bond Fund	1,905,143	-
SKITC	Shin Kong High Dividend Value Fund	-	1,651,231
SKITC	Shin Kong Global Cocoon Business Fund	<u>2,000,000</u>	<u>-</u>
		<u>6,905,143</u>	<u>7,151,231</u>
<u>Corporate bonds</u>			
SKLIC	Cumulative subordinate corporate bond of 2012 without maturity date	<u>130 units</u>	<u>130 units</u>
SKLIC	Cumulative subordinate corporate bond of 2016 without maturity date	<u>700 units</u>	<u>700 units</u>
SKLIC	Cumulative subordinate corporate bond of 2018 without maturity date	<u>300 units</u>	<u>300 units</u>

### 31. INSURANCE PRODUCTS - SEPARATE ACCOUNTS

The related account balances are summarized as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Separate account assets		
Beneficiary certificates	\$ 34,214,935	\$ 33,467,504
Bonds	7,582,780	8,093,334
Accounts receivable	124,008	269,711
Bank deposits	<u>4,273</u>	<u>3,262</u>
	<u>\$ 41,925,996</u>	<u>\$ 41,833,811</u>
Separate account liabilities		
Reserves	\$ 38,896,403	\$ 40,682,557
Accounts payable	18,885	13,245
Investment contracts	<u>3,010,708</u>	<u>1,138,009</u>
	<u>\$ 41,925,996</u>	<u>\$ 41,833,811</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Income on insurance products - separate-accounts		
Premium income	\$ 3,350,449	\$ 3,735,532
Gain and loss on fair value change of financial assets and liabilities designated as at FVTPL	1,333,081	3,495,135
Exchange gain and loss	(431,424)	(992,696)
Interest income and fund distributions	930,585	1,259,373
Other gains	<u>(2,384)</u>	<u>(3,512)</u>
	<u>\$ 5,180,307</u>	<u>\$ 7,493,832</u>
Disbursement on insurance products - separate-account		
Insurance claims and payment	\$ 782,374	\$ 869,002
Cash surrender value	4,832,595	5,040,921
Net change in insurance reserves - insurance contract	(1,741,987)	268,692
Payment of maintenance fee	<u>1,307,325</u>	<u>1,315,217</u>
	<u>\$ 5,180,307</u>	<u>\$ 7,493,832</u>

For the years ended December 31, 2020 and 2019, SKLIC managed separate-accounts and received sales rebates of \$95,498 thousand and \$98,147 thousand from dealers, respectively, as processing fee income and commission income.

### 32. OTHER PAYABLES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Payable of transactions on securities	\$ 993,089	\$ -
Forward contracts payable	5,335,887	4,314,061
Settlement accounts payable	24,101,990	12,598,404
Payable of check clearing	1,310,720	1,024,574
Bank acceptance bill	315,816	248,839
Trust fund payable	112,367	56,560
Dividend payable	712,093	1,022,750
Payable for short-sale transactions	1,979,768	1,600,443
Payable for insurance payment	652,767	351,285
Collection payable	317,881	243,534
Commissions payable	599,892	1,051,444
Others	<u>5,507,228</u>	<u>5,600,156</u>
	<u>\$ 41,939,498</u>	<u>\$ 28,112,050</u>

### 33. INSURANCE LIABILITY RESERVES

Insurance liability reserves as of December 31, 2020 and 2019 were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Reserve for unearned premiums	\$ 9,432,598	\$ 9,075,971
Reserve for claim payments	3,409,381	3,497,329
Reserve for life insurance liability	2,966,354,145	2,740,280,802
Special reserve for life insurance	5,700,186	5,713,165
Reserve for insufficient premiums	3,829,325	6,078,103
Reserve for insurance contract with the nature of financial products	1,428	103
Reserve for change in foreign exchange valuation (Note 50)	<u>5,160,227</u>	<u>2,078,314</u>
	<u>\$ 2,993,887,290</u>	<u>\$ 2,766,723,787</u>

Net changes of insurance liability reserves were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Provision of reserve for life insurance liability	\$(233,503,197)	\$(234,637,203)
Recovery of special reserve for life insurance	13,580	249,483
Recovery (provision) of reserve for claim payments	86,097	(441,365)
Recovery of reserve for insufficient premiums	2,157,612	565,125
Provision for insurance contract with the nature of financial products	<u>(1,325)</u>	<u>(103)</u>
	(231,247,233)	(234,264,063)
Provision of reserve for unearned premiums (Note 37)	(256,114)	(455,599)
(Provision) recovery of reserve for change in foreign exchange valuation (Note 37)	<u>(3,081,913)</u>	<u>2,655,944</u>
	<u>\$ (234,585,260)</u>	<u>\$ (232,063,718)</u>

a. Insurance liabilities for insurance contracts and financial instruments with discretionary participation feature

As of December 31, 2020 and 2019, each category and movements of reserve for insurance contracts and financial instruments with discretionary participation feature of the Group were as follows:

1) Reserve for unearned premiums

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 927	\$ 6	\$ 933	\$ 903	\$ 6	\$ 909
Individual accident insurance	4,071,118	-	4,071,118	3,885,939	-	3,885,939
Individual health insurance	4,241,036	-	4,241,036	4,032,373	-	4,032,373
Group insurance	1,071,840	-	1,071,840	1,112,002	-	1,112,002
Investment type insurance	47,671	-	47,671	44,748	-	44,748
	<u>9,432,592</u>	<u>6</u>	<u>9,432,598</u>	<u>9,075,965</u>	<u>6</u>	<u>9,075,971</u>
Less: Ceded reserve for unearned premiums						
Individual life insurance	59,036	-	59,036	22,808	-	22,808
Individual accident insurance	3,043	-	3,043	-	-	-
Individual health insurance	131,420	-	131,420	70,249	-	70,249
Investment type insurance	83	-	83	11	-	11
	<u>193,582</u>	<u>-</u>	<u>193,582</u>	<u>93,068</u>	<u>-</u>	<u>93,068</u>
	<u>\$ 9,239,010</u>	<u>\$ 6</u>	<u>\$ 9,239,016</u>	<u>\$ 8,982,897</u>	<u>\$ 6</u>	<u>\$ 8,982,903</u>

Movements in reserve for unearned premiums were as follows:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Balance, January 1	\$ 9,075,965	\$ 6	\$ 9,075,971	\$ 8,604,406	\$ 9	\$ 8,604,415
Provision	10,307,798	6	10,307,804	10,257,265	11	10,257,276
Recovery	(9,951,171)	(6)	(9,951,177)	(9,785,706)	(14)	(9,785,720)
Balance, December 31	<u>9,432,592</u>	<u>6</u>	<u>9,432,598</u>	<u>9,075,965</u>	<u>6</u>	<u>9,075,971</u>
Less: Ceded reserve for unearned premiums						
Balance, January 1, net	93,068	-	93,068	77,142	-	77,142
Increase	622,698	-	622,698	437,568	-	437,568
Decrease	(522,185)	-	(522,185)	(421,611)	-	(421,611)
Net exchange differences	1	-	1	(31)	-	(31)
Balance, December 31	<u>193,582</u>	<u>-</u>	<u>193,582</u>	<u>93,068</u>	<u>-</u>	<u>93,068</u>
Balance, December 31, net	<u>\$ 9,239,010</u>	<u>\$ 6</u>	<u>\$ 9,239,016</u>	<u>\$ 8,982,897</u>	<u>\$ 6</u>	<u>\$ 8,982,903</u>

2) Reserve for claim payments

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance						
Reported but not paid	\$ 161,513	\$ -	\$ 161,513	\$ 237,577	\$ -	\$ 237,577
Incurred but not reported	5,806	2	5,808	5,805	2	5,807
Individual accident insurance						
Reported but not paid	168,054	-	168,054	147,742	-	147,742
Incurred but not reported	1,190,738	-	1,190,738	1,181,361	-	1,181,361
Individual health insurance						
Reported but not paid	66,219	-	66,219	76,167	-	76,167
Incurred but not reported	1,222,574	-	1,222,574	1,175,046	-	1,175,046
Group insurance						
Reported but not paid	33,820	-	33,820	36,975	-	36,975
Incurred but not reported	513,168	-	513,168	594,287	-	594,287
Investment type insurance						
Reported but not paid	47,487	-	47,487	42,367	-	42,367
	<u>3,409,379</u>	<u>2</u>	<u>3,409,381</u>	<u>3,497,327</u>	<u>2</u>	<u>3,497,329</u>
Less: Ceded reserve for claim payments	-	-	-	-	-	-
	<u>\$ 3,409,379</u>	<u>\$ 2</u>	<u>\$ 3,409,381</u>	<u>\$ 3,497,327</u>	<u>\$ 2</u>	<u>\$ 3,497,329</u>

Movements in reserve for claim payments were as follows:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Balance, January 1	\$ 3,497,327	\$ 2	\$ 3,497,329	\$ 3,058,186	\$ 3	\$ 3,058,189
Provision	3,887,426	2,184	3,889,610	4,183,643	121	4,183,764
Recovery	(3,973,523)	(2,184)	(3,975,707)	(3,742,277)	(122)	(3,742,399)
Net exchange differences	(1,851)	-	(1,851)	(2,225)	-	(2,225)
Balance, December 31	<u>3,409,379</u>	<u>2</u>	<u>3,409,381</u>	<u>3,497,327</u>	<u>2</u>	<u>3,497,329</u>
Less: Ceded reserve for claim payments	-	-	-	-	-	-
Balance, December 31, net	<u>\$ 3,409,379</u>	<u>\$ 2</u>	<u>\$ 3,409,381</u>	<u>\$ 3,497,327</u>	<u>\$ 2</u>	<u>\$ 3,497,329</u>

3) Reserve for life insurance liability

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	\$ 2,659,225,328	\$ 5,062,292	\$ 2,664,287,620	\$ 2,468,136,568	\$ 5,084,007	\$ 2,473,220,575
Health insurance	262,518,047	-	262,518,047	240,155,079	-	240,155,079
Annuity insurance	394,653	26,306,761	26,701,414	424,311	25,710,407	26,134,718
Investment type insurance	104,225	-	104,225	160,373	-	160,373
	<u>2,922,242,253</u>	<u>31,369,053</u>	<u>2,953,611,306</u>	<u>2,708,876,331</u>	<u>30,794,414</u>	<u>2,739,670,745</u>
Less: Ceded reserve for life insurance liability	-	-	-	-	-	-
	<u>\$ 2,922,242,253</u>	<u>\$ 31,369,053</u>	<u>\$ 2,953,611,306</u>	<u>\$ 2,708,876,331</u>	<u>\$ 30,794,414</u>	<u>\$ 2,739,670,745</u>

Reserve for life insurance liability plus “Reserve for life insurance - pending payments to insured” were \$2,966,354,145 thousand and \$2,740,280,802 thousand on December 31, 2020 and 2019, respectively.

Movements in reserve for life insurance liability were as follows:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Balance, January 1	\$ 2,708,876,331	\$ 30,794,414	\$ 2,739,670,745	\$ 2,483,422,977	\$ 31,947,414	\$ 2,515,370,391
Provision	346,999,288	3,234,723	350,234,011	357,468,741	1,648,640	359,117,381
Recovery	(114,070,730)	(2,660,084)	(116,730,814)	(121,678,538)	(2,801,640)	(124,480,178)
Net exchange differences	<u>(19,562,636)</u>	<u>-</u>	<u>(19,562,636)</u>	<u>(10,336,849)</u>	<u>-</u>	<u>(10,336,849)</u>
Balance, December 31	2,922,242,253	31,369,053	2,953,611,306	2,708,876,331	30,794,414	2,739,670,745
Less: Ceded reserve for life insurance liability	-	-	-	-	-	-
Balance, December 31, net	<u>\$ 2,922,242,253</u>	<u>\$ 31,369,053</u>	<u>\$ 2,953,611,306</u>	<u>\$ 2,708,876,331</u>	<u>\$ 30,794,414</u>	<u>\$ 2,739,670,745</u>

Reserve for life insurance liability plus “Reserve for life insurance - pending payments to insured” and additional liability reserve under the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises were \$2,966,354,145 thousand and \$2,740,280,802 thousand for the years ended December 31, 2020 and 2019, respectively.

In order to conform to IFRS 17 and stabilize its financial structure, the Group plans to start calculating and recognizing the reserve for life insurance liabilities from the end of 2020 based on Article No. 9 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, Rule No. 1090420964 and Rule No. 1090423011 issued by the FSC. According to Rule No. 10904917647 issued by the FSC, the amount is measured by the special reserve appropriated following adoption of the fair value model to measure investment properties is recovered and the retained earnings is increased, and the reserve for life insurance liability is recognized. This accounting treatment does not affect the distribution of surplus and undistributed surplus. The Group estimates that the reserve for life insurance liability recognized at the end of 2020 will be about \$12 billion, which will continue to be adjusted in accordance with the regulatory standards of the authorities and the Company’s strategic assessment. However, subsequent assessment of the amount is based on estimates made based on current information, and its assessment methods involve a number of important assumptions, which may be adjusted due to uncertainties such as the Company’s actual experience and the market environment, which may change the assessment results. The subsequent assessment method has been submitted to the authorities for approval. The subsequent assessment method is not yet applied.

#### 4) Special reserve for life insurance

	December 31					
	2020			2019		
	Insurance Contracts	Effect of Transition to IFRSs	Total	Insurance Contracts	Effect of Transition to IFRSs	Total
Reserve for participating policy dividends	\$ 1,725,226	\$ -	\$ 1,725,226	\$ 1,738,205	\$ -	\$ 1,738,205
Surplus of fair value measurement of investment properties offset by the negative effect of transition to IFRSs	-	3,974,960	3,974,960	-	3,974,960	3,974,960
	<u>\$ 1,725,226</u>	<u>\$ 3,974,960</u>	<u>\$ 5,700,186</u>	<u>\$ 1,738,205</u>	<u>\$ 3,974,960</u>	<u>\$ 5,713,165</u>

Movements in special reserve for life insurance were as follows:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Surplus of Fair Value Measurement of Investment Properties Offset by the Negative Effect of Transition to IFRSs	Total	Insurance Contracts	Surplus of Fair Value Measurement of Investment Properties Offset by the Negative Effect of Transition to IFRSs	Total
Balance, January 1	\$ 1,738,205	\$ 3,974,930	\$ 5,713,165	\$ 1,987,688	\$ 3,974,960	\$ 5,962,648
Provision of reserve for participating policy dividends	511,143	-	511,143	270,995	-	270,995
Recovery of reserve for participating policy dividends	(524,723)	-	(524,723)	(520,478)	-	(520,478)
Disposal of participating insurance policies through equity instruments measured by fair value in other comprehensive profit and loss	601	-	601	-	-	-
Balance, December 31	<u>\$ 1,725,226</u>	<u>\$ 3,974,960</u>	<u>\$ 5,700,186</u>	<u>\$ 1,738,205</u>	<u>\$ 3,974,960</u>	<u>\$ 5,713,165</u>

Note: The Group did not provide a special reserve for financial instruments with discretionary participation features.

5) Reserve for insufficient premiums

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 3,649,981	\$ -	\$ 3,649,981	\$ 5,868,931	\$ -	\$ 5,868,931
Individual health insurance	179,344	-	179,344	209,172	-	209,172
	3,829,325	-	3,829,325	6,078,103	-	6,078,103
Less: Ceded reserve for insufficient premiums	-	-	-	-	-	-
	<u>\$ 3,829,325</u>	<u>\$ -</u>	<u>\$ 3,829,325</u>	<u>\$ 6,078,103</u>	<u>\$ -</u>	<u>\$ 6,078,103</u>

Movements in reserve for insufficient premiums were as follows:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Balance, January 1	\$ 6,078,103	\$ -	\$ 6,078,103	\$ 6,695,999	\$ -	\$ 6,695,999
Provision	13,608	-	13,608	473,524	-	473,524
Recovery	(2,171,220)	-	(2,171,220)	(1,038,649)	-	(1,038,649)
Net exchange differences	(91,166)	-	(91,166)	(52,771)	-	(52,771)
Balance, December 31	3,829,325	-	3,829,325	6,078,103	-	6,078,103
Less: Ceded reserve for insufficient premiums	-	-	-	-	-	-
Balance, December 31, net	<u>\$ 3,829,325</u>	<u>\$ -</u>	<u>\$ 3,829,325</u>	<u>\$ 6,078,103</u>	<u>\$ -</u>	<u>\$ 6,078,103</u>

6) Reserve for liability adequacy

	<b>Insurance Contracts and Financial Instruments with Discretionary Participation Feature</b>	
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Reserve for life insurance	\$ 2,966,354,145	\$ 2,740,280,802
Reserve for unearned premiums	9,432,598	9,075,971
Reserve for claim payments	3,409,381	3,497,329
Reserve for insufficient premiums	3,829,325	6,078,103
Special reserve for life insurance	<u>7,221,139</u>	<u>7,234,118</u>
	2,990,246,588	2,766,166,323
Less: Intangible assets	<u>-</u>	<u>-</u>
Book value of insurance obligation	<u>\$ 2,990,246,588</u>	<u>\$ 2,766,166,323</u>
Current estimates of cash flows	<u>\$ 2,733,517,658</u>	<u>\$ 2,284,757,295</u>
Balance of reserve for liability adequacy	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2020 and 2019, the Group was not required to provide reserve for liability adequacy after evaluation.

Method used in the liability adequacy test is shown as follows:

<b>December 31, 2020 and 2019</b>	
Test method	Total premium measurement method
Test groups	All insurance contracts as a whole
Assumptions	The assumption of discount rate of every year was based on the best estimate scenario as well as the rate of return on investment with current information

7) Reserve for insurance contract with the nature of financial products

The Group issued financial instruments with discretionary participation feature and appropriated reserve for insurance contract with the nature of financial products. As of December 31, 2020 and 2019, the balance and movements were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Investment linked product	<u>\$ 1,428</u>	<u>\$ 103</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, January 1	\$ 103	\$ -
Provision	<u>1,325</u>	<u>103</u>
Balance, December 31	<u>\$ 1,428</u>	<u>\$ 103</u>

b. Net insurance premium income

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Gross written premiums	\$ 293,245,754	\$ 2,840,618	\$ 296,086,372	\$ 312,270,290	\$ 1,013,666	\$ 313,283,956
Reinsurance premiums	-	-	-	(4)	-	(4)
Total insurance income	293,245,754	2,840,618	296,086,372	312,270,286	1,013,666	313,283,952
Less: Reinsurance expenses	(1,576,601)	-	(1,576,601)	(1,387,377)	-	(1,387,377)
Net changes in reserve for unearned premiums	(256,114)	-	(256,114)	(455,602)	3	(455,599)
Net insurance premium income	<u>\$ 291,413,039</u>	<u>\$ 2,840,618</u>	<u>\$ 294,253,657</u>	<u>\$ 310,427,307</u>	<u>\$ 1,013,669</u>	<u>\$ 311,440,976</u>

c. Net insurance benefits and claims:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Gross written insurance benefits and claims	\$ 148,216,237	\$ 2,684,753	\$ 150,900,990	\$ 154,554,748	\$ 2,805,459	\$ 157,360,207
Reinsurance claims	-	-	-	7,906	-	7,906
Insurance benefits and claims	148,216,237	2,684,753	150,900,990	154,562,654	2,805,459	157,368,113
Less: Claims recovered from reinsurers	(699,794)	-	(699,794)	(624,411)	-	(624,411)
Net insurance benefits and claims	<u>\$ 147,516,443</u>	<u>\$ 2,684,753</u>	<u>\$ 150,201,196</u>	<u>\$ 153,938,243</u>	<u>\$ 2,805,459</u>	<u>\$ 156,743,702</u>

### 34. EQUITY

a. Share capital

	December 31	
	2020	2019
Shares authorized (in thousands of shares)	<u>14,500,000</u>	<u>14,500,000</u>
Shares authorized (in thousands of NTD)	<u>\$ 145,000,000</u>	<u>\$ 145,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>13,317,394</u>	<u>12,675,394</u>
Ordinary shares	13,020,394	12,600,394
Preference shares	<u>297,000</u>	<u>75,000</u>
	<u>13,317,394</u>	<u>12,675,394</u>
Shares issued (in thousands of NTD)	<u>\$ 133,173,941</u>	<u>\$ 126,753,941</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right a dividends.

On February 25, 2020, the Company's board of directors resolved to issue 420,000 thousand ordinary shares with a par value of \$10, for a consideration of \$7.8 per share. On March 20, 2020, the above transaction was approved by the FSC, and the subscription base date was May 13, 2020.

On July 16, 2019, the Company's board of directors resolved to issue 340,000 thousand ordinary shares with a par value of \$10, for a consideration of \$8.6 per share. On August 13, 2019, the above transaction was approved by the FSC, and the subscription base date was September 27, 2019.

The bondholders of the convertible bonds issued by the Group had not requested the Group to convert their bonds as of December 31, 2020 and 2019.

#### Issuance of global depositary receipts

The Group issued 42,088 thousand units of Global Depositary Receipts (GDRs) in the amount of 1,052,200 thousand ordinary shares, each GDR unit is equal to 25 ordinary shares. As of December 31, 2020, the outstanding GDRs were 163 thousand units, equal to 4,071 thousand shares of ordinary shares.

#### Issuance of Series A Preference shares

- 1) The board of directors had approved the issuance of Series A Preference shares on July 16, 2019. The Company issued 75,000 thousand preference shares with a par value of \$10 per share issued at \$45 per share. The capital injection was approved by the FSC on 13 August 2019. The subscription date was September 27, 2019. All issued shares were registered and recognized as equity. The rights and obligations of Series A Preference Shares issuance are listed as follows:
  - a) 3.8% per annum for Series A Preference Shares (7-year IRS 0.72%+3.08%) calculated pursuant to issue price per share. Interest rate per annum will be reset on the day after the 7th anniversary of the issue date ("Issue Date") and the day after each subsequent 7-year period hereafter. The pricing base date shall be the previous 1 business day for financial institutions in Taipei. Record date for interest reset shall be the previous 2 business day for financial institutions in Taipei. The 7-year IRS rate shall be the arithmetic mean of 7-year IRS quotations as published by Reuters, PYTWDFIX and COSMOS3 at 11:00 a.m. of the day of the pricing base date and reset record date (must be a business day for Taipei's financial institutions). If the above quotations cannot be obtained on reset record date, interest rate shall be decided by the issuer in good faith and taken into account of reasonable market rate.
  - b) The Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit shall be first be distributed as preference shares dividend.
  - c) The Company has sole discretion to distribute dividend of the Preference Shares, including its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for Preference Share dividends, or preference shares dividend distribution would render the Company's RBC ratio below the level required by law or competent authorities. The Company's cancellation of preference shares dividend distribution shall not be deemed an event of default. The Series A Preference Shares which were issued this time are non-cumulative. Undeclared or under-declared dividends are not cumulative, and are not paid in subsequent years with profit.
  - d) Cannot participate in distribution of cash or share dividends to holders of ordinary shares from profit or additional paid-in capital.

- e) Holders of Series A Preference Shares shall have the same priority as holders of all subsequently issued Preference share in liquidation, which are prior to holders of ordinary shares but subordinated to general creditors, to the extent of the issuance amount.
  - f) Holders of Series A Preference Shares have no voting right at the annual shareholders meeting, and cannot elect directors, but can be elected as directors. However, holders of Series A Preference Shares have voting rights at shareholders meeting of Preference Shares, and at annual shareholders meeting on items relating to rights of Preference Shares holders.
  - g) Holders of Series A Preference Shares cannot convert said preference shares to ordinary shares, and have no right to request the Company for redemption of Series A Preference Shares.
  - h) Through issuance of perpetual preference shares, on the day after the 7th anniversary of the Issue Date, the Company may redeem all or part of outstanding Preference Shares at issue price.
- 2) The board of directors had approved the issuance of Series B Preference Shares on February 25, 2020. The Company issued 222,000 thousand preference shares with a par value of \$10 per share issued at \$45 per share. The capital injection was approved by the FSC on March 20, 2020. The subscription date was September 1, 2020. All issued shares were registered and recognized as equity. The rights and obligations of Series B Preference Shares Issuance are listed as follows:
- a) A 4.0% per annum for Series B Preference Shares (7-year IRS 0.68%+3.32%) was calculated pursuant to issue price per share. Interest rate per annum will be reset on the day after the 7th anniversary of the issue date (“Issue Date”) and the day after each subsequent 7-year period hereafter. The pricing base date shall be the previous 1 business day for financial institutions in Taipei. The record date for interest reset shall be the previous 2 business days for financial institutions in Taipei. The 7-year IRS rate shall be the arithmetic mean of 7-year IRS quotations as published by Reuters, PYTWDFIX and COSMOS3 at 11:00 a.m. of the day of the pricing base date and reset record date (must be a business day for Taipei’s financial institutions). If the above quotations cannot be obtained on reset record date, interest rate shall be decided by the issuer in good faith and taken into account of reasonable market rate.
  - b) Dividends for Series A Preference Shares are distributed once a year in cash. After shareholders’ approval of the issuer’s financial statements at its annual shareholders’ meeting, the board of directors may set the record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to the actual issued days of the given year.
  - c) Where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit shall be first distributed as preference share dividend.
  - d) The Company has sole discretion to distribute dividends of the preference shares, including its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preference share dividends, or preference share dividend distribution would render the Company’s RBC ratio below the level required by law or competent authorities. The Company’s cancellation of preference share dividend distribution shall not be deemed an event of default. The Series B Preference Shares which were issued this time are non-cumulative. Undeclared or under-declared dividends are not cumulative and are not paid in subsequent years with profit.
  - e) Cannot participate in distribution of cash or share dividends to holders of ordinary shares from profit or additional paid-in capital.

- f) Holders of Series B Preference Shares shall have the same priority as holders of all subsequently issued preference share in liquidation, which are prior to holders of ordinary shares but subordinated to general creditors, to the extent of the issuance amount.
- g) Holders of Series B Preference Shares have no voting rights at the annual shareholders' meeting, and cannot elect directors, but can be elected as directors. However, holders of Series B Preference Shares have voting rights at shareholders' meeting of preference shares, and at annual shareholders' meeting on items relating to rights of preference shareholders.
- h) Holders of Series B Preference Shares cannot convert the said preference shares to ordinary shares and have no right to request the Company for redemption of Series B Preference Shares.
- i) Through issuance of perpetual preference shares, on the day after the 7th anniversary of the Issue Date, the Company may redeem all or part of outstanding preference shares at issue price. In the year when Series B Preference Shares is withdrawn, if the Company's shareholders resolved in the shareholders' meeting to issue dividends, the dividends that shall be paid up to the date of recovery are calculated based on the actual number of days from the issuance year.
- j) When the Company issues new shares by increasing capital in cash, shareholders of Series B Preference Shares and ordinary shareholders have the same preference for new shares.
- k) When dividends of Series B Preference Shares are distributed, the order of distribution shall be determined in accordance with the order in which the special shares are issued.
- b. Capital surplus

- 1) Capital surplus comprised:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Additional paid-in capital	\$ 19,838,177	\$ 12,998,872
Conversion option of convertible bonds	290,782	290,782
Others	<u>373,648</u>	<u>365,572</u>
	<u>\$ 20,502,607</u>	<u>\$ 13,655,226</u>

- 2) The source and utilization of additional paid-in capital were summarized as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
From subsidiaries		
Capital surplus	\$ 42,260	\$ 42,260
Legal reserve	5,407,818	5,407,818
Special reserve	2,134,509	2,134,509
Retained earnings	<u>1,207,446</u>	<u>1,207,446</u>
	8,792,033	8,792,033
Total share capital of subsidiaries exceeding the Company's paid-in capital	<u>2,584,153</u>	<u>2,584,153</u>
	<u>11,376,186</u>	<u>11,376,186</u>

(Continued)

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Changes after establishment of the Company		
Changes in long-term equity investments	\$ (147,506)	\$ (147,506)
Conversion of convertible bonds	7,401,898	7,401,898
Issuance of new shares and share conversions	34,102,976	27,232,985
Distribution of cash dividends	(2,445,185)	(2,445,185)
Retirement of treasury shares	(158,963)	(128,277)
Offset of accumulated deficit	<u>(30,291,229)</u>	<u>(30,291,229)</u>
	<u>8,461,991</u>	<u>1,622,686</u>
	<u>\$ 19,838,177</u>	<u>\$ 12,998,872</u>

(Concluded)

- 3) The capital surplus recorded during the conversion of financial institution may be distributed as cash dividends according to the fourth paragraph of Article 47 of Financial Holding Company Act and other related requirements if not restricted by other regulations or may be transferred to capital in the year of conversion with the proportion of the transfer not limited by Article 72-1 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers. The unrestricted retained earnings of the financial institution presents the remaining balance after the appropriation of legal reserve or special reserve as required by law.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve until the legal reserve equals the Company's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, distribution of preference share dividends, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 39 (a) employee benefits expense.

In order for the Company to continue to expand its scale and increase profitability in line with its long-term financial strategy and future demand for capital, the Company adopted a dividend policy in framing a proposal for the distribution of annual earnings for the purpose of sustainable development, whereby ordinary share dividends, if declared, shall exceed 20% of distributable earnings for the year, and exceed 10% of the total dividends declared for the year.

The appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2019 and 2018 resolved in the shareholders' meetings on June 19, 2020 and June 14, 2019, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	\$ 1,685,280	\$ -
Appropriation of special reserve	18,670	-
Reversal of special reserve	(12,852,497)	-
Cash dividends	5,040,158	-
Share dividends	33,732	-

The Company's shareholders resolved in the meeting on June 14, 2019 to offset deficits of \$672,681 thousand by legal reserve, and issue cash dividends of \$2,445,185 thousand from the capital surplus. Dividend per share was \$0.2.

The appropriation of earnings for 2020 which had been proposed by the Company's board of directors on February 26, 2021 were as follows:

	<b>For the Year Ended December 31, 2020</b>
Legal reserve	<u>\$ 1,270,297</u>
Special reserve	<u>\$ 32,393,271</u>
Ordinary share cash dividends	<u>\$ 5,210,000</u>
Preference share cash dividends	<u>\$ 261,450</u>

The appropriation of earnings for 2020 is still pending the resolution of the shareholders' meeting.

d. Special reserve comprised:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Special reserve for unrealized loss on financial instruments (1)	\$ -	\$ 12,852,497
Transferred special reserve from reserve for trading default and for trading loss (2)	156,585	156,585
Special reserve reclassified from liability (3)	3,377,273	3,377,273
Special reserve appropriated following first-time adoption of IFRSs (4)	4,768,004	4,768,004
Special reserve appropriated following adoption of fair value model to measure investment properties (5)	30,541,998	-
Special reserve appropriated following the difference between the book value and the market value of parent company's shares owned by subsidiary (6)	<u>18,670</u>	<u>-</u>
	<u>\$ 38,862,530</u>	<u>\$ 21,154,359</u>

1) Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

- 2) Under Rule No. 09900738571 and No. 1000002891 issued by the FSC, the reserve for trading default and reserve for trading loss which had been provided before December 31, 2010 should be transferred to special reserve under shareholders' equity. TSKCB and MLSC transferred to special reserve \$60,508 thousand (reserve for trading loss \$72,902 thousand net of deferred tax asset \$12,394 thousand) and \$291,852 thousand (reserve for trading default and reserve for trading loss \$282,811 thousand net of deferred tax asset \$48,077 thousand), respectively. The special reserve can be used only to offset a deficit or, when it has reached the amount of paid-in capital, up to 50% thereof may be transferred to paid-in capital.
- 3) According to the revised Regulations Governing Calculation of Various Reserves for Operations on February 7, 2012, SKLIC transferred the balance of special reserve for catastrophe and for contingent claim, net of tax, from liability to special reserve.
- 4) Special reserves appropriated following first-time adoption of IFRSs

For the first-time adoption of IFRSs, 2013, the Company appropriated to special reserve the amounts that were the same as the unrealized revaluation increment, \$4,812,157 thousand, cumulative translation differences, \$124,142 thousand, and the increment of \$20,398 thousand according to article No. 32 under Regulations Governing the Preparation of Financial Statements by Insurance Companies.

Investment properties have been disposed of and the related special reserve had been reversed; thus, cumulative balance of special reserve was \$188,693 thousand as of December 31, 2020.

- 5) Under Rule No. 10310000140 issued by the FSC, when first adopting the fair value model to measure investment properties, the Company should appropriate the same amount of special reserve as the increase of retained earnings due to the adoption of fair value model. Any special reserve appropriated may be reversed when the value of investment properties decrease or when they are disposed.

Under Rule No. 10904917647 issued by the FSC, SKLIC should appropriate the special surplus based on "subsequent measurement of the net after-tax impact of the first use of the fair value model" and the "net after-tax accumulated value-added benefits of changes in fair value in subsequent periods" as special surplus reserves for investment properties. The above-mentioned special surplus reserve can only be used as a follow-up supplement to a valid contract in accordance with IFRS 17 "Insurance Contracts", the fair value assessment of the effective insurance contract liabilities of the life insurance industry, and other evaluation methods specified by the FSC, to make up for insurance contract liabilities.

If there is a special surplus reserve listed in accordance with the aforementioned regulations to make up for the insurance contract liabilities upon subsequent disposal of the investment properties, the reserve can be reversed by the ratio of the original special surplus reserve, after being approved by the FSC.

- 6) Under Rule No. 1010047490 issued by the FSC, the Company should appropriate the same amount of special reserve as the difference between the book value and the market value of parent company's shares owned by subsidiary. Any special reserve appropriated may be reversed when the market value of the shares increase.

e. Other equity

1) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019 (Restated)</b>
Balance at January 1	\$ 9,323,323	\$ (2,951,688)
Recognized for the year		
Unrealized gain (loss) - debt instruments	(2,111,553)	7,362,212
Unrealized gain (loss) - equity instruments	(11,111,930)	8,253,386
Income tax related to financial assets at FVTOCI	2,005,985	(2,330,047)
Net remeasurement of loss allowance	8,182	(11,536)
Share from joint ventures accounted for using the equity method	(6,008)	8,449
Reclassification adjustment		
Disposal of investments in debt instruments	205,960	(1,089,381)
Income tax related to disposal of investments in debt instruments	<u>(41,822)</u>	<u>217,529</u>
Other comprehensive income recognized for the year	(11,051,186)	12,410,612
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	1,643,083	(162,399)
Income tax related to disposal of investments in equity instruments	<u>(13,716)</u>	<u>26,798</u>
Balance at December 31	<u>\$ (98,496)</u>	<u>\$ 9,323,323</u>

2) Gains on property revaluation

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019 (Restated)</b>
Balance at January 1	<u>\$ 90,250</u>	<u>\$ -</u>
Gains on property revaluation	90,879	113,974
Income taxes related to gains on property revaluation	<u>(12,273)</u>	<u>(23,724)</u>
Other comprehensive income recognized for the year	<u>78,606</u>	<u>90,250</u>
Balance at December 31	<u>\$ 168,856</u>	<u>\$ 90,250</u>

Refer to other significant accounting policies in Note 4(e) for information relating to the relevant accounting policies.

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 401,752	\$ 409,160
Attributable to non-controlling interests:		
Share of profit for the year	73,672	68,157
Unrealized gain or loss on financial assets at fair value through other comprehensive income	(7,747)	(6,072)
Remeasurement of defined benefit plan	24	589
Income tax related to remeasurement of defined benefit plan	(5)	(118)
Cash dividends of non-controlling interests	(69,964)	(69,964)
Share-based payment of subsidiaries	<u>342</u>	<u>-</u>
Balance at December 31	<u>\$ 398,074</u>	<u>\$ 401,752</u>

g. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Acquired from who Objected Shareholders (In Thousands of Shares)</b>	<b>Shares Held by Subsidiaries (In Thousands of Shares)</b>	<b>Total (In Thousands of Shares)</b>
Number of shares at January 1, 2020	14,267	20,205	34,472
Increase during the year	-	-	-
Decrease during the year	<u>(14,267)</u>	<u>(10,000)</u>	<u>(24,267)</u>
Number of shares at December 31, 2020	<u>-</u>	<u>10,205</u>	<u>10,205</u>
Number of shares at January 1, 2019	14,267	20,205	34,472
Increase during the year	<u>-</u>	<u>-</u>	<u>-</u>
Number of shares at December 31, 2019	<u>14,267</u>	<u>20,205</u>	<u>34,472</u>

The Company acquired 14,267 thousand ordinary shares at \$12.2 per share for \$174,053 thousand from the shareholders who raised an objection to the share swap agreement which was approved in the shareholders' meeting on June 8, 2018; all the shares were sold in 2020 at the selling price of \$121,655 thousand.

The shares of the Company held by subsidiaries are treated as treasury shares and have the same rights as normal shareholders except for the right to apply for new shares and to vote. MLSC held 20,205 shares of the Company, which were and bought back for \$227,793 thousand, and treated as treasury shares.

MLSC sold 10,000 thousand shares of the Company's shares in 2020, and the penalty price was \$82,055 thousand.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

### 35. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019 (Restated)</u>
Basic earnings per share	<u>\$ 1.12</u>	<u>\$ 1.61</u>
Diluted earnings per share	<u>\$ 1.07</u>	<u>\$ 1.54</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

#### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019 (Restated)</u>
Profit for the year attributable to owners of the Company	\$ 14,385,587	\$ 19,833,125
Less: Dividends on preference shares	<u>33,732</u>	<u>-</u>
Earnings used in the computation of basic earnings per share	14,351,855	19,833,125
Effect of potentially dilutive ordinary shares:		
Convertible bonds	<u>65,825</u>	<u>65,051</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 14,417,680</u>	<u>\$ 19,898,176</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	12,836,669	12,315,347
Effect of potentially dilutive ordinary shares:		
Convertible bonds	666,449	636,090
Employees' compensation	<u>626</u>	<u>483</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>13,503,744</u>	<u>12,951,920</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

### 36. NET PROCESSING FEE AND COMMISSION (LOSS) INCOME

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Processing fee and commission income		
Processing fee income	\$ 7,975,433	\$ 6,503,026
Commission income	<u>323,444</u>	<u>316,290</u>
	<u>8,298,877</u>	<u>6,819,316</u>
Processing fee and commission expense		
Commission expense	(8,524,813)	(11,362,832)
Processing fee expense	<u>(2,009,768)</u>	<u>(1,988,388)</u>
	<u>(10,534,581)</u>	<u>(13,351,220)</u>
	<u>\$ (2,235,704)</u>	<u>\$ (6,531,904)</u>

### 37. NET INCOME FROM LIFE INSURANCE BUSINESS

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Income from life insurance business		
Gross written premiums	\$ 296,086,372	\$ 313,283,956
Reinsurance premiums	<u>-</u>	<u>(4)</u>
Total insurance income	296,086,372	313,283,952
Less: Reinsurance expenses	(1,576,601)	(1,387,377)
Net changes in reserve for unearned premiums	<u>(256,114)</u>	<u>(455,599)</u>
Net insurance premium income	294,253,657	311,440,976
Changes in reserve for changes in foreign exchange valuation	(3,081,913)	2,655,944
Income (loss) on insurance products - separate-accounts (Note 31)	<u>5,180,307</u>	<u>7,493,832</u>
	<u>296,352,051</u>	<u>321,590,752</u>
Expenses on life insurance business		
Insurance benefits and claims	150,900,990	157,368,113
Less: Benefits and claims recovered from reinsurers	<u>(699,794)</u>	<u>(624,411)</u>
Net insurance benefits and claims	150,201,196	156,743,702
Acquisition expenses	12,370	12,731
Insurance Industry Stability Fund	730,029	719,339
Disbursement on insurance products - separate-account (Note 31)	<u>5,180,307</u>	<u>7,493,832</u>
	<u>156,123,902</u>	<u>164,969,604</u>
	<u>\$ 140,228,149</u>	<u>\$ 156,621,148</u>

### 38. NET GAIN ON INVESTMENTS

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019 (Restated)</b>
Interest income		
Cash in bank	\$ 1,689,509	\$ 2,433,004
Financial instruments at FVTPL	1,263,632	1,654,827
Financial instruments at FVTOCI	3,662,129	4,305,942
Financial assets at amortized cost	79,105,574	81,891,844
Loans	20,250,427	21,934,971
Others	<u>621,736</u>	<u>760,050</u>
	<u>\$ 106,593,007</u>	<u>\$ 112,980,638</u>
Gain (loss) on financial assets and liabilities as at FVTPL		
Gain (loss) on changes in fair value	\$ 6,985,293	\$ 39,445,043
Dividend income	7,792,890	5,777,366
Gain (loss) on disposal of investments		
Non-derivative instruments	11,857,849	21,780,258
Derivative instruments	25,024,478	(19,927,982)
Distributions from foreign investments	<u>1,541,268</u>	<u>1,199,802</u>
	<u>\$ 53,201,778</u>	<u>\$ 48,274,487</u>
Realized gain on investments in equity instruments at fair value through other comprehensive income		
Dividend revenue	\$ 8,660,337	\$ 10,195,474
Distributable income from foreign investments	<u>117,396</u>	<u>118,199</u>
	<u>\$ 8,777,733</u>	<u>\$ 10,313,673</u>
Gain (loss) on investments in debt instruments at fair value through other comprehensive income		
Gain (loss) on disposal of investments	<u>\$ 419,213</u>	<u>\$ 1,356,561</u>
Gain (loss) on financial assets at amortized cost		
Gain (loss) on disposal of investments	<u>\$ 37,836,265</u>	<u>\$ 9,889,007</u>
Gain on investment properties		
Gain (loss) on investment properties revaluation	\$ 2,163,067	\$ 2,204,745
Rental income (Note 41)	<u>3,830,248</u>	<u>3,861,956</u>
	<u>\$ 5,993,315</u>	<u>\$ 6,066,701</u>
Gain on reversal of impairment loss recognized		
Investments in debt instruments at fair value through other comprehensive income	\$ (8,279)	\$ 11,536
Financial assets at amortized cost	<u>(50,994)</u>	<u>296,483</u>
	<u>\$ (59,273)</u>	<u>\$ 308,019</u>
Other investment income		
Loss on disposal of investment loss using the equity method	<u>\$ (640)</u>	<u>\$ -</u>

### 39. NET PROFIT FROM CONTINUING OPERATIONS

a. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term benefits		
Salary	\$ 17,759,243	\$ 17,496,698
Labor and health insurance	1,339,524	1,306,924
Termination benefits	710,815	741,692
Other employee benefits	606,083	593,777
Share-based payments	64,693	38,226
Remuneration of directors and supervisors	<u>198,193</u>	<u>194,475</u>
Total employee benefits expense	<u>\$ 20,678,551</u>	<u>\$ 20,367,792</u>
An analysis of employee benefits expense by function		
Profit from operations	\$ 3,853,428	\$ 4,542,863
Operating expenses	<u>16,825,123</u>	<u>15,824,929</u>
	<u>\$ 20,678,551</u>	<u>\$ 20,367,792</u>

Pursuant to the amended Articles of Incorporation of the Company, the Company accrued employees' compensation at rates no less than 0.01% and no higher than 0.05%, and the remuneration of directors and supervisors at no higher than 1%, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The bonuses to employees and remuneration of directors and supervisors for the years ended December 31, 2020 and 2019, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Employees' compensation	0.03%	0.03%
Remuneration of directors	0.29%	0.29%

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Cash Dividends</b>	<b>Cash Dividends</b>
Bonuses paid to employees	\$ 4,500	\$ 5,000
Remuneration of directors	41,850	46,500

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The employees' compensation and remuneration of directors for 2019 and 2018 resolved by the Company's board of directors on March 27, 2020 and March 22, 2019, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Cash Dividends</b>	<b>Cash Dividends</b>
Bonuses to employees	\$ 5,000	\$ -
Remuneration of directors	46,500	-

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

b. Depreciation and amortization

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019 (Restated)</b>
Property and equipment	\$ 864,291	\$ 780,229
Investment properties	46	184
Right-of-use assets	688,262	639,973
Intangible assets	292,998	346,168
Other assets	<u>158,029</u>	<u>86,244</u>
	<u>\$ 2,003,626</u>	<u>\$ 1,852,798</u>
 An analysis of depreciation by function		
Operating expenses	<u>\$ 1,552,599</u>	<u>\$ 1,420,386</u>
 An analysis of amortization by function		
Operating expenses	<u>\$ 451,027</u>	<u>\$ 432,412</u>

c. Direct operating expenses from investment properties

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019 (Restated)</b>
Direct operating expenses from investment properties generating rental income	\$ 1,028,225	\$ 888,203
Direct operating expenses from investment properties not generating rental income	<u>56,415</u>	<u>35,830</u>
	<u>\$ 1,084,640</u>	<u>\$ 924,033</u>

#### 40. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019 (Restated)</b>
Current tax		
In respect of the current year	\$ (2,859,409)	\$ (1,484,050)
Income tax on unappropriated earnings	(476,573)	(3,382)
Adjustments for prior periods	2,450	233,074
Deferred tax		
In respect of the current year	<u>9,300,740</u>	<u>2,526,123</u>
Income tax expense recognized in profit or loss	<u>\$ 5,967,208</u>	<u>\$ 1,271,765</u>

A reconciliation of accounting profit and income tax benefit (expenses) is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019 (Restated)</b>
Profit before tax from continuing operations	<u>\$ 8,492,051</u>	<u>\$ 18,629,517</u>
Income tax expense calculated at the statutory rate	\$ (1,698,411)	\$ (3,725,903)
Gain (loss) on disposal of equity instruments at fair value through other comprehensive income	73,863	(44,752)
Nondeductible expenses in determining taxable income	337,593	507,250
Tax-exempt income	5,930,431	7,549,729
Unrecognized deductible temporary differences	6,850	85,176
Unrecognized loss carryforwards	3,732,552	(2,723,046)
Additional income tax under the Alternative Minimum Tax Act	(1,429,892)	(239,467)
Income tax on unappropriated earnings	(476,573)	(3,382)
Withholding tax on foreign income without tax deduction	(500,927)	(354,338)
Effect of different tax rate of group entities operating in other jurisdictions	(2,613)	(5,966)
Adjustments for prior years' tax	2,450	233,074
Others	<u>(8,115)</u>	<u>(6,610)</u>
Income tax benefit (expenses) recognized in profit or loss	<u>\$ 5,967,208</u>	<u>\$ 1,271,765</u>

The applicable tax rate used above is the corporate tax rate of 20% payable by the Group in the ROC. If the alternative minimum tax calculated based on the alternative minimum tax rate of 12% is higher than the general income tax, additional income tax shall be paid on the difference between the alternative minimum tax and the general income tax. Tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized directly in equity

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
<u>Current tax</u>		
Disposal of investments in equity instruments designated as at FVTOCI	\$ 13,716	\$ (26,798)
<u>Deferred tax</u>		
Disposal of investments in equity instruments designated as at FVTOCI	<u>(13,716)</u>	<u>26,798</u>
Total income tax recognized directly in equity	<u>\$ -</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019 (Restated)</b>
<u>Deferred tax</u>		
Remeasurement of the defined benefit plan	\$ (1,546)	\$ (38,885)
Gains on property revaluation	(12,273)	(23,724)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	2,007,767	(2,328,528)
Arising on income and expenses reclassified from equity to profit or loss:		
On disposal of investments in debt instruments at fair value through other comprehensive income	(41,822)	217,529
Other comprehensive income based on reclassification using the overlay approach	<u>(604,949)</u>	<u>(3,632,076)</u>
Expense (benefit) on total income tax recognized in other comprehensive income	<u>\$ 1,347,177</u>	<u>\$ (5,805,684)</u>

d. Current tax assets and liabilities

	<b><u>December 31</u></b>	
	<b>2020</b>	<b>2019</b>
<u>Current tax assets</u>		
Tax refund receivable	<u>\$ 943,931</u>	<u>\$ 1,296,063</u>
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 1,532,210</u>	<u>\$ 142,762</u>

e. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Differences in depreciation of properties	\$ 273,510	\$ 3,807	\$ -	\$ -	\$ 277,317
Fair value of investment properties	15,366	(4,123)	-	-	11,243
Defined benefit obligation	105,972	(5,514)	23,639	-	124,097
Unrealized gain (loss) on financial assets	11,457,200	12,462,818	-	-	23,920,018
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	183,836	-	48,578	(14,344)	218,070
Doubtful account	459,741	33,939	-	-	493,680
Others	109,312	28,202	-	-	137,514
Tax losses	4,614,037	(2,761,443)	-	13,716	1,866,310
	<u>\$ 17,218,974</u>	<u>\$ 9,757,686</u>	<u>\$ 72,217</u>	<u>\$ (628)</u>	<u>\$ 27,048,249</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Fair value of investment properties	\$ 6,425,014	\$ 298,935	\$ 12,273	\$ -	\$ 6,736,222
Defined benefits plan	228,506	112,257	25,184	-	365,947
Amortization of goodwill	256,087	1,430	-	-	257,517
Unrealized gain (loss) on financial assets	57,326	44,324	-	-	101,650
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	1,312,417	-	(1,312,417)	-	-
Others	18,811	-	-	-	18,811
Reserve of land increment tax	2,902,797	-	-	-	2,902,797
	<u>\$ 11,200,958</u>	<u>\$ 456,946</u>	<u>\$ (1,274,960)</u>	<u>\$ -</u>	<u>\$ 10,382,944</u>

For the year ended December 31, 2019 (restated)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Differences in depreciation of properties	\$ 268,877	\$ 4,633	\$ -	\$ -	\$ 273,510
Fair value of investment properties	17,517	(2,151)	-	-	15,366
Defined benefit obligation	207,298	(90,430)	(10,896)	-	105,972
Unrealized gain (loss) on financial assets	8,063,989	3,393,211	-	-	11,457,200
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	4,677,976	(2,161)	(4,516,480)	24,501	183,836
Doubtful account	450,246	9,495	-	-	459,741
Others	39,660	69,652	-	-	109,312
Tax losses	5,246,870	(606,035)	-	(26,798)	4,614,037
	<u>\$ 18,972,433</u>	<u>\$ 2,776,214</u>	<u>\$ (4,527,376)</u>	<u>\$ (2,297)</u>	<u>\$ 17,218,974</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Fair value of investment properties	\$ 6,349,440	\$ 51,850	\$ 23,724	\$ -	\$ 6,425,014
Defined benefits obligation	-	200,517	27,989	-	228,506
Amortization of goodwill	254,656	1,431	-	-	256,087
Unrealized gain (loss) on financial assets	61,033	(3,707)	-	-	57,326
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	85,822	-	1,226,595	-	1,312,417
Others	18,811	-	-	-	18,811
Reserve of land increment tax	2,902,797	-	-	-	2,902,797
	<u>\$ 9,672,559</u>	<u>\$ 250,091</u>	<u>\$ 1,278,308</u>	<u>\$ -</u>	<u>\$ 11,200,958</u>

Note: Reclassified income tax payable for linked-tax and deferred tax assets.

- f. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2020</b>	<b>2019 (Restated)</b>
Loss carryforwards	<u>\$ 31,246,282</u>	<u>\$ 54,081,502</u>
Impairment losses on assets	<u>\$ 722,535</u>	<u>\$ 694,359</u>

- g. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2020 comprised:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 3,744,871	2025
<u>36,832,961</u>	2028
<u>\$ 40,577,832</u>	

- h. Income tax assessments

The income tax returns of the Group assessed by the tax authorities were as follows:

	<b>Year of Assessment</b>
SKFHC	2015
SKLIC	2015
SKSC	2015
TSKCB	2015
SKLRESC	2017
SKMC	2018
SKLIAC	2018
SKIB	2015
SKITC	2015
SKVIC	2015
MLSC	2017

The consolidated income tax returns of the Company and its subsidiaries which adopted consolidated income tax through 2015 were assessed by the tax authority and the tax difference has been recorded. For the difference between the amounts declared and assessed in 2011, the Company had filed for administrative remedy within the legal time limit.

MLSC's income tax returns in 2014 and from 2016 to 2017 have been assessed by the tax authority. The tax authorities considered that (1) partial operating and interest expenses which were allocated to income from security transactions shall not be recognized as expenses, (2) items such as business transfer and amortization expenses, (3) and the net loss of warrants shall not be recognized as a deduction of the alternative minimum tax, but shall be re-calculated and approved for supplementary tax.

MLSC did not agree with the assessments of the taxes in 2014 and from 2016 to 2017, and had filed an appeal for administrative remedy within the legal time limit.

The above total taxes payable of MLSC was \$101,940 thousand, and had been paid in full.

#### 40. RELATED-PARTY TRANSACTIONS

a. The related parties and their relationships with the Group are as follows:

<b>Related Party</b>	<b>Relationship</b>
Xu, Peng	Key management personnel
Lin, Bai Han and other directors	Key management personnel
Ding Cheng Life Insurance Co.	Associate venture company
Century Biotech Development Corporation	Associate venture company
Jih-yao Energy Co., Ltd.	Associate venture company
LeadsunFox Greenergy Investment Co., Ltd.	Associate venture company
Top Taiwan International Investment Co., Ltd.	Other related party
Top Taiwan XII Venture Capital Co., Ltd.	Other related party
Top Taiwan VI Venture Capital Co., Ltd.	Other related party
Top Taiwan VII Venture Capital Co., Ltd.	Other related party
Hua Ding International Venture Capital Co., Ltd.	Other related party
Sin Bon Electronics Company Ltd.	Other related party
Elan microelectronics Corp.	Other related party
Depo Auto Parts Ind. Co., Ltd.	Other related party
Silitech Technology Corp.	Other related party
Top Taiwan Financial Consulting Co., Ltd.	Other related party
Top Taiwan Biotechnology venture capital Co., Ltd.	Other related party
Shin Kong Co., Ltd.	Other related party
Tong Yin Investment Co.	Other related party
Auto21 Co., Ltd.	Other related party
Shin Kong Shien Ya International Co., Ltd.	Other related party
Ruey-Chin Enterprise Co., Ltd.	Other related party
Shin Cheng Investment Co., Ltd.	Other related party
Ying Investment Co., Ltd.	Other related party
Shin Kong Hae Yang Co., Ltd.	Other related party
Rue-Ying Enterprise Co., Ltd.	Other related party
Seed Studio Co., Ltd.	Other related party
The Great Taipei Gas Corp.	Other related party
Shin Kong Construction and Development Co., Ltd.	Other related party
Shin Kong International Leasing Corp.	Other related party
Shin Kong Recreation Co., Ltd.	Other related party
Dong Tian Investment Corp.	Other related party
Pon Jin Corp.	Other related party
Pon Da Corp.	Other related party
Shian-Da Co., Ltd.	Other related party
Shin-Po Life Care Co., Ltd.	Other related party
Tong Shan Investment Co., Ltd.	Other related party
Shin Kong Lease Co., Ltd.	Other related party
Shin Sheng Co., Ltd.	Other related party
Gui Yuan Investment Co., Ltd.	Other related party
Shin Kong Farm Co., Ltd.	Other related party
Yung Kwang Co., Ltd.	Other related party
Skin Kong Lohas Co., Ltd.	Other related party
Shinhai Gas Corporation	Other related party
Shin-bao Car Rental Co., Ltd.	Other related party
Lian-an Service Co., Ltd.	Other related party

(Continued)

<b>Related Party</b>	<b>Relationship</b>
Shin Natural Gas Co., Ltd.	Other related party
Hsin-Pao Investment Co., Ltd.	Other related party
Hsin-Pao Technology Co., Ltd.	Other related party
Shin Kong Communication Co., Ltd.	Other related party
Shin Kong Medical Club	Other related party
Shin Kong Real Estate Co., Ltd.	Other related party
Taiwan Shin Kong Construction Management Co., Ltd.	Other related party
Wen Shih Consulting Company Co., Ltd.	Other related party
Ruey-Fang Farm Company	Other related party
Gentle Development Company	Other related party
Shin Kong Investment Co., Ltd.	Other related party
Shin Kong International Investment Co., Ltd.	Other related party
Wu Tung-Chin Charity Foundation	Other related party
Shin Kong the Wu's Foundation	Other related party
Shin Kong Wu Ho-Su Cultural Foundation	Other related party
Shin Kong Life Charity Foundation	Other related party
Shin Kong Life Scholarship Foundation	Other related party
Shin Kong Bank Cultural and Educational Foundation	Other related party
Shin Kong Memorial Hospital (Shin Kong Wu Ho-Su Memorial Hospital)	Other related party
Shin Kong Wu Ho-Su First Aid Foundation	Other related party
Taiwan Shin Kong Security Foundation for Arts and Culture	Other related party
Shin Kong Ton Shin Yuan Health Sciences Foundation	Other related party
TOYOZAWA INTERNATIONAL CO., LTD.	Other related party
Taroko Development Co., Ltd.	Other related party
Shin Kong Mitsukoshi Department Store Co., Ltd.	Other related party
Sian Shun Enterprise Co.	Other related party
Wang Tien Woolen Textile Co., Ltd.	Other related party
Taiwan Fuhbic Corp.	Other related party
Chi-Ye Chemical Engineering Co., Ltd.	Other related party
Pei-Tou Hotel Co., Ltd.	Other related party
Yi Kong Security Co., Ltd.	Other related party
Taiwan Institute for Sustainable Energy	Other related party
Shin Kong Synthetic Fiber Corp.	Other related party
Taiwan Security Co., Ltd.	Other related party
Shin Lung Natural Gas Co.	Other related party
Soochow University	Other related party
Taiwan Leasing Co., Ltd. (Note 1)	Other related party
Xin-Yi Construction Co., Ltd.	Other related party
Sin-Pei Co., Ltd.	Other related party
Shin Kong Chao-Feng Co., Ltd.	Other related party
Taiwan Shin Kong Security Co., Ltd.	Other related party
Yi Kong Building Management Service Co., Ltd.	Other related party
Chenmao Co.	Other related party
Chen Sheng Industrial Co.	Other related party
Maochen Co.	Other related party
New group electronics Co., Ltd.	Other related party
Future Commercial Banking Co.	Other related party
Shinkong Mitsukoshi Development Co., Ltd.	Other related party
Fayaque Co.	Other related party

(Continued)

<b>Related Party</b>	<b>Relationship</b>
Juwei Investment Co., Ltd.	Other related party
New Park Co., Ltd.	Other related party
Shin-bo Co., Ltd.	Other related party
AHQ Esports Co., Ltd.	Other related party
Shin Shin Investment Co., Ltd.	Other related party
Kuo Wu, Ru-Yue	Related part in substance
Great Taipei Broadband Co., Ltd.	Related part in substance
Pan Asian Plastics Co.	Related part in substance
GIO Optoelectronics Co.	Related part in substance
Sharehope Medicine Co., Ltd.	Related part in substance
Amicom Electronics Co.	Related part in substance
Grand Fortune Securities Co., Ltd.	Related part in substance
Ubright Optronics Co., Ltd.	Related part in substance
Ruey-Shin Enterprise Co., Ltd.	Related part in substance
Taishin International Bank Co., Ltd.	Related part in substance
Hung Shin Enterprise Co., Ltd.	Related part in substance
Chin Shan Investment Co., Ltd.	Related part in substance
Taishin Financial Holding Co., Ltd.	Related part in substance
YuPang Investment Co., Ltd.	Related part in substance
Hsin Hsien Industrial Co.	Related part in substance
An Long Enterprise Co., Ltd.	Related part in substance
Shin Kong Materials Technology Co., Ltd.	Related part in substance
Hou Sheng Chemical Co.	Related part in substance
TacBright Optronics Co., Ltd.	Related part in substance
Shin Kong Fire & Marine Insurance Co., Ltd.	Related part in substance
Hung Shin Enterprise Co., Ltd.	Related part in substance
Taishin Investment Trust Co., Ltd.	Related part in substance
Taishin Securities Co., Ltd.	Related part in substance
Shin Kong Asset Management Company	Related part in substance
ShinSoft Co., Ltd.	Related part in substance
White Cloudy Village Enterprise Co., Ltd.	Related part in substance
Chia Her Industrial Co., Ltd.	Related part in substance
Hong-Qi Co.	Related part in substance
New Light International Co., Ltd.	Related part in substance
MienHao Enterprise Co., Ltd.	Related part in substance
Hong Tai Electric Industrial Co., Ltd.	Related part in substance
KueiHsin Enterprise Co., Ltd.	Related part in substance
Tsui Yuan Investment Co., Ltd.	Related part in substance
ChiaBan Investment Co., Ltd.	Related part in substance
The Foundation for Excellent Journalism Award	Related part in substance
Taishin Holdings Insurance Brokers Co., Ltd.	Related part in substance
Northeast Corner Recreation Co., Ltd.	Related part in substance
Shin-Kong Global Venture Capital Corp.	Related part in substance
Taiwan Shin Kong Construction Co.	Related part in substance
ChaoBan Investment Co., Ltd.	Related part in substance
Hsin Ming Enterprise Co., Ltd.	Related part in substance
Hsin Hsen Construction Co., Ltd.	Related part in substance
Hui Feng Investment Co., Ltd.	Related part in substance
Shin Kong Spinning Co., Ltd.	Related part in substance
Tung Sheng Media Co., Ltd.	Related part in substance

(Continued)

<b>Related Party</b>	<b>Relationship</b>
Eaibel Enterprises, Inc.	Related part in substance
Jaspervilla Co., Ltd.	Related part in substance
Dah-Yu Mee Company	Related part in substance
Chia-Yin Enterprise Co., Ltd.	Related part in substance
Hua Nan Financial Holding Co., Ltd.	Related part in substance
Hua Nan Commercial Bank Co., Ltd.	Related part in substance
Hua Nan Securities Co., Ltd.	Related part in substance
Hua Nan Investment Trust Co., Ltd.	Related part in substance
Yuan Ding Investment Co.	Related part in substance
Yong Chen Investment Co.	Related part in substance
Silver Kitchen Co., Ltd.	Related part in substance
Xinbao Health Management Consulting Co.	Related part in substance
Shumei Hot Spring Bathroom Enterprise Co., Ltd.	Related part in substance
Shin Kong Jasper Fitness Co., Ltd.	Related part in substance
Shin Kong Cinemas Co., Ltd.	Related part in substance
Triumphant Venice Limited Taiwan Branch (Hong Kong)	Related part in substance
PQ INTERNATIONAL Ltd.	Related part in substance
Other related party	Independent director of the Company, spouse and the relative within second degree of kinship of the subsidiaries, director and associate of the Company

(Concluded)

Note 1: Still in the process of liquidation as of December 31, 2020.

Note 2: The Company classified the above relationship into five categories: (1) joint venture (2) associate, (3) key management personnel, (4) others, (5) related party in substance. This classification is a basis for disclosure of transactions with related parties.

- b. Except for significant intra-group transactions that have been eliminated on consolidation and are not disclosed in this note, significant transactions with related parties were as follows:

1) Deposits

Deposits (recognized as cash and cash equivalents)

	<b>December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Related party in substance				
Taishin International Bank	\$ 69,493	-	\$ 240,672	-
Hua Nan Bank	<u>168,947</u>	<u>-</u>	<u>297,703</u>	<u>-</u>
	<u>\$ 238,440</u>	<u>-</u>	<u>\$ 538,375</u>	<u>-</u>

Time deposits with original maturities exceeding three months  
(recognized as financial assets measured at amortized cost)

	<b>December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Related party in substance				
Taishin International Bank	\$ 2,980	-	\$ 5,480	-

The deposits above referred to the amount of bank deposit adjusted for in-transit deposits and undiscounted checks. The terms and conditions of the above deposits to related parties were not significantly different from that of unrelated parties.

2) Customers' margin accounts

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
	Related party in substance	
Hua Nan Bank	\$ 15,328	\$ 13,011
Taishin International Bank	<u>190,133</u>	<u>156,889</u>
	<u>\$ 205,461</u>	<u>\$ 169,900</u>

3) Secured loans

a) Secured loans of related parties due to SKLIC were as follows:

Loans

<b>Year</b>	<b>December 31</b>		<b>Interest Income</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
2020	\$ 19,746	-	\$ 357	-
2019	21,473	-	443	-

For the Year Ended December 31, 2020								
Classification	Name	Highest Balance	Period-End Balance	Status		Content of Guarantee	Interest Revenue	Difference of Terms with Third Party
				Loans	Nonperforming Loans			
Other loans	Key management personnel	\$ -	\$ -	\$ -	-	-	\$ -	None
	Related party in substance	21,332	19,746	19,746	-	Real estate	357	None

For the Year Ended December 31, 2019								
Classification	Name	Highest Balance	Period-End Balance	Status		Content of Guarantee	Interest Revenue	Difference of Terms with Third Party
				Loans	Nonperforming Loans			
Other loans	Key management personnel	\$ 1,390	\$ -	\$ -	-	Real estate	\$ 3	None
	Related party in substance	27,416	21,473	21,473	-	Real estate	440	None

The terms and conditions of the above secured loans to related parties were not significantly different from that of unrelated parties.

b) Secured loans of related parties due from TSKCB were as follows:

Loans

Year	December 31		Interest Income	
	Amount	%	Amount	%
2020	\$ 1,937,199	-	\$ 28,128	-
2019	1,912,801	-	38,729	-

For the Year Ended December 31, 2020								
Classification	Number or Name	Highest Balance	Period-End Balance	Status		Content of Guarantee	Interest Revenue	Difference of Terms with Third Party
				Loans	Nonperforming Loans			
Employee consumption loans	19	\$ 13,002	\$ 8,506	\$ 8,506	\$ -	Vehicle	\$ 208	None
Residential mortgage loans	74	555,866	484,700	484,700	-	Real estate	6,412	None
Other loans	Related party in substance				-			
	Yuan Ding Investment Co.	120,000	120,000	120,000	-	Public traded shares	1,584	None
	Ru Yue, Guo Wu	150,000	150,000	150,000	-	Real estate	2,217	None
	Others	80,000	80,000	80,000	-	Real estate, Public traded shares	585	None
	Other related parties							
	Wen Shih Consulting Company Co., Ltd.	159,800	159,800	159,800	-	Real estate, Public traded shares	2,258	None
	Shin Kong Chao Feng	712,000	670,000	670,000	-	Real estate	11,160	None
	Gentle Development Company	48,000	16,000	16,000	-	Public traded shares	148	None
	Hong-Qi Co., Ltd.	182,600	174,000	174,000	-	Real estate, Public traded shares	2,472	None
	Others	91,288	74,193	74,193	-	Real estate, Public traded shares	1,084	None

For the Year Ended December 31, 2019								
Classification	Number or Name	Highest Balance	Period-End Balance	Status		Content of Guarantee	Interest Revenue	Difference of Terms with Third Party
				Loans	Nonperforming Loans			
Employee consumption loans	24	\$ 19,421	\$ 12,381	\$ 12,381	\$ -	Vehicle	\$ 266	None
Residential mortgage loans	74	561,230	473,520	473,520	-	Real estate	7,126	None
Other loans	Related party in substance							
	Yuan Ding Investment Co.	150,000	120,000	120,000	-	Public traded shares	2,046	None
	Hung Qi Co., Ltd.	271,580	181,600	181,600	-	Real estate, Public traded shares	3,849	None
	Ru Yue, Guo Wu	150,000	150,000	150,000	-	Real estate	2,250	None
	Others	80,000	80,000	80,000	-	Real estate, Public traded shares	593	None
	Other related parties							
	Wang Tien Woolen Textile	496,000	-	-	-	Real estate	6,604	None
	Shin Kong Chao Feng	690,000	690,000	690,000	-	Real estate	11,713	None
	Wen Shih Consulting Company Co., Ltd.	205,900	157,300	157,300	-	Real estate, Public traded shares	2,961	None
	Gentle Development Company	67,000	48,000	48,000	-	Public traded shares	927	None
	Shin Kong Synthetic Fiber Corp.	500,000	-	-	-	Public traded shares	182	None
	Others	21,600	-	-	-	Public traded shares	212	None

According to Articles 32 and 33 of the Banking Act, unsecured credit cannot be extended to any interested party except consumer loans and loans extended to the government and secured credit to an interested party shall be fully secured, of which the terms shall not be more favorable than those terms offered to a customer in the same category.

## Guarantee

For the Year Ended December 31, 2020					
Related Party	Highest Balance	Period-end Balance	Guarantee Reserve Balance	Interest Rate (%)	Content of Guarantee
Others					
Skin Kong Synthetic Fiber Corp.	\$ 8,820	\$ 8,820	\$ -	0.50	Listed securities
Skin Kong Spinning Co., Ltd.	9,800	<u>9,800</u>	-	0.50	Listed securities
		<u>\$ 18,620</u>			

For the Year Ended December 31, 2019					
Related Party	Highest Balance	Period-end Balance	Guarantee Reserve Balance	Interest Rate (%)	Content of Guarantee
Related party in substance					
Skin Kong Synthetic Fiber Corp.	\$ 38,341	\$ 945	\$ -	0.50	Listed securities
Ruey-Shin Enterprise Co., Ltd.	10,000	<u>-</u>	-	0.50	Real estate
		<u>\$ 945</u>			

## 4) Deposits

For the Year Ended December 31, 2020			
Related Party	Period-end Balance	Interest Rate	Interest Income
Related party in substance			
Shin Kong Fire & Marine Insurance Company	\$ 1,108,439	0.00%-1.50%	\$ 3,624
UBright Optronics Co., Ltd.	999,853	0.00%-1.04%	314
Hung Shin Enterprise Co., Ltd.	276,467	0.00%-0.65%	1,561
New Light International Co., Ltd.	109,052	0.00%-0.48%	330
Northeast Corner Recreation Co., Ltd.	67,078	0.00%-0.40%	41
Jaspervilla Co., Ltd.	124,695	0.00%-0.63%	277
Shin Kong Spinning Co., Ltd.	77,261	0.00%-1.04%	46
Shih Soft Co., Ltd.	93,637	0.00%-0.66%	35
Great Taipei Broadband Co., Ltd.	169,938	0.00%-0.48%	960
Others	<u>640,471</u>		<u>689</u>
	<u>3,666,891</u>		<u>7,877</u>
Others			
Shin Kong Synthetic Fiber Corp.	688,456	0.00%-0.30%	67
The Great Taipei Gas Corp.	587,744	0.00%-0.72%	2,314
Yung Kwang Co., Ltd.	52,966	0.00%-0.79%	64
Yi Kong Securities Co., Ltd.	329,896	0.00%-0.40%	107
Shin Kong Memorial Hospital	590,565	0.00%-0.48%	132
Shin Kong Life Charity Foundation	69,470	0.00%-0.40%	80
Shin Kong Wu Ho-Su Cultural Foundation	105,098	0.00%-1.09%	965
Wu Tung-Chin Charity Foundation	77,772	0.00%-1.07%	671
Sin-Pei Co., Ltd.	74,242	0.03%	-
Taiwan Shin Kong Health Management Co.	59,802	0.00%-0.66%	47
New Park Co., Ltd.	73,758	0.01%-0.30%	4
Shin-Po Investment Co., Ltd.	55,624	0.03%-0.40%	35

(Continued)

Related Party	For the Year Ended December 31, 2020		
	Period-end Balance	Interest Rate	Interest Income
Yi Kong Building Management Service Co., Ltd.	\$ 98,544	0.00%-0.05%	\$ 18
Taiwan Security Co., Ltd.	76,706	0.00%-0.05%	9
Others	<u>1,390,482</u>		<u>9,305</u>
	<u>4,331,125</u>		<u>13,818</u>
	<u>\$ 7,998,016</u>		<u>\$ 21,695</u>

(Concluded)

Related Party	For the Year Ended December 31, 2019		
	Period-end Balance	Interest Rate	Interest Income
Related party in substance			
Shin Kong Fire & Marine Insurance Company	\$ 843,856	0.00%-2.50%	\$ 3,601
UBright Optronics Co., Ltd.	155,855	0.00%-1.04%	231
Hung Shin Enterprise Co., Ltd.	271,892	0.00%-0.65%	1,686
New Light International Co., Ltd.	110,563	0.00%-0.48%	417
Shin Kong Spinning Co., Ltd.	98,742	0.00%-1.04%	100
Jaspervilla Co., Ltd.	162,780	0.00%-1.04%	1,023
Ruey-Shin Enterprise Co., Ltd.	203,512	0.00%-0.05%	32
Northeast Corner Recreation Co., Ltd.	57,541	0.00%-0.04%	67
Yong Chen Investment Co.	52,514	0.00%-0.00%	-
Yuan Ding Investment Co.	87,288	0.00%-0.00%	-
Others	<u>498,533</u>		<u>2,238</u>
	<u>2,543,076</u>		<u>9,395</u>
Others			
Shin Kong Synthetic Fiber Corp.	492,515	0.00%-0.30%	256
The Great Taipei Gas Corp.	584,954	0.00%-0.80%	2,803
Yi Kong Securities Co., Ltd.	365,979	0.00%-0.40%	168
Shin Kong Memorial Hospital	205,837	0.00%-0.48%	187
Shin Kong Life Charity Foundation	66,787	0.00%-0.40%	139
Shin Kong Wu Ho-Su Cultural Foundation	98,362	0.00%-1.09%	984
Wu Tung-Chin Charity Foundation	70,951	0.00%-1.07%	711
Shin Po Investment Co., Ltd.	112,632	0.05%-0.40%	257
Others	<u>1,161,141</u>		<u>8,034</u>
	<u>3,159,158</u>		<u>13,539</u>
	<u>\$ 5,702,234</u>		<u>\$ 22,934</u>

The transaction terms with related parties do not significantly differ from those with usual customers except for the 5.80% and 6.08% interest rate on the employee deposits for December 31, 2020 and 2019.

5) Lease arrangements

a) Acquisitions of right-of-use assets

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Others		
The Great Taipei Gas Corp.	\$ 51,164	\$ 215,745
Shin-bao Car Rental Co., Ltd.	<u>-</u>	<u>1,042</u>
	<u>51,164</u>	<u>216,787</u>
Related party in substance		
Shin Kong Spinning Co., Ltd.	-	423
HSBC Investment Co., Ltd.	<u>7,025</u>	<u>-</u>
	<u>7,025</u>	<u>423</u>
	<u>\$ 58,189</u>	<u>\$ 217,210</u>

b) Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Others		
The Great Taipei Gas Corp.	\$ 610,912	\$ 657,406
Others	<u>3,279</u>	<u>3,841</u>
	<u>614,191</u>	<u>661,247</u>
Related party in substance		
Others	<u>5,323</u>	<u>728</u>
	<u>\$ 619,514</u>	<u>\$ 661,975</u>

c) Interest expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Others	\$ 15,075	\$ 15,621
Related party in substance	<u>113</u>	<u>25</u>
	<u>\$ 15,188</u>	<u>\$ 15,646</u>

d) Depreciation expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Others	\$ 109,313	\$ 94,862
Related party in substance	<u>2,496</u>	<u>758</u>
	<u>\$ 111,809</u>	<u>\$ 95,620</u>

e) Lease expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Others	\$ 2,348	\$ 16,610
Related party in substance	<u>9,248</u>	<u>410</u>
	<u>\$ 11,596</u>	<u>\$ 17,020</u>

As of December 31, 2020 and 2019, the deposits paid for leasing and building management to related parties were as follow:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Others	\$ 32,356	\$ 28,908
Related party in substance	<u>7,021</u>	<u>7,021</u>
	<u>\$ 39,377</u>	<u>\$ 35,929</u>

The above listed refundable deposits are the security deposits paid for the lease of operating premises. The deposits will be refunded without interest at the end of the lease terms when the lease targets are returned.

6) Lease of investment properties to related parties

Operating lease/sublease

a) Rentals receivable from related parties were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Others	\$ 2,249	\$ 418
Related party in substance	<u>982</u>	<u>1,322</u>
	<u>\$ 3,231</u>	<u>\$ 1,740</u>

b) Future lease payment receivables are as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Others		
Shin Kong Mitsukoshi Department Store Co., Ltd.	\$ 3,771,429	\$ 4,274,286
Yi Kong Building Management Service Co., Ltd.	124,397	161,350
Others	<u>201,296</u>	<u>146,924</u>
	<u>4,097,122</u>	<u>4,582,560</u>
Related party in substance	<u>623,032</u>	<u>101,958</u>
	<u>\$ 4,720,154</u>	<u>\$ 4,684,518</u>

c) Rentals received for the leasing of investment properties to related parties were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Others				
Shin Kong Mitsukoshi Department Store Co., Ltd.	\$ 479,317	17	\$ 502,857	16
Shin Kong Wu Ho-Su Memorial Hospital	33,936	1	33,860	1
Others	<u>110,889</u>	<u>4</u>	<u>102,744</u>	<u>3</u>
	<u>624,142</u>	<u>22</u>	<u>639,461</u>	<u>20</u>
Related party in substance	<u>71,992</u>	<u>2</u>	<u>47,238</u>	<u>2</u>
	<u>\$ 696,134</u>	<u>24</u>	<u>\$ 686,699</u>	<u>22</u>

d) All the terms of the lease transactions with related parties were not significantly different from that of general transactions. The above rentals received excluded VAT.

e) As of December 31, 2020 and 2019, deposits received for the lease of properties to related parties were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Others	\$ 29,528	\$ 29,072
Related party in substance	<u>12,869</u>	<u>12,115</u>
	<u>\$ 42,397</u>	<u>\$ 41,187</u>

7) Other miscellaneous income (loss)

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Other Operating Revenue</b>	<b>Building Management Cost</b>	<b>Other Operating Revenue</b>	<b>Building Management Cost</b>
Others	\$ 148,500	\$ 120,672	\$ 139,131	\$ 126,447
Related party in substance	<u>53,516</u>	<u>11,996</u>	<u>40,014</u>	<u>9,927</u>
	<u>\$ 202,016</u>	<u>\$ 132,668</u>	<u>\$ 179,145</u>	<u>\$ 136,374</u>

8) Commission expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Related party in substance		
Shin Kong Fire & Marine Insurance Company	\$ 2,204	\$ 2,702
Taishin International Bank Co., Ltd.	373,533	719,924
Hua Nan Commercial Bank Co., Ltd.	<u>168,688</u>	<u>292,490</u>
	<u>\$ 544,425</u>	<u>\$ 1,015,116</u>

9) Processing fee income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Related party in substance		
Shin Kong Fire & Marine Insurance Company	\$ 370,020	\$ 367,164
Shin Soft Co., Ltd.	460	204
Taishin International Bank Co., Ltd.	363	239
Others	212	223
Others		
Taiwan-Soft Shin Kong Security Co., Ltd.	749	930
Shin Kong Mitsukoshi Department Store Co., Ltd.	11,013	8,460
Shin Kong Memorial Hospital	4,940	7,749
Others	<u>2,096</u>	<u>1,176</u>
	<u>\$ 389,853</u>	<u>\$ 386,145</u>

10) Processing fee expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Related party in substance		
Shin Kong Fire & Marine Insurance Company	\$ 5,649	\$ 5,599
Taishin International Bank Co., Ltd.	57,537	55,154
Hua Nan Securities Co., Ltd.	55	30
Hua Nan Commercial Bank Co., Ltd.	532	16,115
Others		
Shin Kong Mitsukoshi Department Store Co., Ltd.	9,670	8,999
Yi Kong Building Management Service Co., Ltd.	<u>1,199</u>	<u>1,168</u>
	<u>\$ 74,642</u>	<u>\$ 87,065</u>

11) Operating expenses

a) Building management expense and cleaning fee

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Others		
Yi Kong Building Management Service Co., Ltd.	<u>\$ 8,972</u>	<u>\$ 3,994</u>

b) Insurance expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Related party in substance		
Shin Kong Fire & Marine Insurance Co., Ltd.	<u>\$ 47,078</u>	<u>\$ 47,094</u>

c) Postage expense

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Related party in substance		
Taishin International Bank Co., Ltd.	\$ 132	\$ 36
Great Taipei Broadband Co., Ltd.	43,903	41,383
Others		
Taiwan Security Co., Ltd.	<u>21</u>	<u>34</u>
	<u>\$ 44,056</u>	<u>\$ 41,453</u>

d) Professional service expense

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Others		
Taiwan Shin Kong Security Co., Ltd.	\$ 87,867	\$ 93,585
Others	54,576	40,262
Related party in substance		
Jaspervilla Co., Ltd.	66,656	63,726
Others	<u>160</u>	<u>157</u>
	<u>\$ 209,259</u>	<u>\$ 197,730</u>

e) Donation expense

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Others		
Shin Kong Life Charity Foundation	\$ 7,030	\$ 22,000
Soochow University	1,800	1,800
Shin Kong Memorial Hospital	-	40,000
Shin Kong Bank Cultural and Educational Foundation	<u>-</u>	<u>5,000</u>
	<u>\$ 8,830</u>	<u>\$ 68,800</u>

The Group donated \$2,000 thousand and \$30 thousand and \$10,000 thousand (paid \$5,000 thousand each in 2020 and 2019), \$2,000 thousand and \$15,000 thousand (paid in 2019) to Shin Kong Life Charitable Foundation, which were approved by the board of directors on November 4, 2020, September 29, 2020, December 20, 2019 and August 14, 2019, respectively.

The Group donated \$5,400 thousand (paid in three years from 2019 to 2021, at \$1,800 thousand per year) to Soochow University, which was approved by the board of directors on February 26, 2019.

The Group donated \$40,000 thousand to Shin Kong Memorial Hospital, which was approved by the board of directors on September 20, 2019.

The Group donated \$5,000 thousand to Shin Kong Bank Cultural and Educational Foundation, which was approved by the board of directors on October 9, 2019.

f) Other expenses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Others	\$ 77,139	\$ 84,891
Related party in substance	<u>42,510</u>	<u>6,670</u>
	<u>\$ 119,649</u>	<u>\$ 91,561</u>

For the year ended December 31, 2020, other expenses and other operating income incurred due to the transaction between SKLIC and Jaspervilla Co., Ltd. were \$16,675 thousand and \$8 thousand, respectively, other operating income \$20,023 thousand, of which \$2,498 thousand was presented as a net amount due to the nature of the transaction. The net amount of other expenses was \$14,185 thousand and \$0 thousand, and the net amount of other operating income was \$17,525 thousand.

12) Beneficiary certificates

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Related party in substance		
Taishin Investment Trust Co., Ltd.	\$ 6,491,876	\$ 2,246,985
Hua Nan Investment Trust Co., Ltd.	<u>2,607,179</u>	<u>1,011,150</u>
	<u>\$ 9,099,055</u>	<u>\$ 3,258,135</u>

The Group acquired and disposed of several mutual funds from Taishin Investment Trust Co., Ltd., Hua Nan Investment Trust Co., Ltd., and Taishin International Bank for the years ended December 31, 2020 and 2019; the mutual funds were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Buy	<u>\$ 11,081,195</u>	<u>\$ 4,014,110</u>
Sell	<u>\$ 5,376,276</u>	<u>\$ 1,582,060</u>

13) Bonds issued under repurchase agreements

	<b>For the Year Ended December 31, 2020</b>			
	<b>Par Value</b>	<b>Trading Value</b>	<b>Ending Balance</b>	<b>Interest Income</b>
Related party in substance				
Shin Kong Fire & Marine Insurance Co., Ltd.	\$ 1,729,500	\$ 1,920,436	\$ -	\$ 333
Grand Fortune Securities Co., Ltd.	<u>300,000</u>	<u>299,267</u>	<u>-</u>	<u>1</u>
	<u>\$ 2,029,500</u>	<u>\$ 2,219,703</u>	<u>\$ -</u>	<u>\$ 334</u>

<b>For the Year Ended December 31, 2019</b>				
	<b>Par Value</b>	<b>Trading Value</b>	<b>Ending Balance</b>	<b>Interest Income</b>
Related party in substance				
Grand Fortune Securities Co., Ltd.	\$ 750,000	\$ 753,914	\$ -	\$ 8
Shin Kong Fire & Marine Insurance Co., Ltd.	1,988,500	2,207,841	-	477
Taishin Securities Co., Ltd.	<u>10,300,000</u>	<u>10,336,501</u>	<u>-</u>	<u>122</u>
	<u>\$ 13,038,500</u>	<u>\$ 13,298,256</u>	<u>\$ -</u>	<u>\$ 607</u>

14) Bonds purchased under resale agreements

<b>For the Year Ended December 31, 2019</b>			
	<b>Ending Balance</b>	<b>Interest Rate (%)</b>	<b>Interest Income</b>
Related party in substance			
Taishin International Bank	\$ -	0.54-0.60	\$ 122
Grand Fortune Securities Co., Ltd.	-	0.30-0.35	1
Hua Nan Securities Co., Ltd.	-	0.35	-
Taishin Securities Co., Ltd.	<u>-</u>	<u>0.15-0.45</u>	<u>3</u>
	<u>\$ -</u>		<u>\$ 126</u>

The outright bonds issued under repurchase agreements and bonds issued under resale agreements were transactions through the securities counter buying center-bond trading system and traded at market price.

15) Outright purchase

<b>For the Year Ended December 31</b>				
	<b>2020</b>		<b>2019</b>	
	<b>Par Value</b>	<b>Trading Value</b>	<b>Par Value</b>	<b>Trading Value</b>
Related party in substance				
Taishin International Bank	\$ 8,200,000	\$ 8,407,040	\$ 4,600,000	\$ 4,800,844
Taishin Securities Co., Ltd.	1,300,000	1,297,168	1,900,000	1,899,130
Grand Fortune Securities Co., Ltd.	300,000	298,837	750,000	748,361
Hua Nan Commercial Bank Co., Ltd.	1,050,000	1,046,132	950,000	948,825
Hua Nan Securities Co., Ltd.	<u>2,200,000</u>	<u>2,189,876</u>	<u>2,450,000</u>	<u>2,473,472</u>
	<u>\$ 13,050,000</u>	<u>\$ 13,239,053</u>	<u>\$ 10,650,000</u>	<u>\$ 10,870,632</u>

16) Outright sale

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Par Value</b>	<b>Trading Value</b>	<b>Par Value</b>	<b>Trading Value</b>
Related party in substance				
Grand Fortune Securities Co., Ltd	\$ 350,000	\$ 348,722	\$ 350,000	\$ 349,182
Taishin International Bank	3,900,000	4,003,868	7,750,000	8,047,897
Taishin Securities Co., Ltd	1,000,000	1,001,013	1,150,000	1,150,003
Shin Kong Fire & Marine Insurance Co., Ltd.	-	-	-	-
Hua Nan Commercial Bank Co., Ltd.	1,300,000	1,294,181	1,650,000	1,645,601
Hua Nan Securities Co., Ltd.	1,950,000	1,945,213	2,800,000	2,797,399
Hsin Ming Enterprise Co., Ltd.	-	-	150,000	150,000
Sin-Pei Co., Ltd.	-	-	60,000	60,000
	<u>\$ 8,500,000</u>	<u>\$ 8,592,997</u>	<u>\$ 13,910,000</u>	<u>\$ 14,200,082</u>

The outright purchase and sale of bonds will be traded at normal prices, that is, the interest rate is based on the prevailing market interest rate.

17) Bond investments

The Group's holdings of non-cumulative secondary financial debentures without maturity dates issued by Taishin International Bank amounted to \$450,000 thousand, which were due and repaid during the year ended December 31, 2019.

18) Securities processing fees and other expenses

The amount of transaction fee paid for the trading of securities by the Group and the related party is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Related party in substance		
Taishin Securities Co., Ltd.	\$ 3,794	\$ 1,542
Hua Nan Securities Co., Ltd.	<u>15,307</u>	<u>10,176</u>
	<u>\$ 19,101</u>	<u>\$ 11,718</u>

19) Securities lending

The amount of securities lending income and securities borrowing fees generated from the securities lending transactions between the Group and the related parties are as follows:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Lending</b>	<b>Borrowings</b>	<b>Lending</b>	<b>Borrowings</b>
Related party in substance Hua Nan Securities Co., Ltd.	<u>\$ 1,053</u>	<u>\$ -</u>	<u>\$ 1,020</u>	<u>\$ -</u>

20) Prepaid expenses

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Related party in substance Shin Kong Mitsukoshi Department Store Co., Ltd.	\$ 9,743	\$ 8,597
Taiwan Shin Kong Security Co., Ltd.	5,120	4,707
Shin Kong Co., Ltd.	5,271	-
Others Others	<u>631</u>	<u>137</u>
	<u>\$ 20,765</u>	<u>\$ 13,441</u>

On December 31, 2020 and 2019, prepaid expenses to Shin Kong Mitsukoshi Department Store Co., Ltd., Taiwan Shin Kong Security Co., Ltd. and Shin Kong Co., Ltd. are mainly prepaid repair expenses, prepaid rent and prepaid other expenses.

21) Acquisition of property, plant and equipment

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Related party in substance Taiwan Shin Kong Security Co., Ltd.	\$ 34,245	\$ 30,614
Ruihong Financial Consultant Co., Ltd.	950	-
Shih Soft Co., Ltd.	<u>-</u>	<u>8,394</u>
	<u>\$ 35,195</u>	<u>\$ 39,008</u>

The price that Group purchases cash machines, cameras, surveillance equipment and software from Taiwan Shin Kong Security Co., Ltd., purchases software from Ruihong Financial Consultant Co., Ltd. and purchases equipment from Shih Soft Co., Ltd. is determined by merchant price comparison.

22) Loan guarantees provided by directors of SKFHC and TSKCB

<b>For the Year Ended December 31, 2020</b>			
	<b>Loan Account</b>	<b>Highest Balance</b>	<b>Ending Balance</b>
Key management personnel			
Wu, Ben-Sen	ChaoBan Investment Co., Ltd.	\$ 325	\$ 215
<b>For the Year Ended December 31, 2019</b>			
	<b>Loan Account</b>	<b>Highest Balance</b>	<b>Ending Balance</b>
Key management personnel			
Wu, Ben-Sen	ChaoBan Investment Co., Ltd.	\$ 442	\$ 325
Hung, Shin-chi	Ruey Fang Agriculture Co., Ltd.	21,600	-
Hung, Shin-chi	Sinpei Co., Ltd.	2,800	-
Hung, Shin-chi	Gentle Development Company	57,100	-
Hung, Shin-chi	Whu Shin Consulting Co.	201,900	-
Hung, Shin-chi	HongQi Co.	257,700	-
		<u>\$ 541,542</u>	<u>\$ 325</u>

The loan guarantees of the directors of SKFHC and TSKCB for TSKCB were made on an arm's length basis.

23) Other receivables

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Related party in substance		
Taishin International Bank Co., Ltd.	\$ 81	\$ -
Hua Nan Commercial Bank Co., Ltd.	10	-
Others		
Others	-	92
	<u>\$ 91</u>	<u>\$ 92</u>

24) Other transactions

On April 3, 2019, the board of directors of TSKCB approved the Bank's transfer of the syndicated loan from Tai Shin International Bank with a credit line of \$600,000 thousand (the actual loan amount was \$481,178 thousand). The transaction terms with related parties did not significantly differ from those with non-related parties.

c. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 615,234	\$ 660,718
Post-employment benefits	10,413	7,144
Other long-term employee benefits	103,052	86,373
Share-based payments	<u>3,886</u>	<u>442</u>
	<u>\$ 732,585</u>	<u>\$ 754,677</u>

The remuneration of directors and key executives was determined based on the performance of individuals and market trends.

**42. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

<b>Financial Statement Account</b>	<b>Pledged Assets</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Financial assets at fair value through other comprehensive income (including guarantee deposits paid)	Government bonds	\$ 5,678,100	\$ 5,682,600
Financial assets at amortized cost (including guarantee deposits paid)	Government bonds	10,102,558	9,184,553
Property and equipment	Land and buildings	1,586,174	1,596,810
Investment properties	Land and buildings	178,873	179,553
Miscellaneous assets, others	Guarantee deposits	970,000	971,500
Miscellaneous assets, others	Restricted assets - time deposits and compensative deposits	1,227,876	1,337,749

**43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

- a. As of December 31, 2020, SKLIC had 18 open purchase contracts and construction contracts signed for investment properties; the contract price payables in the future were as follows:

	<b>Amount</b>
2021-2025	<u>\$ 3,028,683</u>

- b. As of December 31, 2020 and 2019, TSKCB had the following commitments and contingent liabilities:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Guarantees	\$ 19,767,276	\$ 12,233,770
Letters of credit	2,846,029	2,308,079
Trust liabilities	151,902,588	147,669,280
Loan commitments (excluding credit card)	200,910,419	187,312,541
Loan commitments - credit card	1,879,411	1,993,492

- c. According to Article 17 of the implementation rules of Trust Law, TSKCB disclosed its balance sheet of trust account and asset items as follows:

**Trust Balance Sheet**

<b>Trust Assets</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash in banks	\$ 5,132,674	\$ 3,467,960
Short-term investments		
Mutual fund	69,292,695	65,323,404
Bond investments	40,152,912	41,131,626
Share investments	138,965	228,600
Securities under custody		
Securities under custody	7,459,123	9,507,125
Real estate		
Land	26,999,065	26,555,030
Buildings	6,906	11,009
Construction in process	2,720,248	1,444,526
	<b><u>\$ 151,902,588</u></b>	<b><u>\$ 147,669,280</u></b>
<b>Trust Liabilities</b>		
Securities under custody payable		
Securities under custody payable	\$ 7,459,123	\$ 9,507,125
Trust capital		
Trust by cash	113,340,186	110,040,604
Trust by real estate	31,483,506	28,487,975
Reserve and accumulated deficit		
Accumulated (deficit) earnings	(1,308,645)	(3,128,753)
Exchange losses	(36)	(18)
Net income (loss)	928,454	2,762,347
	<b><u>\$ 151,902,588</u></b>	<b><u>\$ 147,669,280</u></b>

## Trust Account Income Statement

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Trust income		
Interest revenue	\$ 5,081	\$ 5,157
Dividend income from preference shares	2,598,194	2,563,638
Dividend income from ordinary shares	6,981	2,620
Gain on disposal of assets	1,583,571	1,334,214
Realized capital gain	<u>1,672,022</u>	<u>1,790,115</u>
	<u>5,865,849</u>	<u>5,695,744</u>
Trust expense		
Management fee	(115,901)	(78,020)
Processing expense	(376)	(442)
Loss on disposal of assets	(4,820,767)	(2,854,586)
Other expenses	<u>(13)</u>	<u>(16)</u>
	<u>(4,937,057)</u>	<u>(2,933,064)</u>
Income before tax	<u>928,792</u>	2,762,680
Income tax expense	<u>(338)</u>	<u>(333)</u>
Net income	<u>\$ 928,454</u>	<u>\$ 2,762,347</u>

### Trust Assets

Trust Assets	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash in banks	\$ 5,132,674	\$ 3,467,960
Short-term investments		
Mutual fund	69,292,695	65,323,404
Bond investments	40,152,912	41,131,626
Ordinary share investments	138,965	228,600
Securities under custody		
Securities under custody	7,459,123	9,507,125
Real estate		
Land	26,999,065	26,555,030
Buildings	6,906	11,009
Construction in process	<u>2,720,248</u>	<u>1,444,526</u>
	<u>\$ 151,902,588</u>	<u>\$ 147,669,280</u>

d. As of December 31, 2020, MLSC and its subsidiaries had the following commitments and contingent liabilities:

- 1) AS of December 31, 2020, MLSC issued a \$1,400,000 thousand guarantee notes to First Bank and a \$1,300,000 thousand guarantee notes to Taiwan Bank for short-term loan guarantee purposes. The notes are not included in the financial report since they are contingent liabilities.
- 2) As of December 31, 2020, prepaid equipment expense of MLSC was \$26,364 thousand, and contract amounted to \$68,270 thousand in total.

- 3) On August 8, 2011, MasterLink Futures Co., Ltd. suffered an additional loss \$181,219,908 due to the closed position of an investor due to lack of security deposit. After paying off with the coins obtained from the bond collateral provided by investor and repaying the discount of the transaction fee, the investor still owes MasterLink Futures Co., Ltd. \$131,229,844 and declares a breach of contract. After the subsequent repayment based on the property under the investor's name and part of the money back, the investor still owed MasterLink Futures Co., Ltd. more than \$89 million, which are all recognized as allowance for bad debts. The investor believed that the salesperson has leaked his transaction information to other investors and filed a criminal and incidental civil cases: (a) Criminal part: On the second trial on January 23, 2019, the Taiwan High Court declared that the investor and MasterLink Futures Co., Ltd. were both innocent; (b) Incidental civil litigation part: The Taipei District Court ruled to dismiss the investor's lawsuit on November 30, 2018. However, the investor refused to accept it and filed an appeal and petitioned for litigation. The High Court rejected the litigation on May 14, 2020. Due to the investor's failure to pay the litigation fees, the case was ruled to be rejected on May 28, 2020, and MasterLink Futures Co., Ltd. was determined to win the case.
- 4) On June 14, 2019, the board of directors of MLSC approved the joint venture contract with Fujian Investment and Development Group Co., Ltd. and Pingtan Comprehensive Experimental Zone Financial Holding Group Co., Ltd., and the three parties jointly funded the establishment of Straits Securities Co., Ltd. (tentative). MLSC invested CNY588,000 thousand and held 49% of the shares. MLSC shall make an application to the FSC in accordance with relevant regulations when investing in the mainland. In consideration of the changes in the mainland laws and operating environment, the Company adjusted its investment strategy. On January 13, 2020, the board of directors passed a resolution not to participate in the joint venture to establish Straits Securities Co., Ltd.

#### 44. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

SKLIC signed a contract on January 15, 2021 to purchase the China Development Building in Taipei City for \$9,288,800 thousand. The property rights transfer will be handled in accordance with the agreement. SKLIC won the bid for city-owned land rights of the old main library in Qianjin District, Kaohsiung City on January 21, 2021. The amount is \$302,888 thousand, the land rights contract will be signed before April 2, 2021. SKLIC signed a contract to purchase Ryan Square in the east district of Hsinchu City on January 29, 2021, with an amount of \$5,640,000 thousand. The ownership transfer will be carried out in accordance with the agreement.

#### 45. INFORMATION ON BUSINESS SEGMENTS

For the year ended December 31, 2020

Segment	Insurance	Securities	Banking	Others	Combined
Net interest income (expense)	\$ 87,881,996	\$ 854,250	\$ 11,519,351	\$ 30,021	\$ 100,285,618
Net income and gains other than interest income	158,045,253	5,467,437	3,814,654	524,187	167,851,531
Profit from operations	245,927,249	6,321,687	15,334,005	554,208	268,137,149
Net changes in insurance liability reserves	(231,247,233)	-	-	-	(231,247,233)
Bad debt (expense) income	(39,761)	(75,778)	(1,157,820)	(160,016)	(1,433,375)
Operating expenses	(12,989,166)	(4,059,237)	(8,746,278)	(1,169,809)	(26,964,490)
Consolidated income (loss) before income tax	1,651,089	2,186,672	5,429,907	(775,617)	8,492,051
Income tax benefit (expense)	6,982,463	(254,119)	(739,769)	(21,367)	5,967,208
Consolidated net income (loss)	8,633,552	1,932,553	4,690,138	(796,984)	14,459,259

For the year ended December 31, 2019

Item \ Segment	Insurance	Securities	Banking	Others	Combined
Net interest income (expense)	\$ 92,449,141	\$ 868,850	\$ 11,893,745	\$ (9,965)	\$ 105,201,771
Net income and gains other than interest income	166,107,154	4,361,593	3,046,328	528,180	174,043,255
Profit from operations	258,556,295	5,230,443	14,940,073	518,215	279,245,026
Net changes in insurance liability reserves	(234,264,063)	-	-	-	(234,264,063)
Bad debt expense	839,075	(2,741)	(1,313,086)	-	(476,752)
Operating expenses	(12,696,080)	(3,608,938)	(8,478,575)	(1,091,101)	(25,874,694)
Consolidated income (loss) before income tax	12,435,227	1,618,764	5,148,412	(572,886)	18,629,517
Income tax (expense) benefit	2,023,702	(130,170)	(1,170,703)	548,936	1,271,765
Consolidated net income (loss)	14,458,929	1,488,594	3,977,709	(23,950)	19,901,282

Note: The transactions between SKFHC and its subsidiaries were eliminated from the above table.

46. FINANCIAL STATEMENTS OF SHIN KONG FINANCIAL HOLDING CO., LTD. AND CONDENSED FINANCIAL STATEMENTS OF SUBSIDIARIES

a. Financial statements of the Company

Shin Kong Financial Holding Co., Ltd.

Balance Sheets  
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)	LIABILITIES AND EQUITY	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
CASH AND CASH EQUIVALENTS	\$ 2,048,914	\$ 4,878,314	\$ 4,120,076	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	\$ 7,699	\$ 17,200	\$ 41,561
CURRENT TAX ASSETS	943,770	1,296,305	2,303,000	ACCRUED EXPENSE	240,604	212,513	174,099
FINANCIAL ASSETS AT AMORTIZED COST	1,003,780	-	-	CURRENT TAX LIABILITIES	1,388,147	-	-
OTHER FINANCIAL ASSETS	3,109	3,568	3,871	OTHER PAYABLES	3,701,872	5,107,976	4,962,415
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	256,469,931	250,103,083	194,958,350	BONDS PAYABLE	14,328,072	14,262,247	14,197,196
PROPERTY AND EQUIPMENT, NET	13,298	7,407	7,527	LEASE LIABILITIES	50,206	17,701	-
RIGHT-OF-USE ASSETS	48,642	17,609	-	OTHER LIABILITIES	<u>57,909</u>	<u>57,266</u>	<u>76,594</u>
INTANGIBLE ASSETS, NET	1,333	54	373	Total liabilities	<u>19,774,509</u>	<u>19,674,903</u>	<u>19,451,865</u>
OTHER ASSETS	<u>422,516</u>	<u>889,503</u>	<u>1,529,822</u>	EQUITY			
				Ordinary shares	130,203,941	126,003,941	121,855,057
				Preference shares	2,970,000	750,000	-
				Advance receipts for share capital	-	-	748,884
				Capital surplus	20,502,607	13,655,226	13,935,322
				Retained earnings			
				Legal reserve	6,530,395	4,845,115	5,517,796
				Special reserve	38,862,530	21,154,359	21,154,359
				Unappropriated retained earnings	35,630,422	59,388,379	38,591,913
				Other equity			
				Exchange differences on translating the financial statements of foreign operations	(197,737)	(38,013)	77,887
				Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(1,012,655)	7,252,609	108,835
				Unrealized loss on investments in debt instruments at fair value through other comprehensive income	914,159	2,070,714	(3,060,523)
				Gains on property revaluation	168,856	90,250	-
				Other comprehensive income reclassified using the overlay approach	6,723,319	2,750,206	(15,056,530)
				Treasury shares	<u>(115,053)</u>	<u>(401,846)</u>	<u>(401,846)</u>
				Total equity	<u>241,180,784</u>	<u>237,520,940</u>	<u>183,471,154</u>
TOTAL	<u>\$ 260,955,293</u>	<u>\$ 257,195,843</u>	<u>\$ 202,923,019</u>	TOTAL	<u>\$ 260,955,293</u>	<u>\$ 257,195,843</u>	<u>\$ 202,923,019</u>

**Shin Kong Financial Holding Co., Ltd.**

**Statements of Income**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019 (Restated)</b>
<b>REVENUE</b>		
Share of profit or loss from subsidiaries accounted for using the equity method	\$ 14,934,265	\$ 19,694,087
Other income	<u>59,605</u>	<u>65,600</u>
Total revenue	<u>14,993,870</u>	<u>19,759,687</u>
<b>EXPENSES AND LOSSES</b>		
Operating expenses	(431,405)	(377,139)
Interest expense	(166,960)	(170,459)
Other expenses and losses	<u>(49,752)</u>	<u>(13)</u>
Total expenses and losses	<u>(648,117)</u>	<u>(547,611)</u>
<b>INCOME BEFORE TAX</b>	14,345,753	19,212,076
<b>INCOME TAX BENEFIT (EXPENSE)</b>	<u>39,834</u>	<u>621,049</u>
<b>NET INCOME</b>	<u>14,385,587</u>	<u>19,833,125</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Share of other comprehensive income of subsidiaries accounted for using the equity method	<u>(7,153,028)</u>	<u>30,346,757</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 7,232,559</u>	<u>\$ 50,179,882</u>
<b>EARNINGS PER SHARE</b>		
Basic	<u>\$1.12</u>	<u>\$1.61</u>
Diluted	<u>\$1.07</u>	<u>\$1.54</u>

Shin Kong Financial Holding Co., Ltd.

Statements of Changes in Equity  
(In Thousands of New Taiwan Dollars)

	Share Capital Ordinary Shares	Preference Shares	Capital Collected in Advance	Capital Surplus	Retained Earnings			Other Equity				Treasury Shares	Total
					Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Other Comprehensive Income on Reclassification of Overlay Approach	Gains on Property Revaluation		
BALANCE, JANUARY 1, 2019	\$ 121,855,057	\$ -	\$ 748,884	\$ 13,935,322	\$ 5,517,796	\$ 21,154,359	\$ (672,681)	\$ 77,887	\$ (2,951,688)	\$ (15,056,530)	\$ -	\$ (401,846)	\$ 144,206,560
Effect of retrospective application	-	-	-	-	-	-	39,264,594	-	-	-	-	-	39,264,594
BALANCE, JANUARY 1, 2019 AS RESTATED	121,855,057	-	748,884	13,935,322	5,517,796	21,154,359	38,591,913	77,887	(2,951,688)	(15,056,530)	-	(401,846)	183,471,154
Appropriation of 2018 earnings													
Legal reserve used to offset accumulated deficits	-	-	-	-	(672,681)	-	672,681	-	-	-	-	-	-
Cash dividends from capital surplus	-	-	-	(2,445,185)	-	-	-	-	-	-	-	-	(2,445,185)
Issuance of shares	3,400,000	750,000	-	2,126,862	-	-	-	-	-	-	-	-	6,276,862
Convertible bonds converted to ordinary shares	748,884	-	(748,884)	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	38,227	-	-	-	-	-	-	-	-	38,227
Net income for the year ended December 31, 2019	-	-	-	-	-	-	19,833,125	-	-	-	-	-	19,833,125
Other comprehensive (loss) income for the year ended December 31, 2019	-	-	-	-	-	-	155,059	(115,900)	12,410,612	17,806,736	90,250	-	30,346,757
Total comprehensive (loss) income for the year ended December 31, 2019	-	-	-	-	-	-	19,988,184	(115,900)	12,410,612	17,806,736	90,250	-	50,179,882
Gain on disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	135,601	-	(135,601)	-	-	-	-
BALANCE, DECEMBER 31, 2019 (RESTATED)	126,003,941	750,000	-	13,655,226	4,845,115	21,154,359	59,388,379	(38,013)	9,323,323	2,750,206	90,250	(401,846)	237,520,940
Special reserve under Rule No. 10310000140 issued by the FSC	-	-	-	-	-	42,541,998	(42,541,998)	-	-	-	-	-	-
Reversal of special reserve under No. 10904917647 issued by the FSC	-	-	-	-	-	(12,000,000)	12,000,000	-	-	-	-	-	-
Life insurance liability recognized under governing the preparation of financial statements by insurance companies	-	-	-	-	-	-	(12,000,000)	-	-	-	-	-	(12,000,000)
Appropriation of 2019 earnings													
Legal reserve appropriated	-	-	-	-	1,685,280	-	(1,685,280)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	18,670	(18,670)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(12,852,497)	12,852,497	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(5,040,158)	-	-	-	-	-	(5,040,158)
Cash dividends of preference share	-	-	-	-	-	-	(33,732)	-	-	-	-	-	(33,732)
Issuance of shares	4,200,000	2,220,000	-	6,805,640	-	-	-	-	-	-	-	-	13,225,640
Share-based payments	-	-	-	64,351	-	-	-	-	-	-	-	-	64,351
Proceeds from sale of treasury shares	-	-	-	-	-	-	(52,398)	-	-	-	-	174,053	121,655
Disposal of company shares by subsidiaries recognize as treasury share transactions	-	-	-	(30,685)	-	-	-	-	-	-	-	112,740	82,055
Overdue dividends unclaimed by subsidiaries	-	-	-	8,075	-	-	-	-	-	-	-	-	8,075
Net income for the year ended December 31, 2020	-	-	-	-	-	-	14,385,587	-	-	-	-	-	14,385,587
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	-	6,163	(159,724)	(11,051,186)	3,973,113	78,606	-	(7,153,028)
Total comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	-	14,391,750	(159,724)	(11,051,186)	3,973,113	78,606	-	7,232,559
Gain on disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(1,629,367)	-	1,629,367	-	-	-	-
Gain on disposal of investments in equity instruments designated as at fair value through other comprehensive income from participating policy transfer in special reserve	-	-	-	-	-	-	(601)	-	-	-	-	-	(601)
BALANCE, DECEMBER 31, 2020	\$ 130,203,941	\$ 2,970,000	\$ -	\$ 20,502,607	\$ 6,530,395	\$ 38,862,530	\$ 35,630,422	\$ (197,737)	\$ (98,496)	\$ 6,723,319	\$ 168,856	\$ (115,053)	\$ 241,180,784

**Shin Kong Financial Holding Co., Ltd.**

**Statements of Cash Flows**  
(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019 (Restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 14,345,753	\$ 19,212,076
Depreciation expenses and amortization expense	21,949	18,798
Loss (gain) on financial assets and liabilities at fair value through profit or loss	(9,501)	(24,361)
Compensation cost of share-based payment	971	249
Gain on disposal of property and equipment	-	(940)
Gain on lease modifications	(1)	-
Share of profit of subsidiaries	(14,934,265)	(19,694,087)
Interest income	(47,420)	(27,585)
Interest expense	166,960	170,459
Net changes in operating assets and liabilities		
Debt investment at amortized cost	(1,003,780)	-
Other assets	1,063,150	1,341,241
Accrued expenses	32,471	38,669
Other payables	(4,602)	109,325
Other liabilities	643	(92)
Cash used in operations	(367,672)	1,143,752
Interests received	47,879	27,888
Dividends received	2,790,000	1,213,000
Interest paid	(105,350)	(105,408)
Income tax (paid) refunded	(217,330)	963,058
	<u>2,147,527</u>	<u>3,242,290</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using equity method	(13,300,000)	(6,300,000)
Proceeds from capital reduction of investments accounted for using equity method	77,479	1,853
Acquisitions of property and equipment	(10,294)	(3,968)
Disposal of property and equipment	-	2,524
Acquisitions of intangible assets	(1,334)	-
	<u>(13,234,149)</u>	<u>(6,299,591)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from sale of treasury shares	121,655	-
Proceeds from issuing bonds	3,000,000	-
Repayments of bonds payable	(3,000,000)	-
Cash dividends paid	(5,073,890)	(2,445,185)
Payments of lease liabilities	(16,183)	(16,138)
Proceeds of issuing shares	13,225,640	6,276,862
	<u>8,257,222</u>	<u>3,815,539</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(2,829,400)	758,238
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>4,878,314</u>	<u>4,120,076</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 2,048,914</u>	<u>\$ 4,878,314</u>

b. Condensed balance sheets and statements of comprehensive income of subsidiaries

1) Condensed balance sheets:

<b>Shin Kong Life Insurance Company</b>									
<b>Condensed Balance Sheets</b>									
<b>(In Thousands of New Taiwan Dollars)</b>									
	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)		December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)		
<u>Assets</u>				<u>Liabilities</u>					
Cash and cash equivalents	\$ 188,001,585	\$ 227,047,839	\$ 56,546,427	Payables	\$ 8,871,397	\$ 9,551,986	\$ 11,778,278		
Accounts receivable	26,426,309	28,068,995	29,205,181	Financial liabilities	26,099,928	24,162,057	27,646,870		
Current tax assets	3,635,946	5,016,969	4,926,442	Lease liabilities	4,779,835	4,781,197	4,520,145		
Assets held for sale	-	-	37,976	Reserves	5,244,198	2,153,191	5,159,324		
Investments	2,936,523,229	2,673,469,761	2,572,254,416	Deferred tax liabilities	10,426,703	11,184,449	9,640,217		
Reinsurance assets	632,441	866,525	1,096,943	Insurance liabilities	2,990,398,281	2,766,318,016	2,541,831,581		
Right-of-use assets	1,882,743	2,027,773	1,956,627	Provisions for insurance contracts with the nature of financial instruments	1,428	103	-		
Property and equipment	21,867,573	20,915,848	19,809,696	Other liabilities	14,597,292	9,694,081	6,098,259		
Intangible assets	432,348	374,234	331,502	Liabilities on insurance products - separate-account	41,925,996	41,833,811	41,300,877		
Deferred tax assets	26,288,011	16,484,200	18,012,951	Total liabilities	<u>3,102,345,058</u>	<u>2,869,678,891</u>	<u>2,647,975,551</u>		
Other assets	14,612,178	12,847,414	13,614,610	<u>Equity</u>					
Assets on insurance products - separate-accounts	<u>41,925,996</u>	<u>41,833,811</u>	<u>41,300,877</u>	Ordinary shares	66,625,234	60,536,582	57,975,606		
				Capital surplus	11,123,890	3,875,900	21,075,224		
				Retained earnings	80,421,971	85,424,200	51,540,786		
				Other equity	1,712,206	9,437,796	(19,473,519)		
				Total equity	<u>159,883,301</u>	<u>159,274,478</u>	<u>111,118,097</u>		
Total	<u>\$ 3,262,228,359</u>	<u>\$ 3,028,953,369</u>	<u>\$ 2,759,093,648</u>	Total	<u>\$ 3,262,228,359</u>	<u>\$ 3,028,953,369</u>	<u>\$ 2,759,093,648</u>		

**Shin Kong Securities Co., Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

	<u>December 31</u>			<u>December 31</u>	
	2020	2019		2020	2019
<u>Assets</u>			<u>Liabilities</u>		
Current assets	\$ -	\$ 77,176	Payment to be distributed	\$ -	\$ 77,298
Other assets	<u>-</u>	<u>122</u>	<u>Equity</u>		
			Ordinary shares	-	-
			Capital surplus	-	-
			Retained earnings	<u>-</u>	<u>-</u>
			Total equity	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 77,298</u>	Total	<u>\$ -</u>	<u>\$ 77,298</u>

Note: On March 12, 2020, the liquidation process of SKSC was completed.

**Taiwan Shin Kong Commercial Bank Co., Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

	December 31			December 31	
	2020	2019		2020	2019
<u>Assets</u>			<u>Liabilities</u>		
Cash and cash equivalents	\$ 16,297,401	\$ 13,828,722	Deposits from Central Bank and other banks	\$ 4,648,555	\$ 8,493,819
Due from Central Bank of China and other banks	51,592,655	51,801,518	Due to Central Bank and other banks	267,740	-
Financial assets at fair value through profit or loss	120,937,897	95,186,626	Financial liabilities at fair value through profit or loss	1,379,543	1,316,824
Financial assets at fair value through other comprehensive income	154,622,717	116,924,827	Notes and bonds issued under repurchase agreements	2,064,788	605,125
Investments in debt instruments at amortized cost	20,404,110	33,379,766	Accounts payable	11,502,593	10,275,528
Accounts receivable	17,978,493	17,324,760	Current tax liabilities	269,493	829,770
Loans, net	644,470,441	597,428,365	Deposits and remittances	910,287,262	815,207,117
Investments accounted for using the equity method	163,181	167,353	Debentures payable	27,500,000	22,500,000
Property and equipment	5,766,680	5,800,197	Miscellaneous financial liabilities	6,084,232	8,737,354
Right-of-use assets	3,280,750	3,720,075	Lease liabilities	3,387,307	3,783,226
Investment properties	729,587	744,998	Other liabilities	<u>3,159,355</u>	<u>2,969,253</u>
Intangible assets	1,553,534	1,537,107	Total liabilities	<u>970,550,868</u>	<u>874,718,016</u>
Deferred tax assets	604,291	573,204			
Other assets	<u>1,844,990</u>	<u>1,422,202</u>	<u>Equity</u>		
			Ordinary shares	46,331,158	44,216,869
			Capital surplus	1,729,092	1,712,366
			Retained earnings	18,584,054	17,876,860
			Other equity	<u>3,051,555</u>	<u>1,315,609</u>
			Total equity	<u>69,695,859</u>	<u>65,121,704</u>
Total	<u>\$ 1,040,246,727</u>	<u>\$ 939,839,720</u>	Total	<u>\$ 1,040,246,727</u>	<u>\$ 939,839,720</u>

Note: TSKCB's investment properties are measured using the cost model. SKFHC measured TSKCB's investment properties using the fair value model when preparing its consolidated financial statements.

**Shin Kong Insurance Brokerage Co., Ltd.**

**Condensed Balance Sheets  
(In Thousands of New Taiwan Dollars)**

	December 31			December 31	
	2020	2019		2020	2019
<u>Assets</u>			<u>Liabilities</u>		
Current assets	\$ -	\$ -	Current liabilities	\$ -	\$ -
Other assets	<u>-</u>	<u>-</u>	<u>Equity</u>		
			Ordinary shares	-	-
			Unappropriated retained earnings	<u>-</u>	<u>-</u>
			Total equity	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>	Total	<u>\$ -</u>	<u>\$ -</u>

Note: On July 24, 2019, the liquidation process of TSKIBC was completed.

**Shin Kong Investment Trust Co., Ltd.**

**Condensed Balance Sheets  
(In Thousands of New Taiwan Dollars)**

	December 31			December 31	
	2020	2019		2020	2019
<u>Assets</u>			<u>Liabilities</u>		
Current assets	\$ 662,599	\$ 635,577	Total liabilities	\$ 125,753	\$ 147,883
Property and equipment	4,450	1,678	<u>Equity</u>		
Right-of-use assets	16,109	47,845	Ordinary shares	400,000	400,000
Intangible assets	12,291	12,697	Capital surplus	123,837	123,316
Other assets	<u>115,045</u>	<u>114,414</u>	Retained earnings	161,905	141,555
			Other equity	<u>(1,001)</u>	<u>(543)</u>
			Total equity	<u>684,741</u>	<u>664,328</u>
Total	<u>\$ 810,494</u>	<u>\$ 812,211</u>	Total	<u>\$ 810,494</u>	<u>\$ 812,211</u>

**MasterLink Securities Co., Ltd.**

**Condensed Balance Sheets  
(In Thousands of New Taiwan Dollars)**

	December 31			December 31	
	2020	2019		2020	2019
<u>Assets</u>			<u>Liabilities</u>		
Current assets	\$ 108,925,413	\$ 86,813,697	Current liabilities	\$ 92,402,783	\$ 71,655,756
Non-current assets	9,819,625	9,783,609	Other liabilities	545,631	515,073
			Total liabilities	92,948,414	72,170,829
			<u>Equity</u>		
			Ordinary shares	16,096,099	16,096,099
			Capital surplus	28,838	42,358
			Retained earnings	7,991,474	7,043,618
			Other equity	1,795,266	1,472,195
			Treasury shares	(115,053)	(227,793)
			Total equity	25,796,624	24,426,477
Total	\$ 118,745,038	\$ 96,597,306	Total	\$ 118,745,038	\$ 96,597,306

Note: MLSC's investment properties are measured using the cost model. SKFHC measured MLSC's investment properties using the fair value model when preparing its consolidated financial statements.

**Shin Kong Venture Capital International Co., Ltd.**

**Condensed Balance Sheets  
(In Thousands of New Taiwan Dollars)**

	December 31			December 31	
	2020	2019		2020	2019
<u>Assets</u>			<u>Liabilities</u>		
Current assets	\$ 242,412	\$ 279,067	Total liabilities	\$ 158,846	\$ 7,512
Investments accounted for using the equity method	790,613	850,550			
Other assets	601,760	374,784	<u>Equity</u>		
			Ordinary shares	1,562,746	1,550,000
			Capital surplus	237	35
			Retained earnings	(37,575)	43,280
			Other equity	(49,469)	(96,426)
			Total equity	1,475,939	1,496,889
Total	\$ 1,634,785	\$ 1,504,401	Total	\$ 1,634,785	\$ 1,504,401

**Shin Kong Property Insurance Agency Co., Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

	December 31			December 31	
	2020	2019		2020	2019
<u>Assets</u>			<u>Liabilities</u>		
Current assets	\$ 154,508	\$ 166,871	Total liabilities	\$ 61,480	\$ 79,450
Property and equipment	347	315			
Intangible assets	83	103	<u>Equity</u>		
Other assets	8,423	5,580	Ordinary shares	10,000	10,000
			Capital surplus	238	40
			Legal reserve	12,355	12,355
			Unappropriated retained earnings	79,288	71,024
			Total equity	101,881	93,419
Total	\$ 163,361	\$ 172,869	Total	\$ 163,361	\$ 172,869

2) Condensed statements of operations of subsidiaries

**Shin Kong Life Insurance Company**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019 (Restated)</b>
Operating revenue	\$ 412,756,380	\$ 437,791,245
Operating costs	(398,055,024)	(412,404,359)
Operating expenses	<u>(14,670,963)</u>	<u>(14,931,159)</u>
Operating income (loss)	30,393	10,455,727
Net non-operating income and expense	<u>173,046</u>	<u>148,922</u>
Income (loss) before income tax	203,439	10,604,649
Income tax (expense) benefit	<u>6,961,085</u>	<u>2,013,675</u>
Net income (loss)	7,164,524	12,618,324
Other comprehensive income (loss)	<u>(7,891,742)</u>	<u>29,213,662</u>
Total comprehensive income (loss)	<u>\$ (727,218)</u>	<u>\$ 41,831,986</u>
Earnings per share		
Basic	<u>\$1.14</u>	<u>\$2.16</u>

**Shin Kong Securities Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Net income	\$ -	\$ -
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ -</u>	<u>\$ -</u>

**Taiwan Shin Kong Commercial Bank Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Net interest income	\$ 11,245,809	\$ 11,719,754
Net income and gains other than interest income	<u>5,608,929</u>	<u>4,791,744</u>
Profit from operations	16,854,738	16,511,498
Provision for bad-debt expenses	(1,164,382)	(1,319,909)
Operating expenses	<u>(9,021,859)</u>	<u>(8,503,376)</u>
Income before income tax	6,668,497	6,688,213
Income tax expense	<u>(731,416)</u>	<u>(1,164,776)</u>
Net income	5,937,081	5,523,437
Other comprehensive income	<u>420,348</u>	<u>554,671</u>
 Total comprehensive income	 <u>\$ 6,357,429</u>	 <u>\$ 6,078,108</u>
 Earnings per share		
Basic	<u>\$1.28</u>	<u>\$1.19</u>

**Shin Kong Insurance Brokerage Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Net income	\$ -	\$ -
Other comprehensive income	<u>-</u>	<u>-</u>
 Total comprehensive loss	 <u>\$ -</u>	 <u>\$ -</u>

**Shin Kong Investment Trust Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating revenue	\$ 311,444	\$ 281,348
Operating expenses	<u>(248,403)</u>	<u>(242,459)</u>
Operating income	63,041	38,889
Non-operating income and expense	<u>907</u>	<u>7,627</u>
Income before tax	63,948	46,516
Income tax benefit (expense)	<u>(13,083)</u>	<u>(2,060)</u>
Net income	50,865	44,456
Other comprehensive loss	<u>(973)</u>	<u>(527)</u>
 Total comprehensive income	 <u>\$ 49,892</u>	 <u>\$ 43,929</u>
 Earnings per share		
Basic	<u>\$1.27</u>	<u>\$1.11</u>

**MasterLink Securities Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue	\$ 6,361,094	\$ 5,427,879
Cost	<u>(4,632,506)</u>	<u>(4,216,967)</u>
Operating income	1,728,588	1,210,912
Other income and losses	<u>388,026</u>	<u>427,868</u>
Net income before tax	2,116,614	1,638,780
Income tax expense	<u>(220,418)</u>	<u>(96,514)</u>
Net income	1,896,196	1,542,266
Other comprehensive loss	<u>274,731</u>	<u>615,574</u>
 Total comprehensive income	 <u>\$ 2,170,927</u>	 <u>\$ 2,157,840</u>
 Earnings per share		
Basic	<u>\$1.19</u>	<u>\$0.97</u>

**Shin Kong Venture Capital International Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue	\$ 41,681	\$ 36,033
Costs	<u>(106,720)</u>	<u>(18,892)</u>
Net income before tax	(65,039)	17,141
Income tax expense	<u>(722)</u>	<u>(2,979)</u>
Net income	(65,761)	14,162
Other comprehensive income (loss)	<u>44,609</u>	<u>(36,621)</u>
Total comprehensive (loss) income	<u>\$ (21,152)</u>	<u>\$ (22,459)</u>
Earnings per share		
Basic	<u>\$(0.42)</u>	<u>\$0.09</u>

**Shin Kong Property Insurance Agency Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating revenue	\$ 389,938	\$ 367,154
Operating costs and expenses	<u>(304,756)</u>	<u>(293,058)</u>
Operating income	85,182	74,096
Non-operating income	<u>155</u>	<u>183</u>
Net income before tax	85,337	74,279
Income tax expense	<u>(17,073)</u>	<u>(15,205)</u>
Net income	68,264	59,074
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 68,264</u>	<u>\$ 59,074</u>
Earnings per share		
Basic	<u>\$68.26</u>	<u>\$59.07</u>

The above condensed (consolidated) balance sheets and statements of comprehensive income of subsidiaries were audited by auditors in accordance with auditing standards generally accepted in the ROC.

- 3) Business or transaction activities, joint business promotion activities, interactive use of information, or sharing of business equipment or premises with various subsidiaries of financial holding companies, and the method of apportioning revenue, costs, expenses, and profits and losses

Please refer to Table 8 for the major business or transactions between SKFH and its subsidiaries.

In order to expand the economic scale and utilize the benefits of the group's resources, SKFH and its subsidiaries will jointly promote the business or share part of the business equipment and premises. Their income and expense allocation methods are directly attributable to the subsidiaries according to the nature of the business, or apportion it to the respective companies in other reasonable ways.

4) Capital adequacy information specified in the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies:

a) SKFHC's group capital adequacy ratio as of December 31, 2020:

**Unit: In Thousands of New Taiwan Dollars; %**

<b>Company</b>	<b>Item</b>	<b>% Owned by SKFHC</b>	<b>Qualified Capital</b>	<b>Statutory Capital</b>
Financial holding company			\$ 241,172,382	\$ 257,954,197
Banking subsidiary		100	94,707,374	58,942,084
Bills finance subsidiary		-	-	-
Security subsidiary		100	19,391,853	8,387,442
Insurance subsidiary		100	160,930,267	151,379,718
Trust subsidiary		-	-	-
Futures subsidiary		-	-	-
Venture capital subsidiary		100	1,475,939	817,393
Others		100	786,622	480,485
Deduction			266,619,889	256,469,931
Total			(A) 251,844,548	(B) 221,491,388
Group capital adequacy ratio (C)=(A)÷(B)				(C) 113.70%

b) SKFHC's eligible capital as of December 31, 2020:

**Unit: In Thousands of New Taiwan Dollars**

<b>Items</b>		<b>Amount</b>
Ordinary shares		\$ 130,203,941
Ordinary shares advance receipt		-
Capital surplus		20,502,607
Legal reserve		6,530,395
Special reserve		38,862,530
Accumulated earnings		35,630,422
Equity adjustments		6,595,942
Preference shares	According to Tier 1 capital rules and quota	2,970,000
	Other preference shares	-
Subordinated debt	According to Tier 1 capital rules and quota	-
	Other subordinated debt	-
Less goodwill and other intangible assets		1,333
Less deferred assets		7,069
Less treasury shares		115,053
Total eligible capital		241,172,382

#### 47. ASSET QUALITY OF TSKCB - NONPERFORMING LOAN AND OVERDUE ACCOUNTS

##### a. Asset quality

Item		December 31, 2020				
		Nonperforming Loans (Note 1)	Total Loan	NPL Ratio (Note 2)	Loan Loss Reserve	Coverage Ratio (Note 3)
Business finance	Secured	\$ 296,622	\$ 154,198,603	0.19%	\$ 1,709,993	576.49%
	Unsecured	237,317	141,476,798	0.17%	1,745,173	735.38%
Consumer finance	Mortgage (Note 4)	118,384	163,315,722	0.07%	2,529,176	2,136.41%
	Cash card	-	637	-	541	-
	Micro credit (Note 5)	135,452	35,993,058	0.38%	772,096	570.01%
	Other (Note 6)	Secured	465,416	156,585,318	0.30%	1,701,656
Unsecured		8,012	1,252,489	0.64%	22,695	283.27%
Loans		1,261,203	652,822,625	0.19%	8,481,330	672.48%

Items		December 31, 2020				
		Overdue Receivable	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card		\$ 9,129	\$ 8,304,430	0.11%	\$ 104,104	1,140.37%
Accounts receivable without recourse (Note 7)		-	1,215,282	-	14,996	-

Item		December 31, 2019				
		Nonperforming Loans (Note 1)	Total Loan	NPL Ratio (Note 2)	Loan Loss Reserve	Coverage Ratio (Note 3)
Business finance	Secured	\$ 258,989	\$ 141,671,964	0.18%	\$ 1,448,470	559.28%
	Unsecured	82,095	134,120,994	0.06%	1,475,597	1,797.42%
Consumer finance	Mortgage (Note)	169,678	145,041,289	0.12%	2,258,573	1,331.09%
	Cash card	-	853	-	670	-
	Micro credit (Note)	146,640	36,141,872	0.41%	761,361	519.20%
	Other (Note)	Secured	516,468	146,727,445	0.35%	1,590,129
Unsecured		16,095	1,169,834	1.38%	33,329	207.08%
Loans		1,189,965	604,874,251	0.20%	7,568,129	636.00%

Items		December 31, 2019				
		Overdue Receivable	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card		\$ 17,329	\$ 8,573,364	0.20%	\$ 96,722	558.15%
Accounts receivable without recourse (Note 7)		-	552,831	-	11,612	-

##### Non-reportable overdue loans and receivable

	December 31, 2020		December 31, 2019	
	Non-reportable NPL Balance	Non-reportable Overdue Receivable Balance	Non-reportable NPL Balance	Non-reportable Overdue Receivable Balance
Non-reportable amount upon performance of debt negotiation program (Note 8)	\$ 6,297	\$ 85,006	\$ 9,206	\$ 103,871
Amount received from performance of debt negotiation program (Note 9)	154,112	228,019	157,828	239,551
Total	160,409	313,025	167,034	343,422

Note 1: The amount recognized as non-performing loans (NPLs) is in compliance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrual Loans”. Non-performing credit loans represent the amounts of non-performing loans reported to the FSC, as required by the FSC in its letter dated July 6, 2005 (Ref. No. 094400378).

Note 2: Nonperforming loan ratio = Nonperforming loans ÷ Outstanding loan balance; Nonperforming credit loan ratio = Nonperforming loans ÷ Accounts receivable balance.

Note 3: Allowance for loans ratio = Allowance for doubtful loans ÷ Overdue loans; Allowance for credit card ratio = Allowance for doubtful credit card ÷ Overdue loans.

- Note 4: Home mortgage refers to financing obtained to buy, build, or fix houses owned by the borrowers' spouse or children, with the house used as loan collateral.
- Note 5: Micro credit is covered by the FSC pronouncement dated December 19, 2005 (Ref No. 09440010950) and is excluded from credit card and cash card loans.
- Note 6: "Others" under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and credit cards.
- Note 7: As required by the FSC in its letter dated July 19, 2005 (Ref No. 094000494), provision for bad debt is recognized once no compensation is made by a factor or insurance company for accounts receivable factored without recourse.
- Note 8: Accounts under "loans not required to be classified as NPL upon performance of a debt negotiation program" and "accounts receivable not required to be classified as overdue receivable upon debt negotiation program" were processed according the FSC pronouncement dated April 25, 2006 (Ref No. 09510001270).
- Note 9: Accounts under "loans not required to be classified as NPL upon performance of a debt discharge program and rehabilitation program" and "accounts receivable not required to be classified as overdue receivable upon debt discharge program and rehabilitation program" were processed according the FSC pronouncement dated September 15, 2008 (Ref No. 09700318940).

b. Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

<b>December 31, 2020</b>			
<b>Ranking (Note 1)</b>	<b>Group Business Name (Note 2)</b>	<b>Amount (Note 3)</b>	<b>Percentage of Net Worth (%)</b>
1	Group A (016700 real estate development activities)	\$ 3,779,319	5.42
2	Group B (016499 other financial service activities not elsewhere classified)	3,718,200	5.33
3	Group C (015232 ocean freight and contract industry)	3,324,963	4.77
4	Group D (012641 LCD panel and its component manufacturing)	3,238,128	4.65
5	Group E (016700 real estate development activities)	3,015,260	4.33
6	Group F (016811 real estate development activities)	2,902,000	4.16
7	Group G (014642 electronics, communication equipment and its components wholesale)	2,719,803	3.90
8	Group H (012711 computer manufacturing)	2,394,672	3.44
9	Group I (016700 real estate development activities)	2,354,179	3.38
10	Group J (016811 real estate activities for sale and rental with own or leased property)	2,288,330	3.28

(In Thousands of New Taiwan Dollars, %)

December 31, 2019			
Ranking (Note 1)	Group Business Name (Note 2)	Amount (Note 3)	Percentage of Net Worth (%)
1	Group A (016700 real estate development activities)	\$ 3,777,458	5.80
2	Group B (016499 other financial service activities not elsewhere classified)	3,616,500	5.55
3	Group I (016700 real estate development activities)	2,770,052	4.25
4	Group F (016811 real estate activities for sale and rental with own or leased property)	2,470,000	3.79
5	Group C (011111 cotton spinning industry)	2,369,303	3.64
6	Group G (016020 television broadcasting)	2,301,837	3.53
7	Group K (013010 automobiles)	2,047,314	3.14
8	Group L (016700 real estate development activities)	1,700,000	2.61
9	Group M (016691 investment consultancy)	1,661,154	2.55
10	Group N (012613 semiconductor packaging and testing industry)	1,650,000	2.53

Note 1: The ranking is arranged in descending order of outstanding loan balance, excluding all the government entities and nation-owned enterprises. If the borrower is a member company of a group then the disclosed amount will be the total granted loan amount of that entire group.

Note 2: According to Article 6 of the “Supplementary Provisions to the Stock Exchange Corporation Criteria for the Review of Securities Listings”, “Group” refers to the entity that has a controlling or subordinate relationship with the counterparty that obtained loans from the bank.

Note 3: Credit balance means the sum of all the loan (including import bill negotiated, discounted export bills negotiated, overdrafts, short-term secured and unsecured loans, marginal receivables, medium-term secured and unsecured loans, long-term secured and unsecured loans and overdue receivables), exchange bills negotiated, accounts receivable factored without recourse, acceptances receivable, and guarantees issued.

c. Interest rate sensitivity information

Analysis of Assets and Liabilities Sensitivity (N.T. Dollars)

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 591,839,895	\$ 32,167,450	\$ 22,081,845	\$ 188,396,394	\$ 834,485,584
Interest-sensitive liabilities	243,947,530	372,351,643	141,637,863	30,027,204	787,964,240
Interest-sensitive gap	347,892,365	(340,184,193)	(119,556,018)	158,369,190	46,521,344
Net equity					69,695,859
Ratio of interest-sensitive assets to liabilities					105.90
Ratio of interest sensitivity gap to net equity					66.75

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 537,752,348	\$ 29,116,883	\$ 12,274,503	\$ 166,690,540	\$ 745,834,274
Interest-sensitive liabilities	242,873,580	303,144,647	139,972,037	27,441,681	713,431,945
Interest-sensitive gap	294,878,768	(274,027,764)	(127,697,534)	139,248,859	32,402,329
Net equity					65,121,704
Ratio of interest-sensitive assets to liabilities					104.54
Ratio of interest sensitivity gap to net equity					49.76

Note 1: The above amounts included only New Taiwan dollar amounts held by the head office and branches of the bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenue or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 3: Interest rate sensitivity 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 (in New Taiwan dollars).

**Analysis of Assets and Liabilities Sensitivity (U.S. Dollars)**

(In Thousands of U.S. Dollars; %)

Item	December 31, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 2,717,467	\$ 316,112	\$ 47,219	\$ 1,253,203	\$ 4,334,001
Interest-sensitive liabilities	3,505,622	401,636	275,402	1,964	4,184,624
Interest-sensitive gap	(788,155)	(85,524)	(228,183)	1,251,239	149,377
Net equity					2,444,782
Ratio of interest-sensitive assets to liabilities					103.57
Ratio of interest sensitivity gap to net equity					6.11

(In Thousands of U.S. Dollars; %)

Item	December 31, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 2,279,411	\$ 218,056	\$ 42,157	\$ 1,159,981	\$ 3,699,605
Interest-sensitive liabilities	2,733,639	481,338	259,266	1,131	3,475,374
Interest-sensitive gap	(454,228)	(263,282)	(217,109)	1,158,850	224,231
Net equity					2,163,081
Ratio of interest-sensitive assets to liabilities					106.45
Ratio of interest sensitivity gap to net equity					10.37

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenue or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 3: Interest rate sensitivity 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 (in U.S. dollars)

d. Profitability

Items	December 31, 2020	December 31, 2019
Return on assets	Before tax	0.67
	After tax	0.61
Return on equity	Before tax	9.89
	After tax	8.86
Profit margin	35.22	33.45

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

Note 2: Return on equity = Income after tax/Average equity.

Note 3: Profit margin = Income after tax/Net income.

Note 4: Income before (after) tax is the income accumulated from the beginning of the year to the end of the period.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (N.T. Dollars)

(In Thousands of New Taiwan Dollars)

	Total	Amount Due to December 31, 2020					
		1-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Main capital inflow on maturity	\$ 919,689,107	\$ 157,008,276	\$ 31,586,729	\$ 66,514,463	\$ 58,096,804	\$ 75,053,812	\$ 531,429,023
Main capital outflow on maturity	1,090,270,464	51,097,055	78,466,960	124,192,850	129,297,177	298,096,311	409,120,111
Gap	(170,581,357)	105,911,221	(46,880,231)	(57,678,387)	(71,200,373)	(223,042,499)	122,308,912

(In Thousands of New Taiwan Dollars)

	Total	Amount Due to December 31, 2019					
		1-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Main capital inflow on maturity	\$ 842,523,225	\$ 139,910,718	\$ 37,043,135	\$ 85,161,616	\$ 59,254,871	\$ 38,205,647	\$ 482,947,238
Main capital outflow on maturity	981,585,398	43,968,748	73,335,601	136,620,627	113,380,286	264,349,077	349,931,059
Gap	(139,062,173)	95,941,970	(36,292,466)	(51,459,011)	(54,125,415)	(226,143,430)	133,016,179

Note: The above amounts included only New Taiwan dollar amounts held by the head office and domestic branches of the bank (i.e., excluding foreign currency).

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

(In Thousands of U.S. Dollars)

	Total	Amount Due to December 31, 2020					More Than 1 Year
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year		
Main capital inflow on maturity	\$ 6,480,256	\$ 1,398,787	\$ 528,949	\$ 771,414	\$ 1,232,859	\$ 2,548,247	
Main capital outflow on maturity	7,813,592	1,153,860	1,554,888	1,551,944	2,272,602	1,280,298	
Gap	(1,333,336)	244,927	(1,025,939)	(780,530)	(1,039,743)	1,267,949	

(In Thousands of U.S. Dollars)

	Total	Amount Due to December 31, 2019					More Than 1 Year
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year		
Main capital inflow on maturity	\$ 5,714,816	\$ 1,028,648	\$ 1,256,578	\$ 673,531	\$ 278,152	\$ 2,477,907	
Main capital outflow on maturity	7,211,288	1,283,344	2,173,533	1,437,721	1,185,314	1,131,376	
Gap	(1,496,472)	(254,696)	(916,955)	(764,190)	(907,162)	1,346,531	

Note 1: The above amounts included only U.S. dollars amounts held by the head office, domestic branches, OBU and overseas branches of the bank and accounted on book value.

Note 2: The overseas assets to total assets more than 10% will be reported as supplementary disclosure.

**48. THE PROFITABILITY OF THE COMPANY, THE GROUP AND THE INVESTEES**

**Unit: %**

<b>For the Year Ended December 31, 2020</b>	<b>Return on Assets</b>		<b>Return on Equity</b>		<b>Net Income Ratio</b>
	<b>Before Tax</b>	<b>After Tax</b>	<b>Before Tax</b>	<b>After Tax</b>	
The Group	0.20	0.34	3.54	6.03	5.39
The Company	5.54	5.55	5.99	6.01	97.35
SKLIC	0.01	0.23	0.13	4.49	2.91
TSKCB	0.67	0.60	9.89	8.81	35.22
MLSC	1.97	1.76	8.43	7.55	30.82

**Unit: %**

<b>For the Year Ended December 31, 2019</b>	<b>Return on Assets</b>		<b>Return on Equity</b>		<b>Net Income Ratio</b>
	<b>Before Tax</b>	<b>After Tax</b>	<b>Before Tax</b>	<b>After Tax</b>	
The Group	0.48	0.51	8.83	9.44	7.13
The Company	8.35	8.62	9.13	9.42	101.25
SKLIC	0.37	0.44	7.84	9.33	4.86
TSKCB	0.74	0.61	10.73	8.86	33.45
MLSC	1.75	1.64	6.93	6.52	30.24

Note: Net income ratio = Net income/Net revenue

#### 49. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY DENOMINATED FINANCIAL ASSETS AND LIABILITIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and the respective functional currencies were as follows:

	<b>December 31, 2020</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 68,003,463	28.5080	\$ 1,938,642,737
AUD	4,715,799	21.9740	103,624,960
CNH	20,805,390	4.3813	91,154,656
CNY	3,749,843	4.3637	16,363,188
HKD	3,015,618	3.6775	11,089,935
ZAR	2,582,993	1.9509	5,039,161
EUR	63,863	35.0563	2,238,798
JPY	6,091,311	0.2765	1,684,247
Non-monetary items			
USD	2,670,919	28.5080	76,142,551
CNH	870,993	4.3813	3,816,082
EUR	85,867	35.0563	3,010,182
HKD	615,847	3.6775	2,264,776
JPY	3,531,073	0.2765	976,342
CNY	180,834	4.3637	789,104
ZAR	89,723	1.9509	175,041
AUD	3,028	21.9740	66,542
Equity investments			
CNY	42,654	4.3637	186,127
<u>Financial liabilities</u>			
Monetary items			
USD	4,535,228	28.5080	129,290,275
HKD	2,487,622	3.6775	9,148,230
CNH	1,950,905	4.3813	8,547,500
AUD	223,569	21.9740	4,912,705
ZAR	1,353,913	1.9509	2,641,349
EUR	63,325	35.0563	2,219,940
JPY	6,465,073	0.2765	1,787,593
CNY	169,303	4.3637	738,788
Non-monetary items			
USD	279,189	28.5080	7,759,120
CNH	346,216	4.3813	1,516,876
HKD	117,874	3.6775	433,482
ZAR	89,746	1.9509	175,085

**December 31, 2019**

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 62,112,097	30.1060	\$ 1,869,946,790
AUD	4,157,595	21.1013	87,730,649
CNH	15,672,524	4.3231	67,753,891
CNY	5,130,797	4.3219	22,174,791
HKD	1,452,984	3.8661	5,617,381
ZAR	2,234,027	2.1381	4,776,573
EUR	95,508	33.7488	3,223,266
JPY	6,989,267	0.2771	1,936,726
Non-monetary items			
USD	2,500,499	30.1060	75,280,010
EUR	91,451	33.7488	3,086,372
HKD	737,388	3.8661	2,850,815
CNY	583,457	4.3219	2,521,643
JPY	2,278,280	0.2771	631,311
ZAR	140,819	2.1381	301,085
AUD	13,722	21.1013	289,550
CHF	9,004	31.0563	279,630
<u>Financial liabilities</u>			
Equity investments			
CNY	87,466	4.3219	378,021
Monetary items			
USD	3,898,284	30.1060	117,361,723
CNY	1,594,388	4.3219	6,890,785
AUD	254,004	21.1013	5,359,815
HKD	1,331,266	3.8661	5,146,807
ZAR	1,181,109	2.1381	2,525,329
EUR	65,902	33.7488	2,224,113
JPY	7,000,363	0.2771	1,939,801
CAD	17,668	23.0768	407,753
Non-monetary items			
USD	67,466	30.1060	2,031,127
CNY	244,330	4.3219	1,055,970
EUR	27,000	33.7488	911,218
ZAR	140,869	2.1381	301,192

## 50. OTHERS

### a. SKLIC's hedging strategies and exposure situation:

#### 1) Simulation scenario and countermeasures in the event of significant fluctuations in the foreign exchange market

When special or significant events happen to the macroeconomic environment such as the September 11 terrorist attack in the U.S., the September 21 earthquake in Taiwan, the United Kingdom leaving the European Union, COVID-19 or the exchange rate of the N.T. dollar against the U.S. dollar fluctuates over a pre-determined level, an emergency meeting will be held to discuss corresponding measures.

#### 2) Foreign exchange hedging strategy

SKLIC mainly uses traditional hedging instruments. The investment department evaluates various factors such as market liquidity, hedging cost, and investing environment, then chooses the hedging instruments with the optimal long-term cost efficiency, and executes foreign exchange hedges according to approved intervals and targets.

#### 3) SKLIC's control mechanism of foreign exchange risk

##### a) Control of hedging ratio on foreign exchange

The risk management department periodically monitors whether the hedging ratio on foreign exchange satisfies the standards.

##### b) Control of value-at-risk of foreign exchange exposure

The risk management department calculates value-at-risk of foreign exchange exposure every week, and evaluates the market risk of foreign exchange exposure to forecast the possible losses from foreign exchange exposure due to changes in foreign exchange rates in certain periods and confidence intervals. When value-at-risk of foreign exchange exposure exceeds the limit, the Risk management department will issue warning notice or hold emergency meetings to discuss corresponding measures.

##### c) Control of foreign exchange gains or losses

The risk management department monitors foreign exchange gains or losses of the foreign investment position every day. When losses exceed a certain level, the risk management department will issue warning notice or hold emergency meetings to discuss corresponding measures.

##### d) Control of reserve for changes in foreign exchange valuation

SKLIC takes the ratio of the monthly ending balance of reserve for changes in foreign exchange valuation to the cumulative balance at the end of the previous year or the ratio of the monthly ending balance of reserve for changes in foreign exchange valuation to the average value of the year-end cumulative balance for each year from 2012 to the previous year as the warning criteria, whichever is higher. When the warning criteria falls below a certain ratio, the risk management department will issue a warning notice or hold emergency meetings to discuss the corresponding measures.

e) Foreign exchange hedging instruments

SKLIC mainly uses traditional hedging instruments. The investment department evaluates various factors such as market liquidity, hedging cost, and investing environment and chooses the hedging instruments with the optimal long-term cost efficiency.

b. Movements in reserve for changes in foreign exchange valuation:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 2,078,314	\$ 4,734,258
Provision		
Compulsory provision	3,428,169	3,756,882
Additional provision	<u>8,425,782</u>	<u>6,818,474</u>
	11,853,951	10,575,356
Reversal	<u>(8,772,038)</u>	<u>(13,231,300)</u>
Balance at December 31	<u>\$ 5,160,227</u>	<u>\$ 2,078,314</u>

c. Effect of reserve for changes in foreign exchange valuation:

For the year ended December 31, 2020

Affected Accounts	Amounts If Not Applied	Amounts If Applied	Effects
Profit attributable to owner of the Company	\$ 16,851,117	\$ 14,385,587	\$ (2,465,530)
Earnings per share	1.31	1.12	(0.19)
Reserve for changes in foreign exchange valuation	-	5,160,227	5,160,227
Equity attributable to owner of the Company	242,416,968	241,180,784	(1,236,184)

For the year ended December 31, 2019 (restated)

Affected Accounts	Amounts If Not Applied	Amounts If Applied	Effects
Profit attributable to owner of the Company	\$ 17,708,370	\$ 19,833,125	\$ 2,124,755
Earnings per share	1.44	1.61	0.17
Reserve for changes in foreign exchange valuation	-	2,078,314	2,078,314
Equity attributable to owner of the Company	236,291,594	237,520,940	1,229,346

Profit if not applied with reserve for change in foreign exchange valuation: Profit if applied with reserve for changes in foreign exchange valuation  $\pm$  (Net changes in reserve for changes in foreign exchange valuation)  $\times$  80%, for the years ended December 31, 2020 and 2019.

d. Since the global pandemic of COVID-19 in January 2020 has caused major uncertainties in the future economic and financial development, the Group has strengthened risk management, stress testing, enhanced post-loan management and continuous tracking of various financial risk information. Assessing that the outbreak of COVID-19 has not had a significant impact on the Group's ability to continue operations, asset impairment, and financing risks.

## 51. SUPPLEMENTAL DISCLOSURES

### a. Information about significant transactions:

<b>Code</b>	<b>Description</b>	<b>Explanation</b>
1	Accumulated purchases and sales balance of specific investee's marketable securities over \$300 million or 10% of the paid-in capital	None
2	Acquisition or disposal of individual real estate at prices over \$300 million or 10% of the paid-in capital	None
3	Discount on processing fee the transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	None
5	Disposal of nonperforming loans by subsidiaries	None
6	Related information of financial assets securitization or real estate securitization by subsidiaries	None
7	Other significant transactions which may affect the decisions of users of the financial statements	None

### b. Information of investees

<b>Code</b>	<b>Description</b>	<b>Explanation</b>
1	Information regarding investee companies and percentage of ownership	Table 4
2	Acquisition and disposal of real estate at prices over \$300 million or 10% of the paid-in capital	Tables 1 and 2
3	Discount on processing fee for transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	None
5	Disposal of nonperforming loans by investees	None
6	Related information of financial assets securitization or real estate securitization by investees	None
7	Other significant transactions which may affect the decisions of users of the financial statements	None
8	Financing provided to others	Note
9	Endorsements/guarantees provided	Table 3
10	Marketable securities held as of December 31, 2020	Table 5 and Note
11	Marketable securities acquired or disposed of at costs or prices over \$300 million or 10% of the paid-in capital	None
12	Derivative transactions	Notes 8 and 52

Note: Disclosure requirement is not applicable to SKLIC, TSKCB and MLSC.

c. Investments in mainland China

Code	Description	Explanation
1	Name of companies, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in investee in the mainland China area.	Table 7
2	Significant transaction elements like price, disbursement condition and unrealizable income generated directly or indirectly through a third area, by investee in mainland China.	None
3	Notes, endorsements and collateral provided directly or indirectly through an investee in a third area in mainland China.	None
4	Capital financing directly or indirectly through an investee in a third area in mainland China.	None
5	Other significant transactions which may affect the decisions of users of the financial statements	None

- d. The important intercompany transactions among the Group are disclosed in Table 8 following the Notes to Consolidated Financial Statements.
- e. For the names, number of shares held and shareholding proportions of shareholders with a stake of 5% or greater in the Company, refer to Table 9.

## 52. FINANCIAL INSTRUMENTS

### Fair Value of Financial Instruments

- a. Fair value of financial instruments not measured at fair value

Except as detailed in the following table, the financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

Fair value hierarchy presented above were as below:

December 31, 2020

	Carrying Amount	Fair Values			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 1,886,318,420	\$ 301,246,943	\$ 999,722,275	\$ 788,982,910	\$ 2,089,952,128
Refundable deposits	21,245,216	-	22,690,738	-	22,690,738
<u>Financial liabilities</u>					
Deposits received	16,067,877	-	16,038,556	-	16,038,556

December 31, 2019

	Carrying Amount	Fair Values			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 1,802,686,194	\$ 230,597,160	\$ 964,138,018	\$ 759,102,342	\$ 1,953,837,520
Refundable deposits	18,993,464	-	20,612,151	-	20,612,151
<u>Financial liabilities</u>					
Deposits received	9,110,731	-	9,093,138	-	9,093,138

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with the income approach based on a discounted cash flow analysis, with the most significant unobservable input being the discount rate that reflects the credit risk of counterparties.

b. Fair value of financial instruments that are measured at fair value.

1) Fair value hierarchy

Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivatives</u>				
Assets				
Financial assets at FVTPL				
Share investments	\$ 74,432,428	\$ 74,188,173	\$ -	\$ 244,255
Debt investments	78,225,377	24,658,171	42,551,738	11,015,468
Others	414,019,916	400,270,631	13,749,285	-
Financial assets at FVTOCI				
Share investments	171,010,111	161,902,206	2,197,562	6,910,343
Debt investments	297,360,929	50,153,598	247,207,331	-
Others	63,635	63,635	-	-
Liabilities				
Financial liabilities at FVTPL				
Others	1,182,323	1,182,323	-	-
<u>Derivatives</u>				
Assets				
Financial assets at FVTPL	21,430,931	40,147	21,390,784	-
Liabilities				
Financial liabilities at FVTPL	8,395,782	654,075	7,741,707	-

Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Non-derivatives</u>				
Assets				
Financial assets at FVTPL				
Share investments	\$ 74,304,583	\$ 73,980,165	\$ -	\$ 324,418
Debt investments	84,657,303	37,552,832	46,285,683	818,788
Others	301,218,869	291,100,529	10,118,340	-
Financial assets at FVTOCI				
Share investments	213,103,195	205,278,932	2,285,389	5,538,874
Debt investments	135,966,335	41,714,740	94,251,595	-
Liabilities				
Financial liabilities at FVTPL				
Others	572,120	572,120	-	-
<u>Derivatives</u>				
Assets				
Financial assets at FVTPL	16,140,390	39,115	16,101,275	-
Liabilities				
Financial liabilities at FVTPL	4,931,517	361,593	4,569,924	-

As of December 31, 2020 and 2019, the non-derivative financial instruments held in open quotations with no active market and self-assessed fair value using an evaluation model, classified as Level 2 and Level 3 belonging to SKLIC amounted to \$48,228,798 thousand and \$36,237,025 thousand.

The transfers between Levels 1 and 2 were as follows:

December 31, 2020

Item	Products	The Amount Transferred from Levels 1 to 2	The Amount Transferred from Levels 2 to 1
Financial assets at FVTPL	Government bonds	\$ 800,000	\$ 1,399,600
	Corporate bonds	<u>8,150,000</u>	<u>25,350,000</u>
		<u>\$ 8,950,000</u>	<u>\$ 26,749,600</u>

December 31, 2019

Item	Products	The Amount Transferred from Levels 1 to 2	The Amount Transferred from Levels 2 to 1
Financial assets at FVTPL	Government bonds	\$ 49,600	\$ 1,500,000
	Corporate bonds	13,888,668	20,516,019
	Beneficiary certificates	<u>14,260</u>	<u>-</u>
		<u>\$ 13,952,528</u>	<u>\$ 22,016,019</u>

The central government bonds, corporate bonds, and beneficiary certificates, which are held by the Group, are not debt securities and beneficiary certificates in the active market; thus, the amount of those assets were transferred from Level 1 to Level 2. Resulting from increasing liquidity of the corporate bonds market, the amount of the assets from Level 2 were transferred to Level 1.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

Item	January 1, 2020	Evaluation Profit or Loss		Increase in Current Year		Decrease in Current Year		December 31, 2020
		Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Purchase or Issuance	Transferred to Level 3	Sale, Disposal or Settlement	Transferred from Level 3	
<u>Non-derivatives</u>								
Financial assets at fair value through profit or loss	\$ 1,143,206	\$ 2,352,711	\$ -	\$ 2,565	\$ 7,839,700	\$ (70,959)	\$ (7,500)	\$ 11,259,723
Financial assets at fair value through other comprehensive income	5,538,874	-	367,979	1,250,652	-	(217,162)	(30,000)	6,910,343
Total	\$ 6,682,080	\$ 2,352,711	\$ 367,979	\$ 1,253,217	\$ 7,839,700	\$ (288,121)	\$ (37,500)	\$ 18,170,066

For the year ended December 31, 2019

Item	January 1, 2019	Evaluation Profit or Loss		Increase in Current Year		Decrease in Current Year		December 31, 2019
		Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Purchase or Issuance	Transferred to Level 3	Sale, Disposal or Settlement	Transferred from Level 3	
<u>Non-derivatives</u>								
Financial assets at fair value through profit or loss	\$ 1,155,829	\$ 10,929	\$ -	\$ 2,185	\$ 35,482	\$ (61,219)	\$ -	\$ 1,143,206
Financial assets at fair value through other comprehensive income	4,815,753	-	887,990	40,000	9,995	(214,864)	-	5,538,874
Total	\$ 5,971,582	\$ 10,929	\$ 887,990	\$ 42,185	\$ 45,477	\$ (276,083)	\$ -	\$ 6,682,080

In order to ensure that the valuation techniques can truly reflect the current market conditions, the Group changed the valuation method used in calculating the fair values of international callable financial debentures at fair value through profit and loss to be based on the Yield book system in the first quarter of 2020. Therefore, the debentures were transferred from level 1 to Level 3, and the total amount transferred is \$7,839,700 thousand.

The total gains or losses for the year ended December 31, 2020 included an unrealized gain on financial assets at FVTPL of \$2,352,711 thousand which was measured at fair value based on Level 3 fair value measurement at the end of the reporting period.

The total gains or losses for the year ended December 31, 2019 included an unrealized gain on financial assets at FVTPL of \$10,929 thousand which was measured at fair value based on Level 3 fair value measurement at the end of the reporting period.

3) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

<b>Financial Instruments</b>	<b>Valuation Techniques and Inputs</b>
Non-derivatives	
Domestic and foreign debt securities	Discounted cash flow: Future cash flows are discounted based on credit spread and market interest rate.
Bond investments	Market evaluation. Market quotes provided and notional amount of the contract by Bloomberg are used as bond evaluations.
Foreign listed shares	Market quotes from providers such as Bloomberg.
Negotiable time deposits	Discounted cash flow. Future cash flows are estimated based on contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Foreign bonds payable and structured notes	Counterparty evaluation. According to the Yield Book, Bloomberg evaluation or other valuation methods that are consistent with academic and market practice.
Domestic and foreign beneficiary certificates	Quoted price in non-active market.
Derivatives	
Options contracts	Model evaluation. The execution price, the maturity date and the market volatility, interest rate and exchange rate set by the contract are used as evaluation parameters. The model with closed solution is then used for evaluation.
Foreign exchange swap contracts and foreign exchange forward contracts	Evaluation of forward exchange at market price: Forward exchange is evaluated and calculated in accordance with notional amounts, contract forward rate and market forward rate. Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, repricing rate, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swap contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Asset swap contracts	Convertible corporate bond closing price on the day minus bond value. The pure bond value is discounted by the cash flow provided by the convertible corporate bonds in accordance with Taiwan Bills Index Rate (TAIBIR).
Cross-currency forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, repricing rate, discounted at a rate that reflects the credit risk of various counterparties.
Equity exchange contract	Counterparty evaluation. According to the Yield Book, Bloomberg evaluation or other valuation methods that are consistent with academic and market practice.
Credit-linked lending	Combined with cross-currency forward (CCS+) bonds. Discounted cash flow. Discounted future cash flows estimated based on repricing rate and exchange rate. The discount rate considered risk premium of counterparty.

4) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

SKLIC and its subsidiaries

The theoretical value of unlisted shares, MBS and International Callable Financial Debentures are calculated using the market multiple approach (price-book ratio, price-equity ratio, etc.), equity adjustment approach, yield book system and the discounted cash flow approach which are based on the attributes of the assets and conform to theory and market practices. The sources of the valuation information are from an independent system and the financial statements. The sources of information are updated and evaluated to ensure that the valuation is reasonable.

The significant unobservable inputs for Level 3 valuation adopted by SKLIC and its subsidiaries included the net income growth rate, the cost of equity capital, the discount for a lack of marketability and the price-book ratio.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Net income growth rate	1.48%-9.06%	1.21%-2.80%
Cost of equity capital	3.82%	4.98%
Price-book ratio	0.75-2.76	0.41-2.70
Discount for lack of marketability	20%-30%	20%-30%
Discount for minority interest	20%-35%	35%
Price-sales revenue ratio	1.03-3.39	0.22-2.88
Price-EBIT ratio	15.49	17.47
Price-EBITDA ratio	9.97-28.42	6.42-24.13
Price-earnings ratio	11.20-15.59	14.47-17.81
Option adjusted spread	0-32bps	0-6bps

In order to reflect the influence of significant unobservable inputs, assuming all other variables were held constant, the market value would increase (decrease) as follows:

December 31, 2020

<b>Risk Factors</b>	<b>Difference (+/-)</b>	<b>Effective Value</b>
Net income growth rate	-10%	\$ (69,778)
Cost of equity capital	+10%	(138,047)
Price-book ratio	-10%	(15,054)
Discount for lack of marketability	+10%	(155,957)
Discount for minority interest	+10%	(9,587)
Price-sales revenue ratio	-10%	(21,670)
Price-EBIT ratio	-10%	(2,754)
Price-EBITDA ratio	-10%	(6,100)
Price-earnings ratio	-10%	(6,844)
Option adjusted spread	+50bps	(406,547)

December 31, 2019

<b>Risk Factors</b>	<b>Difference (+/-)</b>	<b>Effective Value</b>
Net income growth rate	-10%	\$ (63,797)
Cost of equity capital	+10%	(130,539)
Price-book ratio	-10%	(12,145)
Discount for lack of marketability	+10%	(109,299)
Discount for minority interest	+10%	(16,372)
Price-sales revenue ratio	-10%	(20,717)
Price-EBIT ratio	-10%	(5,427)
Price-EBITDA ratio	-10%	(8,907)
Price-earnings ratio	-10%	(8,245)
Option adjusted spread	+50bps	(23,255)

TSKCB and its subsidiaries

- a) Valuation techniques and inputs applied for Level 3 fair value measurement

<b>Financial Instruments</b>	<b>Valuation Techniques and Inputs</b>
Unlisted equity securities - ROC	<p>Net assets. Based on the Company's net worth as the fair value.</p> <p>Market multiple. Considering the comparable transaction price of the shares in the active market, the corresponding net value multiplier and the liquidity discount ratio 30% is used to evaluate the fair value.</p>

- b) Sensitivity analysis of fair value hierarchy classified as Level 3 fair value measurement

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different results. For financial instruments classified as Level 3, if the liquidity discount ratio changes by 10%, the effects on profit or loss or other comprehensive income for the current period are as follows:

	<b>Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period</b>	
	<b>Favorable Changes</b>	<b>Adverse Changes</b>
<b>December 31, 2020</b>		
Fair value through other comprehensive income		
Share investments	\$ 26,863	\$ (26,863)
<b>December 31, 2019</b>	<b>Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period</b>	
	<b>Favorable Changes</b>	<b>Adverse Changes</b>
Fair value through other comprehensive income		
Share investments	\$ 18,478	\$ (18,478)

The favorable and unfavorable changes of the Group refer to the fluctuation of fair value, and the fair value refers to the calculation of the technical calculation based on the unobservable input parameters of different degrees. If the fair value of a financial instrument is affected by more than one input parameter, the above table only reflects the impact of changes in a single input parameter, and does not take into account the correlation and variability between input parameters.

### MLSC and its subsidiaries

#### a) Valuation techniques and inputs applied for Level 3 fair value measurement

The major unobservable inputs applied for fair value measurement of the assets at fair value on a recurring basis classified as Level 3 held by MLSC and its subsidiaries were as follows:

December 31, 2020	Valuation Techniques	Major Unobservable Inputs	Quantitative Indicators	Relationship Between Inputs and Fair Value	Relationship Between Inputs and Value of Sensitivity Analysis Related to Fair Value
<u>Financial assets</u>					
Equity instruments in financial assets at FVTPL Share investments	Market approach	Lack of liquidity reduction	30%	The higher the reduction, the lower the fair value	When the percentage of reduction increases/decreases 1%, the profit of loss of the Group would decrease/increase \$711 thousand.
Financial assets at FVOCI Share investments	Market approach/ net adjustment approach	Lack of liquidity reduction	30%	The higher the reduction, the lower the fair value	When the percentage of reduction increases/decreases 1%, the profit of loss of the Group would decrease/increase \$35,780 thousand.
		Minority interest reduction	20%		

December 31, 2019	Valuation Techniques	Major Unobservable Inputs	Quantitative Indicators	Relationship Between Inputs and Fair Value	Relationship Between Inputs and Value of Sensitivity Analysis Related to Fair Value
<u>Financial assets</u>					
Equity instruments in financial assets at FVTPL Share investments	Market approach	Lack of liquidity reduction	30%	The higher the reduction, the lower the fair value	When the percentage of reduction increases/decreases 1%, the profit of loss of the Group would decrease/increase \$989 thousand.
Financial assets at FVOCI Share investments	Market approach/ net adjustment approach	Lack of liquidity reduction	30%	The higher the reduction, the lower the fair value	When the percentage of reduction increases/decreases 1%, the profit of loss of the Group would decrease/increase \$32,241 thousand.
		Minority interest reduction	20%		

b) Valuation procedures for Level 3 fair value measurement

The risk management office is responsible for verification of the fair value with independent sources of information to ensure that the valuation results would be similar to the market, to ensure the sources of information would be independent, reliable, consistent with other resources and representable for the executable price, and to confirm the reasonableness of the valuation results by analyzing changes in assets and liabilities which should be remeasured or reevaluated in accordance with MLSC's accounting policies on every financial statement reporting date.

SKVIC

Valuation techniques and inputs applied for Level 3 fair value measurement.

<u>Financial Instrument</u>	<u>Valuation Techniques and Inputs</u>
Unlisted equity securities	Net asset approach. Fair value is based on the Company's net worth.  Discounted cash flow approach. Based on observable cash dividends and parameters in the market, they are discounted using the discounted cash flow approach and the relevant parameters are considered during valuation.  Market multiple approach. Considering the comparable transaction price of the share in the active market, the corresponding net value multiplier and the liquidity discount ratio is used to evaluate the fair value.

Because there is no public quotation in the active market, the measurement of SKVIC's equity instrument investment classified as Level 3 fair value measurement refers to the valuations widely used by market participants, the net asset value of the investment target and the quotation of the counterparty. Because it is difficult to fully know the relationship between the significant unobservable input value and the fair value, the quantitative information is not disclosed.

SKVIC considers the characteristics of investment targets and market price information, and the valuation method was the net adjustment approach and the market approach. The valuation is adjusted after considering discount for lack of marketability and discount for minority interest to reflect the operating characteristics of the investment target and the true value of the equity.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Fair value through profit or loss	\$ 588,108,652	\$ 476,321,145
Financial assets at fair value through other comprehensive income		
Equity instruments	171,073,746	213,103,195
Debt instruments	297,360,929	135,966,335
Loans and receivables		
Cash and cash equivalents	127,052,114	201,897,933
Due from Central Bank and other bank	51,592,655	51,801,518
Financial assets at amortized cost	1,886,318,420	1,802,686,194
Bond issued under repurchase agreement	22,546,037	10,736,713
Loans	793,218,918	754,966,218
Accounts receivable	89,644,281	72,698,862
Miscellaneous financial assets	7,510,988	6,484,770
Refundable deposits	<u>21,245,216</u>	<u>18,993,464</u>
	<u>2,999,128,629</u>	<u>2,920,265,672</u>
<u>Financial liabilities</u>		
Fair value through profit or loss	9,578,105	5,503,637
Amortized cost		
Commercial papers issued, net	2,399,935	-
Due from Central Bank and other bank	4,648,555	8,493,819
Bond issued under repurchase agreement	39,285,610	40,823,365
Bonds payable	65,828,072	60,762,248
Other loans	3,332,033	1,176,770
Accrued expense	8,072,389	7,823,258
Other payable	41,939,498	28,112,050
Deposits and remittances	839,810,153	772,279,330
Deposits received	<u>16,067,877</u>	<u>9,110,731</u>
	<u>1,021,384,122</u>	<u>928,581,571</u>

d. Financial risk management objectives and policies

1) SKFHC's risk management

- Market risk

The Group formulated the "Risk Management Policy" as the highest guiding principle for the risk management of the Group and its subsidiaries. The Group's main sources of risk can be summarized into categories such as credit risk, market risk, operational risk, liquidity risk, concentration of risk, and capital adequacy. The risk management department of each subsidiary that is based on its laws and regulations or business attributes formulates various risk management standards in accordance with the risk management policy set by the Group, and regularly compiles and reports monitoring indicators, and then indeed implements early warning and stop-loss mechanisms.

The Group established the position of chief risk-management officer to execute the Group's risk management policy and integrate the Group's risk management resources to increase the efficiency. The chief risk-management officer prepares a management report to the board of directors periodically to enable them to understand the Group's circumstances of risk management.

To execute risk management, the Group established risk-management committee, as well as convened meetings quarterly to understand the overall report of its subsidiaries and the modified acts and related current news made by the risk-management department. The committee makes its consensus and policy for the risk exposure of subsidiaries, and the risk-management department will transact it.

The risk-management department of the Company is in charge of the Group's risk control and executes varied risk management mechanism in accordance with the regulations. Risk-management department is also the executive organization to implement the risk-management committee's consensus and policy.

The Group firmly believes that the key factor of building risk-management culture and popularizing risk-management system is from the support of administrators. Therefore, the risk-management committee is composed of high-level managers of subsidiaries to make the risk exposures known by the administrators.

## 2) Financial risk management objectives and policies of SKLIC

SKLIC's major financial instruments include equity and debt investments, derivatives, accounts receivable, accounts payable and bonds payable. SKLIC's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the SKLIC through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

SKLIC sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by SKLIC's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk and the use of financial derivatives.

The corporate treasury function reports quarterly to SKLIC's risk management committee which subordinated to the board of directors an independent body that monitors risks and policies implemented to mitigate risk exposures.

### a) Market risk

SKLIC's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (iii) below), interest rates (see (iv) below) and price fluctuations (see (v) below). SKLIC entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk, interest rate risk and risk of price fluctuation, including:

- Forward foreign exchange contracts and interest rate swap to hedge the exchange rate risk arising on foreign currency assets and liabilities; and
- Index futures and options to mitigate the price fluctuation of equity securities

There had been no change to SKLIC's exposure to market risks or the manner in which these risks were managed and measured.

Market risk exposures were measured using value-at-risk (VaR) and stress test and were supplemented by sensitivity analysis.

i. Value at Risk (VaR) analysis

The VaR measures estimate the potential loss resulted market risks on investment portfolio in over a given holding period for a specified confidence level. SKLIC adopts two-week 99% VaR number as measures indicators.

ii. Stress test

Besides the module of VaR, SKLIC and its subsidiaries adopted stress test periodically to measure potential risk of an extremely extraordinary event.

The investment positions were measured using stress test by simple sensitivity analysis and scenario analysis. This test covered position losses caused by changes in risk factors in various historical scenarios.

Simple sensitivity

Simple sensitivity is a method to measure the changes in value of investment portfolio resulted from changes in specific risk factors.

Scenario analysis

Scenario analysis is a method to measure the changes in value of an investment portfolio in a stressful event, of which two methods are as follows:

- Historical scenario

Select a prior period of a historical event, take the fluctuations of risk factors into consideration and calculate the losses of the investment portfolio occurred for the event.

- Hypothetical scenario

Set assumptions for possible extreme market variations in the future based on reasonable expectation, take the fluctuations in risk factors into consideration and calculate the losses of the investment portfolio occurred for the event.

The corporate treasury function regularly reports historical scenario and hypothetical scenario to SKLIC's risk management committee as the basis of risk analysis, risk early - warning system and operation management.

**Stress Test Table  
For the Year Ended December 31, 2020**

(In Thousands of New Taiwan Dollars)

<b>Risk Factors</b>	<b>Exchange Difference (+/-)</b>	<b>Effective Value</b>
Equity risk (share index)	-10%	\$ (22,762,176)
Interest risk (yield curve)	+20bps	5,787,445
Foreign currency risk (foreign exchange)	N.T. dollar devalued \$1 against U.S. dollar	(17,478,059)
Commodity risk (commodity price)	-10%	-

Note: Equity risk is tested using stocks and funds (excluding currency and bond funds)

**Stress Test Table  
For the Year Ended December 31, 2019**

(In Thousands of New Taiwan Dollars)

<b>Risk Factors</b>	<b>Exchange Difference (+/-)</b>	<b>Effective Value</b>
Equity risk (share index)	-10%	\$ (24,852,205)
Interest risk (yield curve)	+20bps	(1,920,018)
Foreign currency risk (foreign exchange)	N.T. dollar devalued \$1 against U.S. dollar	(17,959,671)
Commodity risk (commodity price)	-10%	-

Note: Equity risk is tested using shares and funds (excluding currency and bond funds)

iii. Foreign currency risk

SKLIC and its subsidiaries managed exchange rate exposures to the extent policy approved by forward foreign exchange contracts and foreign exchange swap contracts.

The carrying amounts of SKLIC and its subsidiaries' foreign currency denominated monetary assets and monetary liabilities as well as non-monetary assets and liabilities at the end of the reporting period were as follows:

December 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>N.T. Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 63,488,570	28.5080	\$ 1,809,932,168
AUD	4,448,348	21.9740	97,747,843
CNH	18,819,931	4.3813	82,456,330
CNY	3,625,011	4.3637	15,818,430
KRW	22,695,217	0.0262	595,595
BRL	93,391	5.4886	512,592
Non-monetary items			
USD	2,350,882	28.5080	67,018,936
EUR	85,867	35.0563	3,010,181
JPY	3,531,073	0.2765	976,323
AUD	3,028	21.9740	66,541
CNY	2,151	4.3637	9,385
HKD	19	3.6775	69
Equity investments			
CNY	42,654	4.3637	186,127
<u>Financial liabilities</u>			
Monetary items			
USD	34,789	28.5080	997,760
Non-monetary items			
USD	73,661	28.5080	2,099,928

December 31, 2019

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>N.T. Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 58,357,176	30.1060	\$ 1,756,901,153
AUD	3,944,798	21.1013	83,240,339
CNH	15,672,524	4.3231	67,753,737
CNY	3,341,126	4.3219	14,440,050
BRL	93,599	7.4896	701,021
KRW	21,959,600	0.0260	571,677
Non-monetary items			
USD	2,067,083	30.1060	62,231,588
EUR	91,451	33.7488	3,086,374
HKD	676,093	3.8661	2,613,834
JPY	2,278,280	0.2771	631,350
AUD	13,722	21.1013	289,550
CHF	9,004	31.0563	279,630
Equity investments			
CNY	87,466	4.3219	378,021
<u>Financial liabilities</u>			
Non-monetary items			
USD	5,383	30.1060	162,057

As of December 31, 2020 and 2019, SKLIC and its subsidiaries used foreign exchange forward contracts and foreign exchange swap contracts to mitigate exchange rate exposure, whose total nominal principal amounted to \$999,262,416 thousand and \$1,047,899,542 thousand, respectively. SKLIC negotiated the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

Sensitivity analysis

SKLIC and its subsidiaries were mainly exposed to the USD.

The following table details SKLIC's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the USD 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in post-tax profit associated with the New Taiwan dollar strengthening 1% against the USD. For a 1% weakening of the New Taiwan dollar against the USD, there would be an equal and opposite impact on post-tax profit and the balances below would be negative.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit or loss	\$ 4,982,645	\$ 5,406,939

The impacts in the table above were net effects of exchange fluctuation risk by considering the foreign currency monetary assets and related hedging financial derivative instruments.

iv. Interest rate risk

SKLIC and its subsidiaries were exposed to interest rate risk because of investments in both of fixed-rate financial assets and floating financial assets. SKLIC and its subsidiaries managed the risk by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amount of SKLIC and its subsidiaries financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 1,995,819,986	\$ 1,794,957,930
Cash flow interest rate risk		
Financial assets	32,549,906	42,640,846

Sensitivity analysis

The sensitivity analyses below were determined based on SKLIC's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in income before tax and pre-tax other comprehensive income associated with 1 basis point decrease in interest rate. If interest rates had been 1 basis point higher, there would be an equal and opposite impact on income before tax and pre-tax other comprehensive income and the balance below would be negative.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Income before tax	\$ 54,454	\$ 61,975
Pre-tax other comprehensive profit or loss	234,818	34,025

The changes in the fair value of debt instruments at fair value through profit or loss and at fair value through other comprehensive income were the main reasons for the changes in pre-tax profit or loss and pre-tax other comprehensive profit or loss.

v. Other price risk

SKLIC and its subsidiaries were exposed to equity price risk through investments in listed equity securities. Equity investments are held for strategic associated with the assets and liability management rather than trading purposes. SKLIC and its subsidiaries' equity price risk was mainly concentrated on equity instruments operating in the electronics industry (including the telecommunication) sector quoted on the Taiwan Stock Exchange. In addition, SKLIC and its subsidiaries had appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

A positive number below indicated an increase in income before tax, pre-tax other comprehensive income due to the changes in the fair value of held-for-trading investments and the changes in fair value of available-for-sale shares associated with 1% increase in equity securities and beneficiary certificate prices. If equity securities and beneficiary certificate prices had been 1% lower, there would be an equal and opposite impact on income before tax, pre-tax other comprehensive income due to the changes in the fair value of held-for-trading investments and changes in fair value of available-for-sale shares.

	<b>Effects</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Income before tax	\$ 40,244	\$ 105,969
Pre-tax other comprehensive income	4,826,665	4,496,142

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to SKLIC and its subsidiaries. As of the end of the reporting period, the maximum exposure to credit risk which will cause a financial loss to SKLIC and its subsidiaries due to failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

SKLIC and its subsidiaries' investment objects spread in various industry sectors and geographical locations. Ongoing credit evaluation is performed on financial condition of investment object and credit risk exposure is controlled under risk management strategy.

Apart from Golden Sacks Assets Management Co., Ltd. and JP Morgan the largest customers, SKLIC and its subsidiaries did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. SKLIC and its subsidiaries define counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to Golden Sacks Assets Management Co., Ltd. and BRAIS did not exceed 3% of capital employed at any time, for the years ended December 31, 2020 and 2019. Concentration of credit risk to any other counterparty did not exceed 3% of capital employed at any time for the years ended December 31, 2020 and 2019.

SKLIC and its subsidiaries' concentration of credit risk by geographical locations was mainly in US, which accounted for 32.45% and 26.63% of the total foreign investments as of December 31, 2020 and 2019, respectively.

SKLIC and its subsidiaries' concentration of credit risk of 10.83% and 10.49% in total transaction amounts as of December 31, 2020 and 2019, respectively, was related to SKLIC and its subsidiaries' five largest customer.

The credit risks of SKLIC resulted from financial instrument transactions in operating activities, including debt investment and loan. The possibility of large losses to investment portfolio caused by a single event of credit risk due to significant concentration was lowered by regular statistics and monitoring of concentrations as follows:

i. The amount of exposure to credit risk - industry sector

December 31, 2020

	Government	Finance	Energy	Commodity	Industry	MSCI	CPI	Technology	Telecommunication	Public Utility	Total
Financial assets at fair value through profit or loss	\$ 183,415	\$ 33,175,446	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,358,861
Financial assets at fair value through other comprehensive income	115,035,908	15,100,179	7,203,064	-	-	-	-	6,485,416	2,532,383	1,533,352	147,890,302
Financial assets at amortized cost	410,381,669	1,010,680,552	48,877,595	33,872,881	15,265,761	76,216,817	11,758,251	6,733,660	144,094,645	89,238,898	1,847,120,729
Total	525,600,992	1,058,956,177	56,080,659	33,872,881	15,265,761	76,216,817	11,758,251	13,219,076	146,627,028	90,772,250	2,028,369,892
% of total	25.91%	52.21%	2.76%	1.67%	0.75%	3.76%	0.58%	0.65%	7.23%	4.48%	100.00%

December 31, 2019

	Government	Finance	Energy	Commodity	Industry	MSCI	CPI	Technology	Telecommunication	Public Utility	Total
Financial assets at fair value through profit or loss	\$ 306,300	\$ 35,947,492	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,253,792
Financial assets at fair value through other comprehensive income	8,507,511	13,291,510	4,679,747	-	-	-	-	-	-	-	26,478,768
Financial assets at amortized cost	450,046,569	894,331,587	66,216,399	34,012,104	5,939,512	41,601,928	13,319,938	13,547,700	166,716,365	89,134,114	1,774,866,216
Total	458,860,380	943,570,589	70,896,146	34,012,104	5,939,512	41,601,928	13,319,938	13,547,700	166,716,365	89,134,114	1,837,598,776
% of total	24.97%	51.35%	3.86%	1.85%	0.32%	2.26%	0.73%	0.74%	9.07%	4.85%	100.00%

ii. The amount of exposure to credit risk - geographical location

December 31, 2020

Financial Assets	Taiwan	North America	Eurozone	Non-EU Europe	Asia	Latin America	Middle East/Africa	Global	Total
Financial assets at fair value through profit or loss	\$ 32,350,570	\$ 763,843	\$ -	\$ -	\$ 244,448	\$ -	\$ -	\$ -	\$ 33,358,861
Financial assets at fair value through other comprehensive income	26,351,133	107,665,603	533,644	1,104,013	3,570,646	489,265	8,175,998	-	147,890,302
Financial assets at amortized cost	46,994,499	781,349,624	197,322,303	285,314,541	191,969,890	53,967,726	287,266,655	2,935,491	1,847,120,729
Total	105,696,202	889,779,070	197,855,947	286,418,554	195,784,984	54,456,991	295,442,653	2,935,491	2,028,369,892
% of total	5.21%	43.87%	9.75%	14.12%	9.65%	2.69%	14.57%	0.14%	100.00%

December 31, 2019

Financial Assets	Taiwan	North America	Eurozone	Non-EU Europe	Asia	Latin America	Middle East/Africa	Global	Total
Financial assets at fair value through profit or loss	\$ 29,874,028	\$ 818,806	\$ 3,342,763	\$ -	\$ 2,218,195	\$ -	\$ -	\$ -	\$ 36,253,792
Financial assets at fair value through other comprehensive income	16,950,298	-	543,750	4,004,249	681,999	669,190	3,629,282	-	26,478,768
Financial assets at amortized cost	52,515,147	708,839,079	209,152,024	343,753,831	199,352,684	57,730,287	200,626,694	2,896,470	1,774,866,216
Total	99,339,473	709,657,885	213,038,537	347,758,080	202,252,878	58,399,477	204,255,976	2,896,470	1,837,598,776
% of total	5.40%	38.62%	11.59%	18.92%	11.01%	3.18%	11.12%	0.16%	100.00%

Regarding credit quality, SKLIC regularly tracked credit ratings by each credit rating agency for normal assets that were neither past due nor impaired, which were classified into low credit risk, medium credit risk and high credit risk according to their credit ratings. The definition of each level of risk is as follows:

Low credit risk

Refers to a company which has a robust ability to fulfill its contract commitments, even when there are negative news or unfavorable economic terms, the Company is still in a good financial position to manage these adverse situations.

Medium credit risk

Refers to a company which has a lower ability to fulfill its contract commitments, and various negative news or unfavorable economic terms may weaken its financial position, which in turn would raise doubts about its impairment of assets or cause a loss to SKLIC and its subsidiaries.

High credit risk

Refers to a company with a weak ability to fulfill its contract commitments and which is dependent on the business environment, and various negative news or unfavorable economic conditions would lower its ability and willingness to fulfill its obligations.

Impaired

Refers to a company which has failed to fulfill its obligations in accordance with the contract, and SKLIC estimated the standard of impairment based on the potential loss.

SKLIC recognized impairment losses regarding each financial asset in accordance with IFRSs, and under the principle of conservative estimates, the amount after impairment losses have been recognized can appropriately reflect the current value. Information on credit quality is disclosed as follows:

Credit Quality of Financial Asset Analysis

December 31, 2020

	Stage 1				Stage 2				Stage 3			Allowance for Losses	Total
	Low Credit Risk	Medium Credit Risk	High Credit Risk	Total	Low Credit Risk	Medium Credit Risk	High Credit Risk	Total	Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Total		
Financial assets at fair value through other comprehensive income	\$ 147,401,037	\$ -	\$ 489,265	\$ 147,890,302	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 147,890,302
Financial assets at amortized cost	1,744,887,565	48,613,344	53,619,820	1,847,120,729	-	-	-	-	-	-	-	(684,460)	1,846,436,269
Total	1,892,288,602	48,613,344	54,109,085	1,995,011,031	-	-	-	-	-	-	-	(684,460)	1,994,326,571
% of total	94.88%	2.44%	2.71%	100.03%	-	-	-	-	-	-	-	(0.03%)	100.00%

December 31, 2019

	Stage 1				Stage 2				Stage 3			Allowance for Losses	Total
	Low Credit Risk	Medium Credit Risk	High Credit Risk	Total	Low Credit Risk	Medium Credit Risk	High Credit Risk	Total	Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Total		
Financial assets at fair value through other comprehensive income	\$ 18,176,047	\$ 3,629,282	\$ 4,673,439	\$ 26,478,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,478,768
Financial assets at amortized cost	1,619,920,516	109,021,233	45,924,467	1,774,866,216	-	-	-	-	-	-	-	(646,259)	1,774,219,957
Total	1,638,096,563	112,650,515	50,597,906	1,801,344,984	-	-	-	-	-	-	-	(646,259)	1,800,698,725
% of total	90.97%	6.26%	2.81%	100.04%	-	-	-	-	-	-	-	(0.04%)	100.00%

Note 1: Normal assets and impaired items included debt instruments but excluded funds and shares. The amounts of impaired items were the gross amounts of impaired assets (before net of accumulated impairment).

Note 2: The credit rating for normal assets was simultaneously considered all the ratings declared by S&P, Moody's, Fitch and Taiwan Rating, and was chosen by the middle of the first three ratings or the lower of two ratings.

Note 3: Lower credit risk means that the credit rating is BBB or above.

Note 4: Medium credit risk means that credit rating is between BBB- or below and BB+ or above.

Note 5: High credit risk means that credit rating is below BB or no credit rating.

**Loan Arrangements by Geographical Location  
(Excluding Policy Loans and Premium Loans)**

December 31, 2020

	<b>Northern Region</b>	<b>Central Region</b>	<b>Southern Region</b>	<b>Eastern Region</b>	<b>Total</b>
Secured loans	\$ 24,653,987	\$ 8,251,655	\$ 8,280,807	\$ 320,054	\$ 41,506,503
Overdue loans	23,689	1,654	1,903	4	27,250
Total	24,677,676	8,253,309	8,282,710	320,058	41,533,753
% of total	59.42%	19.87%	19.94%	0.77%	100.00%

December 31, 2019

	<b>Northern Region</b>	<b>Central Region</b>	<b>Southern Region</b>	<b>Eastern Region</b>	<b>Total</b>
Secured loans	\$ 25,820,251	\$ 8,904,562	\$ 8,957,467	\$ 389,196	\$ 44,071,476
Overdue loans	404,880	1,759	2,077	108	408,824
Total	26,225,131	8,906,321	8,959,544	389,304	44,480,300
% of total	58.96%	20.02%	20.14%	0.88%	100.00%

c) Liquidity risk

SKLIC and its subsidiaries had sufficient working capital to meet financial commitment; therefore, there was no liquidity risk due to the shortage of capital in response to performing contract obligations.

Majority of debt investments and shares of SKLIC and its subsidiaries with active market and, therefore, are expected to be easily disposed in markets rapidly at the price near fair values. The foreign exchange forward contracts and currency swap contracts SKLIC and its subsidiaries entered into were fixed and for hedging, and these contracts were to be settled in net or gross and did not require huge cash position, resulting in no material cash flow risk.

Liquidity and interest risk rate tables

The following table details the SKLIC and its subsidiaries' remaining contractual maturity for non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which SKLIC and its subsidiaries can be required to pay. The tables included both interest and principal cash flows.

December 31, 2020

	<b>On Demand or Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,930,100	\$ 110,191	\$ 884,216	\$ 55,914
Fixed interest rate liabilities	-	871,500	7,983,500	20,124,000
Reserve for outstanding loss	210,214	61,835	164,343	43,739
Lease liabilities	98,883	237,314	1,028,619	7,410,623

December 31, 2019

	<b>On Demand or Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 8,316,589	\$ 413,501	\$ 823,347	\$ 55,566
Fixed interest rate liabilities	-	871,500	8,151,000	20,828,000
Reserve for outstanding loss	292,929	88,931	122,557	40,638
Lease liabilities	96,252	232,183	1,057,108	7,357,956

The following table details SKLIC and its subsidiaries' expected maturity for some of non-derivative financial assets. The tables below had been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand SKLIC and its subsidiaries' liquidity risk management as the liquidity is managed on a net asset and liability basis.

December 31, 2020

	<b>On Demand or Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial assets</u>				
Domestic	\$ 62,820	\$ 3,987,454	\$ 10,073,904	\$ 117,920,472
Foreign	75,953,377	158,297,717	1,572,952,378	2,862,336,443

December 31, 2019

	<b>On Demand or Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial assets</u>				
Domestic	\$ 2,742,070	\$ 6,516,615	\$ 10,232,948	\$ 116,283,197
Foreign	18,820,324	44,730,028	348,710,567	4,059,587,069

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

The following table detailed SKLIC and its subsidiaries' liquidity analysis for derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Foreign exchange forward contracts	\$ 1,064,570	\$ 1,438,756	\$ 404,791	\$ -	\$ -
<u>Gross settled</u>					
Exchange rate swaps					
Inflows	\$ 1,298,540	\$ 2,500,758	\$ 10,300,479	\$ -	\$ -
Outflows	-	-	(481,279)	-	-
	<u>\$ 1,298,540</u>	<u>\$ 2,500,758</u>	<u>\$ 9,819,200</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Foreign exchange forward contracts	\$ 1,729,392	\$ 1,919,730	\$ 80,082	\$ -	\$ -
<u>Gross settled</u>					
Exchange rate swaps					
Inflows	\$ 3,652,604	\$ 3,832,454	\$ 2,139,162	\$ -	\$ -
Outflows	-	-	(65,865)	-	-
Foreign exchange forward contracts					
Inflows	586,112	51,849	-	-	-
Outflows	-	-	-	-	-
	<u>\$ 4,238,716</u>	<u>\$ 3,884,303</u>	<u>\$ 2,073,297</u>	<u>\$ -</u>	<u>\$ -</u>

d) Transfer of financial assets

The transferred financial assets of SKLIC and its subsidiaries are mainly securities under repurchase agreements or equity securities under lending agreements. SKLIC and its subsidiaries cannot sell or pledge these transferred financial assets during the valid transaction period. Therefore, SKLIC and its subsidiaries do not completely derecognize the transferred assets. The table below discloses the information of financial assets that are not completely derecognized and the associated financial liabilities.

December 31, 2020

Type of Financial Assets	Carrying Amount of the Transferred Financial Assets	Carrying Amount of Relevant Financial Liabilities	Fair Value of the Transferred Financial Assets	Fair Value of Relevant Financial Liabilities	Fair Value Net Position
Security lease agreements - financial assets at FVTPL	\$ 1,612,067	\$ -	\$ 1,612,067	\$ -	\$ 1,612,067
Security lease agreements - financial assets at FVTOCI	5,166,277	-	5,166,277	-	5,166,277

December 31, 2019

Type of Financial Assets	Carrying Amount of the Transferred Financial Assets	Carrying Amount of Relevant Financial Liabilities	Fair Value of the Transferred Financial Assets	Fair Value of Relevant Financial Liabilities	Fair Value Net Position
Security lease agreements - financial assets at FVTPL	\$ 587,790	\$ -	\$ 587,790	\$ -	\$ 587,790
Security lease agreements - financial assets at FVTOCI	1,388,424	-	1,388,424	-	1,388,424

e) Offsetting financial assets and financial liabilities

The derivatives held by SKLIC and its subsidiaries did not meet the offsetting criteria pursuant to IFRS, but was covered by enforceable master netting arrangements or similar agreements signed with counterparties. Derivatives under enforceable master netting arrangements or similar agreements can be settled on a net basis of financial assets and financial liabilities if two parties decide to settle on net basis, or if not, settle on gross basis. If one party defaults, the other party can choose to settle on net basis.

The tables below present the information on financial assets and financial liabilities that have been offset.

December 31, 2020

<b>Financial Assets That Have Been Offset or That Are Covered by Enforceable Master Netting Arrangements or Similar Agreements</b>						
<b>Financial Assets</b>	<b>Gross Amounts of Recognized Financial Assets (a)</b>	<b>Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet (b)</b>	<b>Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)</b>	<b>Related Amounts Not Set Off in the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received</b>	
Derivative	\$ 18,626,543	\$ -	\$ 18,626,543	\$ -	\$ 11,281,756	\$ 7,344,787

<b>Financial Liabilities That Have Been Offset or That Are Covered by Enforceable Master Netting Arrangements or Similar Agreements</b>						
<b>Financial Liabilities</b>	<b>Gross Amounts of Recognized Financial Liabilities (a)</b>	<b>Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet (b)</b>	<b>Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)</b>	<b>Related Amounts Not Set Off in the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received</b>	
Derivative	\$ 2,099,928	\$ -	\$ 2,099,928	\$ -	\$ -	\$ 2,099,928

Note: Included master netting arrangements and non-cash financial collateral.

December 31, 2019

<b>Financial Assets That Have Been Offset or That Are Covered by Enforceable Master Netting Arrangements or Similar Agreements</b>						
<b>Financial Assets</b>	<b>Gross Amounts of Recognized Financial Assets (a)</b>	<b>Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet (b)</b>	<b>Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)</b>	<b>Related Amounts Not Set Off in the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received</b>	
Derivative	\$ 14,087,576	\$ -	\$ 14,087,576	\$ -	\$ 6,219,297	\$ 7,868,279

<b>Financial Liabilities That Have Been Offset or That Are Covered by Enforceable Master Netting Arrangements or Similar Agreements</b>						
<b>Financial Liabilities</b>	<b>Gross Amounts of Recognized Financial Liabilities (a)</b>	<b>Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet (b)</b>	<b>Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)</b>	<b>Related Amounts Not Set Off in the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received</b>	
Derivative	\$ 162,057	\$ -	\$ 162,057	\$ -	\$ -	\$ 162,057

Note: Included master netting arrangements and non-cash financial collateral.

f) Structured entities

- i. Merged companies held the equity of the following non-controlling structured entities. Merged companies did not provide financial or other support to these structured entities, and the maximum risk amount for these entities is the book value of assets held by SKLIC and its subsidiaries:

<b>The Type of Structured Units</b>	<b>Nature and Purpose</b>	<b>Equity Held by SKLIC</b>
Private equity investment	Invest in private funds issued by external third-party fund companies in order to obtain investment benefits.	Invest in units or limited partnership interests issued by the fund.
Asset securitization commodity	Invest in asset securitization commodities in order to obtain investment benefits.	Invest in asset-based securities issued by these entities.

- ii. As of December 31, 2020 and 2019, the book value of assets related to the equity of non-controlling structured entities is as follows:

	<b>December 31, 2020</b>	
	<b>Private Equity Investment</b>	<b>Asset Securitization Commodity</b>
Financial assets at fair value through profit or loss	\$ 9,151,874	\$ 7,114,892
Financial assets at amortized cost	<u>-</u>	<u>9,578,465</u>
	<u>\$ 9,151,874</u>	<u>\$ 16,693,357</u>
	<b>December 31, 2019</b>	
	<b>Private Equity Investment</b>	<b>Asset Securitization Commodity</b>
Financial assets at fair value through profit or loss	\$ 6,020,499	\$ 6,162,260
Financial assets at amortized cost	<u>-</u>	<u>12,701,303</u>
	<u>\$ 6,020,499</u>	<u>\$ 18,863,563</u>

3) Financial risk information of TSKCB

The risk management objectives of TSKCB are business performance objectives, overall risk appetite and external legal restrictions in order to achieve the goal of balancing risk and reward. The main risks faced by TSKCB and its subsidiaries' operations include various credit risks, market risks (including interest rates, exchange rates, equity securities) and liquidity risks of on- and off-balance sheet businesses.

TSKCB and its subsidiaries have formulated a relevant risk management policy, which has been approved by the board of directors to effectively identify, measure, monitor and control credit risk, market risk and liquidity risk.

a) Market risk

The financial instruments held or issued by TSKCB and its subsidiaries are affected by market risk factors such as interest rate (including credit risk spread), exchange rate, securities' price, product price and its volatility, interaction correlation and market liquidity that had an adverse impact on surplus, capital, value or operating capacity.

The market risk comes from the trading book and the bank book portfolio. The trading book portfolio refers to various financial products (including commodities) transactions that are undertaken for the purpose of the transaction, or those who intend to make profits from short-term price fluctuations, such as self-operated business, market-making transactions, etc. A bank book portfolio was established for long-lasting purposes and not for the purpose of earning capital gains.

i. Market risk management policy

i) Identifying market risk

The risk management unit shall clearly identify the source of the market risk of each type of transaction before the transaction is undertaken, and shall be stated in the relevant product guidelines document, and the market risk management unit shall independently perform the identification procedure.

ii) Measuring market risk

Market risk management units use appropriate and consistent measurement methods to cover key sources of risk based on business characteristics and sources of risk. Risk measurement is closely integrated with daily risk management and serves as a reference for planning, monitoring and controlling market risk conditions.

The evaluation method and market price information shall be determined by the market risk management unit to calculate the profit and loss, risk factor sensitivity, risk value and stress test.

iii) Monitoring

Market risk authority is a tool used to authorize and monitor the market risk assumed by TSKCB and its subsidiaries to ensure that market risk is in line with TSKCB and its subsidiaries' risk appetite. The establishment of authorization, approval, exception and overpass shall be subject to the relevant regulations of market risk management.

iv) Reporting

The market risk report is a risk communication tool. The market risk management unit reports risk management information to senior managers on a daily basis, and regularly reports the overall market risk status of TSKCB and its subsidiaries to the senior management and the board of directors. The risk strategy will be adjusted based on the market risk report.

ii. Market risk measurement

The board of directors determines the capital adequacy ratio and annual earnings target annually, and the expectation of market volatility to measure whether the risk and remuneration ratio is acceptable, and whether the risk assumed is in line with company's risk appetite. Besides, the board of directors approve the market risk operation authority that all transactions made by the trading unit are conducted within the approved guidelines. TSKCB and its subsidiaries use market risk factor sensitivity as a tool of market risk control.

i) Market risk management of trading book

Market risk sensitivity refers to the change in value of a unit due to a change in a specific market risk factor. Market risk factors are divided into interest rates, exchange rates, and prices of equity securities. TSKCB and its subsidiaries disclose the market risk arising from the trading positions of TSKCB by market risk sensitivity.

Risk factor sensitivity

- Foreign exchange rate factor sensitivity, FX Delta

The net amount of the risk component of each currency at the balance sheet date, that is, the change in the present value of the currency when the change in the exchange rate of each currency is increased by 1%. The exchange rate risk component stated in the following table is not only directly generated from the foreign exchange derivative commodity, but also integrated into the spot foreign exchange trading position for the purpose of hedging and the spot location of each foreign currency.

- Interest rate factor sensitivity

When the interest rate term structure of each evaluation yield curve moves up by 0.01% (1 basis point), the relative impact on the present value of future cash flows of interest rate spot trading positions and interest rate derivative commodity trading positions (DV01 or PVBP) will be made.

- Factor sensitivity of equity securities

The impact of changes in the value of the commodity portion when the spot price of the equity securities changes by 1%. Equity securities held by TSKCB and its subsidiaries include shares, ETFs, etc.

Market Risk	Currency	December 31	
		2020	2019
Foreign exchange rate factor sensitivity (exchange rate increase by 1%)	EUR	\$ 18	\$ 24
	JPY	3	71
	USD	102	1,796
	Other (Note)	106	(1,668)
Interest rate factor sensitivity DV01 (+1bp)	NTD	(78)	205
	USD	(33)	(200)
	AUD	3	(2)
	ZAR	(6)	(3)
	HKD	3	-
Equity securities factor sensitivity (share price increase 1%)	Other (Note)	1	1
	NTD	-	-

Note: Other foreign currency is refers to NTD.

### Stress testing

Set extreme risk events or situations to make a significant change at a specific or a range of risk factors, volatility, or correlations to measure the potential significant impact on a portfolio or location. This is the way to redeem the risk values which cannot measure the tail risk.

#### ii) Interest rate risk of banking book, IRRBB

The interest rate risk source of the bank book includes the interest rate risk arising from the transactions of the business units, such as deposits and lending transactions, as well as the debts held by the business units which manage the liquidity risk of TSKCB and its subsidiaries, the spot parts of the tickets and their hedging position. The interest rate risk position is transferred to the centralized management of the bank book management unit under the Bank's internal transfer pricing system (Fund Transfer Pricing, FTP). The risk management unit prepares risk reports regularly which includes interest rate sensitivity analysis, stress test results and limit usage analysis, and then reports to the asset and liability management committee and the board of directors. Management tools set are as below.

### Repricing Gap report

Measures the amount and the duration of re-pricing assets and liabilities at each point in time to understand the allocation of interest rate risk.

### Risk sensitivity of interest rate

- Mismatch risk of asset liability interest rate

The impact of a benchmark (0.01%) of interest rate changes on future net interest income is shown by 1 bp  $\Delta$  NII. The net interest income (1bp  $\Delta$  NII) analysis focuses on changes in interest payments over the next year.

- Financial product interest rate risk

The DV01 measures the impact of a basis point of interest rate changes on the value of the site, and evaluates the market value of financial products to ensure that their impact on earnings or shareholders' equity is in line with risk appetite of our bank.

### Stress testing

Evaluates the impact of the overall bank book position on the net economic value, in the context of large changes in interest rates. And compares the results with the capital to examine the allowable risk.

iii) Bank book equity securities risk

Bank Book Equity Securities Risk Definition refers to the impact of changes in the value of the commodity portion when the spot price of the equity securities for non-trading purposes changes by 1%. The market value of the financial product is evaluated to ensure its impact on earnings or shareholders' equity conforms to TSKCB's risk appetite.

Market Risk	Currency	December 31	
		2020	2019
Interest rate factor sensitivity DV01 (+1bp)	NTD	\$(62,013)	\$(48,256)
	USD	(25,032)	(20,088)
	AUD	(836)	(340)
	ZAR	(1,004)	(978)
	Other (Note)	(1,751)	(1,249)
Equity securities factor sensitivity (share price increase 1%)	NTD	7,090	21,820

Note: Other foreign currency refers to NTD

b) Credit risk

Credit risk may be caused by counterparties' failure to perform their obligations associated with financial assets held by the bank. The bank follows a strict credit policy to assess and approve all credit lines and guarantees. The secured loans constituted 72.62% of the total loans on December 31, 2020. The percentage of guarantees and issuance of letters of credit secured by collateral were 25.02%. The collateral for loans, financing guarantees and letters of credit guarantees are cash, inventories, securities, plants and other assets. If the customers default on their loans, the Bank will execute its rights on the collateral in accordance with the terms of the contracts.

In order to ensure that the credit risk control is within the tolerable range, the merged company has relevant risk management policies, and has relevant business management methods or operation points and risk management mechanisms for the goods provided and the business it performs.

i. Credit risk management program

The measurement and management of credit risks from TSKCB and its subsidiaries' main businesses are as follows:

i) Loans business

The Company adopts the 12-month ECL model to evaluate the loss allowance of financial instruments whose credit risk do not increase significantly since initial recognition, and adopts the lifetime ECL model to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or that are credit impaired. The credit quality of the bank that determines the discount and loan is as follows:

### Assessment of credit risk that has increased significantly since initial recognition

TSKCB and its subsidiaries assess the change in the probability of default of loans during the lifetime on each reporting date to determine if the credit risk has increased significantly since initial recognition. In order to make this assessment, TSKCB and its subsidiaries takes into consideration the reasonable and supportable information that credit risk has increased significantly since initial recognition (including forward-looking information). The main considerations include:

#### Quantitative indicators

- Changes in external TCRI credit ratings

The TCRI rating of the listed cabinet company corresponding to the external rating has been reduced from the investment grade to the non-investment grade, that is, the credit risk has significantly increased since initial recognition.

- Information on overdue status

When the contract amount is overdue for more than one month, it is determined that the credit risk of the financial asset has increased significantly since initial recognition.

#### Qualitative indicators

- Significant changes in actual or expected results of the debtor's operations
- Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.
- The credit risk of other financial instruments of the same debtor has increased significantly.

### Definition of default and credit impairment of financial assets

The definition of financial asset default is the same as that of financial asset credit impairment. If one or more of the following conditions are met, TSKCB and its subsidiaries determine that the financial asset has defaulted and is credit impaired:

#### Quantitative indicators

- When the contract amount is overdue for a certain number of days.
- The credit amount of the debtor has been regarded as a delinquent loan.

#### Qualitative indicators

If there is evidence that the borrower will not be able to pay the amount in the contract, or that the borrower has significant financial difficulties, such as:

- The debtor has gone bankrupt or may have called for bankruptcy or financial restructuring.

- Due to the economic or contractual reasons associated with the debtor’s financial difficulties, the debtor’s creditors give the borrower an unconfirmed concession and report the overdue loan.
- It is known from external information that the debtor has experienced financial difficulties and needs to bargain with the Bank.
- The debtor is clearly insolvent.

Evaluation of expected credit losses

TSKCB and its subsidiaries classify the loans into the following categories according to the characteristics of the loans:

Group	Evaluation	Classification		Application
1	Combined classification	Corporate finance	Sufficient collateral	Loan case other than Group 2
			Non-sufficient collateral or	
		Consumer finance	Fiduciary loan	
			Auto loan	
			Mortgage	
			Credit card	
2	Case evaluation	Corporate finance	Special collaterals	Note
		Consumer finance		

Note: Loans are classified as Group 2 if they obtain special collateral. Group 2 is assessed on the basis of a significant increase in credit risk or default and credit impairment, and the rest is assessed in accordance with Group 1.

For the classification criteria of loans, the expected credit losses are assessed at each stage of each portfolio classification:

Impairment for expected credit loss (Probability of Default (PD) × Loss Given Default (LGD) × Exposure at default (EAD)), the application of PD is described as follows:

- Stage 1: TSKCB and its subsidiaries evaluate the loss allowance of financial assets, which credit risk did not significantly increase after initial recognition, based on 12 months PD to evaluate expected credit losses.
- Stage 2: TSKCB and its subsidiaries evaluate the loss allowance of financial assets, which credit risk significantly increased after initial recognition, based on lifetime expected credit losses, and calculates PD at each lifetime. If the cash flow of the contract in the future period (i.e., the default exposure amount of each period) can be assessed, the cash flow method is used to assess the expected credit losses. If the cash flow of each period cannot be assessed, then the expected credit losses are calculated using the current mark-to-market method.
- Stage 3: TSKCB and its subsidiaries evaluate the loss allowance of financial assets, which credit risk will be regarded as default, and the probability of default is regarded as 100%. PD at each lifetime will not be considered. Recoverable amount will be applied to assess expected credit losses.

### Consideration of forward - looking estimate

In considering the expected credit losses, TSKCB and its subsidiaries use forward-looking economic factors that affect credit risk and expected credit losses to take forward-looking information into consideration. Forward-looking information is based on the Taiwan National Development Council's regular promulgation of the "Benefit Strategy Signal" of Taiwan's overall prosperity indicators as indicators, which are divided into the boom expansion period, contraction period and flat period. TSKCB and its subsidiaries judge the economic situation to adjust the default probability every quarter, and then incorporates into the overall expected credit loss assessment.

#### ii) Debt instrument investments

In order to reduce the credit risk of debt instrument investments, TSKCB and its subsidiaries' management team assigned a dedicated team to establish a credit rating database to assess the default risk of debt instrument investments. The information on the evaluation of the independent rating agencies is used.

TSKCB and its subsidiaries consider the historical default loss rate provided by the external rating agencies and the current financial status of the debtor to calculate 12 month and lifetime ECLs of financing commitments in debt instrument investments.

Expected credit losses are recognized on the securities held by TSKCB and its subsidiaries according to the expected credit losses and lifetime ECLs of financing commitments. The credit quality of TSKCB and its subsidiaries' judgment securities is as follows:

### Assessment of credit risk that has increased significantly since initial recognition

TSKCB and its subsidiaries assess the change in the probability of default of debt instrument investment during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, TSKCB and its subsidiaries considerations show the reasonable and supportable information that the credit risk has increased significantly since the initial recognition. The main considerations include:

#### Quantitative indicators

- Debt instrument investments on the initial recognition date, of which the issuer's credit rating is below non-investment grade and the credit rating of the investments from the reporting date has not changed.
- When the issuer's credit rating is non-investment grade, the reported daily credit rating is reduced to a certain extent.

#### Qualitative indicators

- The credit rating of the issuer indicates that its credit risk has increased significantly.
- The fair value of the debt instrument investment was significantly adversely changed on the reporting date.

### Definition of default and credit impaired financial assets

If the debt instrument investment meets one or more of the following conditions, the financial asset is determined to have defaulted and credit impaired.

### Quantitative indicators

- Debt instrument investment is a credit impaired bond when purchased.
- The credit rating of the issuer or debt instrument investment is at a default level on the reporting date.

### Qualitative indicators

- The issuer modifies the issue conditions of the debt instrument investment due to financial difficulties or fails to pay the principal or interest according to the conditions of the issue.
- The issuer or the guarantee institution has ceased operations, applied for reorganization, bankruptcy, dissolution, and sale of major assets that have a significant impact on the Company's continued operations.

### Measurement of expected credit losses

- Debt instrument investment is classified in a group with similar type, the Group then assesses expected credit loss at each group by IFRS 9 impairment evaluation guide.
- Comparing the risk of default on the debt instrument on the reporting date with the default risk at the time of initial recognition, and considering the reasonable and corroborative information showing a significant increase in credit risk since initial recognition, to determine whether the financial instrument's credit risk since initial recognition has increased significantly.
  - TSKCB and its subsidiaries evaluate the loss allowance of financial assets, which credit risk did not significantly increase after initial recognition, based on 12 month PD to evaluate expected credit losses.
  - TSKCB and its subsidiaries evaluate the loss allowance of financial assets, which credit risk significantly increased after initial recognition, based on lifetime expected credit losses, and calculates PD at each lifetime. If the cash flow of the contract in the future period (i.e., the default exposure amount of each period) can be assessed, the cash flow method is used to assess the expected credit losses. If the cash flow of each period cannot be assessed, then the expected credit losses are calculated using the current mark-to-market method.
  - TSKCB and its subsidiaries evaluate the loss allowance of financial assets, which credit risk will be regarded as default, and the probability of default is regarded as 100%. PD at each lifetime will not be considered. Recoverable amount will be applied to assess expected credit losses.
  - Debt instrument investments' default probability is based on the value published by external credit rating agencies, and imply the possibility of future market fluctuations.

ii. Credit risk hedging or mitigation policies

i) Collateral

TSKCB and its subsidiaries have a series of measures for credit granting to reduce credit risks. One of the procedures is requesting collateral from the borrowers. To secure the loans, TSKCB and its subsidiaries manage and assess the collaterals following the procedures that suggest the scope of collateralization and valuation of collaterals and the process of disposal. In credit contracts, TSKCB and its subsidiaries stipulate the security mechanism for loans and the conditions and terms for collaterals and offsetting to state clearly that TSKCB and its subsidiaries reserve the right to reduce granted limit, to reduce the repayment period, to demand immediate settlement or to offset the debt of the borrowers with their deposits in the Bank in order to reduce the credit risks.

The requirements for collateral for other non-credit businesses depend on the nature of the financial instruments. Asset-backed securities and similar financial instruments are required to provide a pool of underlying financial assets as collateral.

TSKCB and its subsidiaries observe the value of the collateral of the financial instrument and considers the financial assets that are credit impaired. On December 31, 2020, the credit impaired financial assets and the value of collateral to mitigate potential losses were as follows:

	<b>Total Book Value</b>	<b>Allowance for Impairment</b>	<b>Exposure (Amortized Cost)</b>	<b>Fair Value of Collateral</b>
<u>Credit-impaired financial assets</u>				
Discounts and loans Receivable	\$ 9,033,240	\$ (2,901,777)	\$ 6,131,463	\$ 6,131,463
Credit card	40,477	(27,713)	12,764	-
Others	2,226,817	(1,371,473)	855,344	28,114
Other financial assets	<u>4,542</u>	<u>(3,185)</u>	<u>1,357</u>	<u>-</u>
	<u>\$ 11,305,076</u>	<u>\$ (4,304,148)</u>	<u>\$ 7,000,928</u>	<u>\$ 6,159,577</u>

The collateral is land and buildings obtained by TCSKB and its subsidiaries that have been written off and recognized as foreclosed collateral as of December 31, 2020. The collateral is classified as other assets in the balance sheet and will be sold when it is available for sale. The difference between the price and the carrying amount is recognized as a net gain (loss) on the sale of foreclosed collateral under net income.

ii) Credit risk concentration limits and control

To avoid over concentration of credit risk, the Bank has included credit limits for the same person (entity) and for the same related-party corporation (group) based on the credit risk arising from loans, securities investment and derivatives transactions.

Meanwhile, for trading and banking book investments, TSKCB and its subsidiaries have set a ratio, which is the credit limit of a single issuer in relation to the total security position. The Bank has also included credit limits for a single counterparty and a single group.

In addition, to manage the concentration risk on the financial assets, TSKCB and its subsidiaries have set credit limits by industry, conglomerate, country and transactions collateralized by shares, and integrated within one system to supervise concentration of credit risk in these categories. TSKCB and its subsidiaries monitor concentration of each asset and control various types of credit risk concentration in a single transaction counterparty, group, associate, industry or nation.

iii) Other credit enhancements

To reduce credit risk, TSKCB and its subsidiaries stipulates in its credit contracts the terms for offsetting to state clearly that TSKCB and its subsidiaries reserve the right to offset the borrowers' debt against their deposits in TSKCB and its subsidiaries.

iii. Objects of assessing credit risks include positive fair value of contracts on balance sheet and off-balance sheet commitments. Maximum exposure to credit risk of all financial instruments is the same as book value.

i) Items excluded

<b>Financial Instrument</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Guarantees	\$ 19,767,276	\$ 12,233,770
Letters of credit	2,846,029	2,308,079
Loan commitments (excluding credit card)	200,910,419	187,312,541
Loan commitments - credit card	1,879,411	1,993,492

ii) Risk concentration

When the counterparty to the financial instruments consist of a single individual, or a group of entities with similar commercial activities, they may have similar abilities to fulfill their credit obligations. Such situation does not apply to TSKCB and its subsidiaries. TSKCB and its subsidiaries' credit exposure related to loans on December 31, 2020 was classified as follows:

<b>Industry</b>	<b>Contract Amount</b>	<b>Maximum Exposure of Credit Risk</b>
Individuals	\$ 410,376,629	\$ 410,376,629
Finance and insurance	325,929,762	325,929,762
Manufacturing	101,439,349	101,439,349
Real estate and leasing	64,543,917	64,543,917
Wholesale and retail	29,203,376	29,203,376
Servicing	12,123,816	12,123,816
Utilities	30,334,148	30,334,148
Transportation and storage	7,972,257	7,972,257
Others	32,192,859	32,192,859
	<u>\$ 1,014,116,113</u>	<u>\$ 1,014,116,113</u>

Region	Contract Amount	Maximum Exposure of Credit Risk
Domestic	\$ 886,073,432	\$ 886,073,432
North America	40,223,326	40,223,326
Europe	21,084,955	21,084,955
Asia	51,687,550	51,687,550
Oceania	12,881,841	12,881,841
Africa	<u>2,165,009</u>	<u>2,165,009</u>
	<u>\$ 1,014,116,113</u>	<u>\$ 1,014,116,113</u>

iv. Credit quality of financial assets and non-performing impairment analysis

Part of the financial assets held by TSKCB and its subsidiaries, such as cash and cash equivalents, financial assets at fair value through profit or loss are exposed to low credit risk because the counterparties have rather high credit ratings. Except for those mentioned above, the credit qualities of TSKCB and its subsidiaries' remaining financial assets were analyzed as follows:

- i) Credit quality analysis of loans and receivables (including delinquent loans reclassified from other items)

December 31, 2020

	Notes Discounted and Loans				Total
	Stage 1	Stage 2	Stage 3	Difference in	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	Impairment Loss under Regulations	
Category					
Consumer loans	\$ 341,276,022	\$ 9,504,716	\$ 6,405,207	\$ -	\$ 357,185,945
Enterprise loans	<u>272,795,248</u>	<u>20,342,545</u>	<u>2,628,033</u>	-	<u>295,765,826</u>
Total book value	614,071,270	29,847,261	9,033,240	-	652,951,771
Allowance for impairment loss	(1,823,575)	(1,670,483)	(2,901,777)	-	(6,395,835)
Difference in impairment loss under regulations	-	-	-	<u>(2,085,495)</u>	<u>(2,085,495)</u>
	<u>\$ 612,247,695</u>	<u>\$ 28,176,778</u>	<u>\$ 6,131,463</u>	<u>\$ (2,085,495)</u>	<u>\$ 644,470,441</u>
	Receivables and Other Financial Assets				
	Stage 1	Stage 2	Stage 3	Difference in	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	Impairment Loss under Regulations	Total
Category					
Credit card	\$ 7,679,763	\$ 573,241	\$ 40,477	\$ -	\$ 8,293,481
Others	<u>68,285,500</u>	<u>63,852</u>	<u>2,231,359</u>	-	<u>70,580,711</u>
Total book value	75,965,263	637,093	2,271,836	-	78,874,192
Allowance for impairment loss	(29,540)	(36,404)	(1,402,371)	-	(1,468,315)
Difference in impairment loss under regulations	-	-	-	<u>(98,742)</u>	<u>(98,742)</u>
	<u>\$ 75,935,723</u>	<u>\$ 600,689</u>	<u>\$ 869,465</u>	<u>\$ (98,742)</u>	<u>\$ 77,307,135</u>

Loan Commitments					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference in Impairment Loss under Regulations	Total
Category					
Guarantees	\$ 19,767,276	\$ -	\$ -	\$ -	\$ 19,767,276
Letters of credit	2,690,871	155,158	-	-	2,846,029
Others	2,674,188	105,418	-	-	2,779,606
Total book value	25,132,335	260,576	-	-	25,392,911
Allowance for impairment loss	(68,912)	(3,326)	-	-	(72,238)
Difference in impairment loss under regulations	-	-	-	(341,662)	(341,662)
	<u>\$ 25,063,423</u>	<u>\$ 257,250</u>	<u>\$ -</u>	<u>\$ (341,662)</u>	<u>\$ 24,979,011</u>

### December 31, 2019

Notes Discounted and Loans					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference in Impairment Loss under Regulations	Total
Category					
Consumer loans	\$ 313,367,529	\$ 9,450,675	\$ 6,243,669	\$ -	\$ 329,061,873
Enterprise loans	257,838,374	15,145,880	2,950,367	-	275,934,621
Total book value	571,205,903	24,596,555	9,194,036	-	604,996,494
Allowance for impairment loss	(1,478,599)	(1,013,620)	(2,671,030)	-	(5,163,249)
Difference in impairment loss under regulations	-	-	-	(2,404,880)	(2,404,880)
	<u>\$ 569,727,304</u>	<u>\$ 23,582,935</u>	<u>\$ 6,523,006</u>	<u>\$ (2,404,880)</u>	<u>\$ 597,428,365</u>

Receivables and Other Financial Assets					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference in Impairment Loss under Regulations	Total
Category					
Credit card	\$ 7,893,714	\$ 617,922	\$ 40,698	\$ -	\$ 8,552,334
Others	63,729,072	50,750	3,141,616	-	66,921,438
Total book value	71,622,786	668,672	3,182,314	-	75,473,772
Allowance for impairment loss	(24,431)	(39,269)	(2,131,556)	-	(2,195,256)
Difference in impairment loss under regulations	-	-	-	(25,438)	(25,438)
	<u>\$ 71,598,355</u>	<u>\$ 629,403</u>	<u>\$ 1,050,758</u>	<u>\$ (25,438)</u>	<u>\$ 73,253,078</u>

Loan Commitments					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference in Impairment Loss under Regulations	Total
Category					
Guarantees	\$ 12,233,770	\$ -	\$ -	\$ -	\$ 12,233,770
Letters of credit	2,308,079	-	-	-	2,308,079
Others	4,382,769	98,178	-	-	4,480,947
Total book value	18,924,618	98,178	-	-	19,022,796
Allowance for impairment loss	(51,187)	(1,350)	-	-	(52,537)
Difference in impairment loss under regulations	-	-	-	(226,524)	(226,524)
	<u>\$ 18,873,431</u>	<u>\$ 96,828</u>	<u>\$ -</u>	<u>\$ (226,524)</u>	<u>\$ 18,743,735</u>

ii) Credit quality analysis of share investments

Credit quality analysis of debt instruments

The breakdown below shows the debt instruments classified as FVTPL, FVTOCI and financial assets at amortized cost.

December 31, 2020

	<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>Financial Assets at Amortized Cost</b>
Total book value	\$ 151,194,380	\$ 20,413,108
Allowance loss	<u>(44,151)</u>	<u>(8,998)</u>
Amortized cost	151,150,229	20,404,110
Fair value adjustment	<u>2,782,048</u>	<u>-</u>
	<u>\$ 153,932,277</u>	<u>\$ 20,404,110</u>

December 31, 2019

	<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>Financial Assets at Amortized Cost</b>
Total book value	\$ 113,984,235	\$ 33,395,099
Allowance loss	<u>(26,630)</u>	<u>(15,333)</u>
Amortized cost	113,957,605	33,379,766
Fair value adjustment	<u>1,064,909</u>	<u>-</u>
	<u>\$ 115,022,514</u>	<u>\$ 33,379,766</u>

The total book value of the current credit risk rating mechanism of TSKCB and its subsidiaries and the investments in debt instruments of each credit rating are as follows:

December 31, 2020

Credit Rating	Definition	Recognition basis	Expected credit loss	Total Book Value
Normal (Stage 1)	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit losses	0.00%-0.44%	\$ 171,607,488
Abnormal (Stage 2)	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses (not credit impaired)		-
Default (Stage 3)	There is evidence that credit is impaired.	Lifetime expected credit (credit impaired)		-

December 31, 2019

Credit Rating	Definition	Recognition basis	Expected credit loss	Total Book Value
Normal (Stage 1)	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit losses	0.00%-0.44%	\$ 147,379,334
Abnormal (Stage 2)	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses (not credit impaired)		-
Default (Stage 3)	There is evidence that credit is impaired.	Lifetime expected credit (credit impaired)		-

Credit quality analysis of debt instruments is as follows:

December 31, 2020

Category	<u>Stage 1</u> 12-month ECLs	<u>Stage 2</u> Lifetime ECLs	<u>Stage 3</u> Lifetime ECLs	Difference in Impairment Loss under Regulations	Total
Domestic bonds					
Investment grade	\$ 107,322,278	\$ -	\$ -	\$ -	\$ 107,322,278
Non-investment grade	2,027,212	-	-	-	2,027,212
Foreign bonds					
Investment grade	<u>65,040,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,040,046</u>
Total book value	174,389,536	-	-	-	174,389,536
Allowance for impairment loss	(53,149)	-	-	-	(53,149)
Difference in impairment loss under regulations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 174,336,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,336,387</u>

December 31, 2019

Category	<u>Stage 1</u> 12-month ECLs	<u>Stage 2</u> Lifetime ECLs	<u>Stage 3</u> Lifetime ECLs	Difference in Impairment Loss under Regulations	Total
Domestic bonds					
Investment grade	\$ 85,042,062	\$ -	\$ -	\$ -	\$ 85,042,062
Non-investment grade	2,528,465	-	-	-	2,528,465
Foreign bonds					
Investment grade	<u>60,873,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,873,716</u>
Total book value	148,444,243	-	-	-	148,444,243
Allowance for impairment loss	(41,963)	-	-	-	(41,963)
Difference in Impairment Loss under Regulations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 148,402,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,402,280</u>

With respect to debt instrument investments at FVTOCI and at amortized cost invested by TSKCB and its subsidiaries, the information of changes in allowance is summarized as follows:

For the year ended December 31, 2020

<b>The Allowance Information Summarized According to the Credit Risk Rating</b>	<b>Credit Rating</b>		
	<b>Normal (12-month Expected Credit Losses)</b>	<b>Abnormal (Lifetime ECLs and Not Credit Impaired)</b>	<b>Default (Lifetime ECLs and Credit Impaired)</b>
Balance, beginning of year	\$ 41,963	\$ -	\$ -
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to charge off	-	-	-
Purchase of new debt instruments	18,266	-	-
Disposal	(7,848)	-	-
Model/risk parameter changes	-	-	-
Exchange rate and other changes	<u>768</u>	<u>-</u>	<u>-</u>
Allowance loss, end of year	<u>\$ 53,149</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2019

<b>The Allowance Information Summarized According to the Credit Risk Rating</b>	<b>Credit Rating</b>		
	<b>Normal (12-month Expected Credit Losses)</b>	<b>Abnormal (Lifetime ECLs and Not Credit Impaired)</b>	<b>Default (Lifetime ECLs and Credit Impaired)</b>
Balance, beginning of year	\$ 41,157	\$ -	\$ -
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to charge off	-	-	-
Purchase of new debt instruments	41,785	-	-
Disposal	(41,157)	-	-
Model/risk parameter changes	-	-	-
Exchange rate and other changes	<u>178</u>	<u>-</u>	<u>-</u>
Allowance loss, end of year	<u>\$ 41,963</u>	<u>\$ -</u>	<u>\$ -</u>

c) Liquidity risk

Ratios of liquidity reserves of the TSKCB and its subsidiaries were 26% and 23% on December 31, 2020 and 2019, respectively.

Liquidity risk means the risk that TSKCB and its subsidiaries could not provide enough capital to deal with either the increase in assets or payment of obligation upon maturity. TSKCB and its subsidiaries classifies the factor into the following classification according to the cause of the risk:

i. Founding liquidity risk

Refers to the risk that TSKCB and its subsidiaries will be unable to monetize assets or obtain sufficient funds for dealing with the payment of obligation upon maturity.

ii. Market liquidity risk

Refers to the lack of market depth or presence of market disorder, which causes TSKCB and its subsidiaries to face the risk of a significant decline in market prices when selling or offsetting the positions. Especially when market liquidity freezes, it is very likely that actual losses will be much greater than expected losses.

Management purpose and principle of liquidity risk

If the elimination of liquidity risks is relatively costly, the purpose of liquidity management is to achieve a balance between surplus and risk within a tolerable range. TSKCB and its subsidiaries clearly defined the rights and responsibilities of each unit in accordance with relevant regulations on liquidity risk management, and through the procedures of identification, measurement, monitoring, and reporting as a mechanism for the liquidity risk management of TSKCB and its subsidiaries. The principles of management of liquidity risk for TSKCB and its subsidiaries are as follows:

i. Principle of diversification

TSKCB and its subsidiaries should avoid excessive concentration of funds on the same maturity date, scheduling tool, region, and source of funds or counterparties.

ii. Principle of stability

TSKCB and its subsidiaries should develop a strategy to obtain stable funding.

iii. Market liquidity

Each book value of assets should maintain proper market liquidity as the positions of market liquidity will indirectly affect the funding liquidity.

iv. Matching of the expiry date of assets and liabilities

Set the relevant indicators for monitoring the suitability of short-term and long-term objectives.

v. Management of financing source

Reduce reliance on unstable financing sources such as large deposits and interbank lending.

vi. Management of financing needs

Control of payment commitments derived from loans business.

### Measurement of liquidity risk

TSKCB and its subsidiaries formulates liquidity management indicators and management mechanisms for each major currency, mainly covering the following:

- i. Current ratio
- ii. Analysis of funding gap
- iii. Structure of asset and liability
- iv. Concentration of funding sources

In addition, TSKCB and its subsidiaries standardize management principles for fund requirements of off-balance-sheet transactions, large-capital notification mechanisms, early warning mechanisms, and formulate emergency plans for liquidity risks and liquid assets for financial asset positions held by TSKCB and its subsidiaries, as well as set allocation proportion and order of disposal according to liquidity attributes.

### Stress testing

The stress test of liquidity risk is used to detect the ability of TSKCB and its subsidiaries to meet the funding gap under extreme adverse market conditions to ensure that TSKCB and its subsidiaries can withstand sudden events. The survival horizon and stress scenario of TSKCB and its subsidiaries' stress test contain at least:

- i. General market pressure scenarios
- ii. Possible stress situations unique to the TSKCB and its subsidiaries

Further, TSKCB and its subsidiaries are to estimate the remaining funds during the survival horizon in each stress situation. If there is a negative funding gap or a significant liquidity slowdown during the survival horizon, it should be investigated in a timely manner, including capital injection and other means to increase the cash flow coverage ratio.

### The maturity analysis of non-derivative financial liabilities

The analysis of cash outflows of non-derivative financial liabilities was presented by the residual maturities as of the balance sheet dates. Since the amounts of cash outflows were based on contractual cash flows, certain items may not correspond to related amounts in the consolidated balance sheets.

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 4,357,873	\$ 18,096	\$ 193,518	\$ 78,162	\$ 906	\$ 4,648,555
Funds borrowed from bank and banks	-	267,740	-	-	-	267,740
Notes and bonds issued under repurchase agreements	-	2,067,364	-	-	-	2,067,364
Payables	9,714,334	505,053	870,094	162,149	429,793	11,681,423
Deposits and remittances	194,809,928	115,483,359	94,106,879	200,594,460	305,105,924	910,100,550
Bank debentures	-	-	-	1,500,000	26,000,000	27,500,000
Lease liability	48,252	98,668	151,498	305,531	3,120,566	3,724,515
Other items of cash outflow on maturity	2,096,497	293,819	385,547	1,028,617	4,590,356	8,394,836

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 8,202,481	\$ 18,106	\$ 193,531	\$ 78,182	\$ 1,519	\$ 8,493,819
Notes and bonds issued under repurchase agreements	-	608,031	-	-	-	608,031
Payables	8,570,824	422,879	749,794	281,369	435,426	10,460,292
Deposits and remittances	162,847,341	111,913,732	79,873,153	203,052,710	257,326,161	815,013,097
Bank debentures	-	-	-	-	22,500,000	22,500,000
Lease liability	48,077	99,039	151,231	302,729	3,631,667	4,232,743
Other items of cash outflow on maturity	1,982,883	825,444	1,223,266	1,600,685	5,361,269	10,993,547

### The maturity analysis of derivative financial liabilities

#### i. Derivative instruments that settle on a net basis

The derivative instruments that settle on a net basis include:

Foreign exchange derivatives: Currency options, Non Principal Delivery Forward Contract (NDF)

Commodity options: Commodity exchange contracts and commodity options.

The basic element to realize the derivative financial instruments shown in the consolidated balance sheets is to assess the maturities of contracts. Since the amounts in the maturity analyses of derivative financial liabilities were based on contractual cash flows, certain items may not correspond to related amounts in the consolidated balance sheets. The maturity analysis of derivative financial liabilities was as follows:

(In Thousands of New Taiwan Dollars)

Financial Instruments Item	December 31, 2020					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss Foreign currency derivative	\$ (297)	\$ (15,011)	\$ (9,896)	\$ (17,713)	\$ (111,011)	\$ (153,928)

(In Thousands of New Taiwan Dollars)

Financial Instruments Item	December 31, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss Foreign currency derivative	\$ (13,159)	\$ (1,084)	\$ (254)	\$ (1,277)	\$ 6,846	\$ (8,928)

#### ii. Derivative instruments that settle on a gross basis

The derivative instruments that settle on a gross basis include:

Foreign exchange derivative: Currency options, foreign exchange forward contracts, foreign exchange contract.

The Bank conducted maturity analysis of off-balance sheet items based on the residual maturities as of the balance sheet dates. For the financial guarantee contracts issued, the maximum amounts of the guarantees are included in the earliest periods that the guarantee obligation might have been required to be fulfilled. The amounts used in the maturity analysis of off-balance sheet items are based on contractual cash flows, so some of these amounts may not correspond to those shown in the balance sheets.

Item	December 31, 2020					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 5,249,928	\$ 6,235,013	\$ 13,328,349	\$ 28,427,051	\$ -	\$ 53,240,341
Inflows	5,179,953	6,046,605	12,959,282	28,144,861	-	52,330,701
Net flows	\$ (69,975)	\$ (188,408)	\$ (369,067)	\$ (282,190)	\$ -	\$ (909,640)

Item	December 31, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 14,075,489	\$ 25,854,695	\$ 15,327,197	\$ 3,530,725	\$ -	\$ 58,788,106
Inflows	13,927,611	25,536,769	15,280,762	3,535,802	-	58,280,944
Net flows	\$ (147,878)	\$ (317,926)	\$ (46,435)	\$ 5,077	\$ -	\$ (507,162)

d) The maturity analysis of off-balance sheet items

The analysis of maturities of off-balance sheet items was based on the residual maturities as of the consolidated balance sheet dates. For the financial guarantee contracts issued, the maximum amounts of the guarantees were included in the earliest periods when the guarantees were required to be performed. The amounts in the maturity analysis of off-balance sheet items were based on contractual cash flows, certain items may not correspond to related amounts shown in the consolidated balance sheets.

Item	December 31, 2020					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Developed and irrevocable loan commitments	\$ -	\$ -	\$ 108,979	\$ 143,463	\$ 647,753	\$ 900,195
Irrevocable credit	9	29,731	48,764	148,906	1,652,001	1,879,411
Letters of credit	648,353	2,056,761	140,915	-	-	2,846,029
Guarantees	7,325,836	4,400,125	650,461	1,785,500	5,605,354	19,767,276
Total	\$ 7,974,198	\$ 6,486,617	\$ 949,119	\$ 2,077,869	\$ 7,905,108	\$ 25,392,911

Item	December 31, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Developed and irrevocable loan commitments	\$ -	\$ -	\$ -	\$ 671,833	\$ 1,815,621	\$ 2,487,454
Irrevocable credit	778	2,441	75,980	68,716	1,845,577	1,993,492
Letters of credit	673,048	1,386,507	218,775	29,749	-	2,308,079
Guarantees	2,505,956	2,973,708	999,600	2,375,782	3,378,724	12,233,770
Total	\$ 3,179,782	\$ 4,362,656	\$ 1,294,355	\$ 3,146,080	\$ 7,039,922	\$ 19,022,795

e) Cash flow interest rate risk

The floating-rate assets/liabilities held by the Bank may take risks of future cash inflow/outflow. The Bank mitigates the cash outflow risks by controlling the interest sensitivity gap.

f) Offsetting financial assets and financial liabilities

TSKCB was not eligible to present certain financial assets and financial liabilities on a net basis on the balance sheet since the offsetting criteria of financial instruments under IAS No. 32, paragraph 42 were not met. TSKCB did not meet the offsetting criteria pursuant to IAS, but had enforceable master netting arrangements or similar agreements signed with counterparties. Thus, financial instruments under above agreements can be settled on a net basis of financial assets and financial liabilities if two parties decide to settle on net basis, or if not, settle in gross basis. If one party defaults, the other party can choose to settle on net basis.

The tables below present the information on financial assets and financial liabilities that have been offset.

December 31, 2020						
Financial Assets That Have Been Offset or That Are Covered By Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amounts Not Set Off in the Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivatives	\$ 4,527,387	\$ -	\$ 4,527,387	\$ -	\$ 367,140	\$ 4,160,247

December 31, 2020						
Financial Liabilities That Have Been Offset or That Are Covered By Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amounts Not Set Off in the Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivatives	\$ 1,379,543	\$ -	\$ 1,379,543	\$ -	\$ 979,956	\$ 399,587
Repurchase agreements and loan of securities	2,064,788	-	2,064,788	2,064,788	-	-

December 31, 2019						
Financial Assets That Have Been Offset or That Are Covered By Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amounts Not Set Off in the Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivatives	\$ 2,203,302	\$ -	\$ 2,203,302	\$ -	\$ 249,132	\$ 1,954,170

December 31, 2019						
Financial Liabilities That Have Been Offset or That Are Covered By Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amounts Not Set Off in the Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivatives	\$ 1,316,824	\$ -	\$ 1,316,824	\$ -	\$ 422,380	\$ 894,444
Repurchase agreements and loan of securities	605,125	-	605,125	600,494	-	4,631

Note: Included master netting arrangement and non-cash financial collateral.

#### 4) TSKCB'S hedging strategy

The risk control activities and hedging strategy of TSKCB are affected by the client-service-driven banking industry and the regulatory environment; to fulfill its objectives, an overall risk management and control system was adopted to identify, evaluate, and control all risks.

The objective of market risk management of TSKCB is to achieve optimal risk position, maintain adequate liquidity position, and manage all market risk by considering the economic environment, competition, market risk, and impact on net interest income. In order to achieve this goal, TSKCB's hedging activities concentrate on two main control factors: Net future cash flow and market risk.

TSKCB uses two types of hedging relationship to manage the two factors: Cash flow hedge and fair value hedge. Cash flow hedge is used to avoid interest rate risk, and fair value hedge is used to reduce market value risk.

Fair value hedge involves transfer of fixed income or structured transaction to floating income. TSKCB uses fair value hedge to transfer non-monetary-linked bonds to become monetary-linked bonds following the current policy. TSKCB set up the strategy of fair value hedge of interest rate exposure to hedge certain loans, deposits, and fixed interest or structured liabilities. TSKCB primarily uses interest rate swaps to hedge fair value risk. In addition, cross-currency swaps, swap options, interest rate caps and floors, and other derivatives may be used as hedging instruments.

Two main goals of TSKCB's cash flow hedge are: (1) transferring monetary-linked transaction to become fixed interest transaction to minimize interest rate risk, and (2) avoiding exchange rate risk arising from forecast transaction. TSKCB primarily uses interest swap as a cash flow hedging instrument, and forward exchange contract to avoid risk arising from exchange rate. In addition, cross-currency swaps, swap options, interest rate caps and floors, and other derivatives may be used as cash flow hedging instruments.

#### 5) Financial risk information of SKITC

##### a) Market risk

The main financial risks SKITC are exposed to the risk of changes in foreign currency exchange rates (see (i) below) and the risk of changes in interest rates (see (ii) below).

There had been no change to SKITC's exposure to market risks or the manner in which these risks were managed and measured.

Market risk exposures were measured using value-at-risk (VaR) and stress test and were supplemented by sensitivity analysis.

Value at Risk (VaR) analysis

The VaR estimates the potential loss of profit before tax over a given holding period for a specified confidence level. The VaR analysis method is a statistical method based on probability, which considers volatility and the effect of risk diversification achieved by offsetting financial instrument and the correlation between products and the market. SKITC calculates the VaR for one day at 99% confidence level, which means that there is a 99% chance that daily losses due to market risk will not exceed the reported risk value.

Stress test - historical scenario analysis

Besides the module of VaR, SKITC adopted stress test periodically to measure potential risk of an extremely extraordinary event.

Historical scenario analysis is performed by selecting a prior period of a historical event, taking the fluctuations of risk factors into consideration and calculating the losses of the investment portfolio occurred for the event.

i. Foreign currency risk

SKITC had service revenue denominated in foreign currencies and consulting fees paid to overseas entities, and, therefore, SKITC exposed to foreign currency risk. The above transactions generated 15% of annual sales of SKITC.

The carrying amounts of SKLITC's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
USD	\$ 39,994	\$ 16,603
EUR	823	795
CNY	9,571	552
AUD	85	62
<u>Liabilities</u>		
USD	214	226

Sensitivity analysis

SKITC was mainly exposed to the USD, EUR and CNY.

The following table details SKITC's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in post-tax net income associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on net income and the balances below would be negative.

	USD Impact		AUD Impact		CNY Impact	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019	2020	2019
Profit or loss	\$ 318	\$ 131	\$ 7	\$ 6	\$ 77	\$ 4

ii. Interest rate risk

The carrying amounts of SKITC's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 598,372	\$ 557,000
Financial liabilities	16,875	48,331

Sensitivity analysis

SKITC's exposure to fair value interest rate risk for financial assets mainly concentrated on time deposits (including those with maturity more than 3 months) operating deposits and after deposits. Financial liabilities are mainly concentrated on lease liability. Since the interest rates of these financial assets were fixed as undertaking and were not affected by changes in interest rates, these financial assets were not included in the sensitivity analysis.

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to SKITC. As of the end of the reporting period, SKITC's maximum exposure to credit risk which will cause a financial loss to SKITC due to the failure of counterparties to discharge their obligations is mainly equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

SKITC adopted a policy of only dealing with creditworthy counterparties and supervising credit risk exposure and credit ratings, where appropriate, as a means of mitigating the risk of financial loss from defaults. Further, SKITC's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

SKITC's management income was based on the funds SKITC managed, calculated and accumulated according to their net asset values, and received monthly. SKITC did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. When the counterparty of consulting income was a related party, SKITC identified it as a counterparty having similar characteristics.

c) Liquidity risk

SKITC manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the SKITC's operations and mitigate the effects of fluctuations in cash flow. SKITC's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

6) MLSC's financial risk information

a) Financial risk management objectives and policies

i. Risk management policies

Under an acceptable risk level, MLSC progressively engaged in several businesses and enhanced the quality and quantity of revenue.

For establishing the width and depth of risk management, the width was based on eight major risks developed into a three-level risk-control structure, and the depth was built up through self-evaluation and monitoring to ensure management of the eight major risks and to pursue systematization, computerization, and disciplines.

Business departments should effectively control their involved risks for event, regulation, liquidity, market, model, credit, operation, and systems. Risk-monitoring units should continuously monitor business activities and make timely feedback, and the auditing office should perform audits responsive to the risks.

ii. Risk management system

MLSC and its subsidiaries aggregated risk management policies, structure and segregation of duties of risk management organization and risk control procedures into "Risk Managements Requirements." The requirements, which was drafted by Risk Management Office and approved by the board of directors, is the foundation for MLSC and its subsidiaries' risk management and regulation of MLSC and its subsidiaries' significant risk management items, such as risk management organizations and duties, risk management policies, and control procedures.

The risk management system of MLSC and its subsidiaries covered all kinds of risks faced in operating process, including risks for event, market, credit, liquidity, model, regulation, operation and system, risk-monitoring units should continuously monitor business activities and make timely feedback, and auditing office should perform audits responsive to the risks.

iii. Risk management organizations

i) Risk management organizations included the board of directors, Risk Management Committee, risk management office, business departments and other relevant departments (Legal Office, Compliance Office, Auditing Office), and were responsible for monitoring, planning and performing.

- ii) MLSC and its subsidiaries set up Risk Management Committee, which is under the board of directors and responsible for planning risk management and monitoring its effectiveness, and the committee holds meeting at least every two months.
- iii) Risk Management Office was responsible for evaluating risks and monitoring the performing of affairs and subordinate to general manager.

iv. Risk control procedures

Risk control procedures of MLSC and its subsidiaries included risk identification, risk evaluation, monitoring of risk, reporting of risk and response to risk. The impacts and responses to all kinds of risks are as follows:

i) Event risk management

To avoid the situations that major natural disasters and accidents result in obstacles to the order of normal business operation or losses, MLSC and its subsidiaries established “Crisis Management Procedures” to rapidly respond to major natural disasters and accidents and to maintain the order of normal business operation.

ii) Regulation risk management

To avoid the situations that government regulations and contracts are not complied due to null contracts, exceeding authority, omission of conditions, incomprehensive requirements, and etc. and losses incurred.

Legal office is responsible for the review of contracts or other documents related to the Company’s profit, and handles suspected non-litigations and lawsuits of MLSC and its subsidiaries.

Compliance office is responsible for the propaganda and consultation of laws and regulations, while confirming that the operations are in compliance with the laws, and supervising the units and branches for compliance with the laws.

iii) Liquidity risk management

- To respond to market liquidity risk and significant changes in market prices when processing or offsetting positions due to insufficient depth or disorder of market, MLSC and its subsidiaries established liquidity risk management procedures with detailed requirement of risk management for each business to control the risk by limiting holding positions under a certain percentage of average trade value after considering the concentration of holding positions and market trades.
- To respond to capital liquidity risk due to settlement obligation or contract responsibility not performed caused by failing to acquire sufficient funds or to realize assets, MLSC and its subsidiaries control cash flows every day as well as established several financial targets, such as loan stability target, and loan liquidity target, and emergency liquidity provision.

iv) Market risk management

- To avoid losses due to fluctuations of market prices, including share prices, interest rates, and foreign exchange rates, the authorized limits, pre-warning of losses, risk appetite, stop loss limit, risk indicator limit (such as Greeks and DV01), risk values, market risk limit and limit for stress test of market risk are established for an individual position and overall positions according to the properties of different commodities.
- For the model of risk value measurement, MLSC and its subsidiaries adopted variance-covariance method to calculate the VaR for one day at 99% confidence level, and performed retrospective testing periodically to ensure the effectiveness of the model.
- To evaluate the impact to value of investment portfolio due to abnormal significant market changes, stress test is performed by hypothetical scenario, historical scenario, and sensitivity analysis.

v) Model risk management

To maintain the operation and management of model, strengthen the risk management of derivative instruments, and lower the model risk that results from inappropriate assumptions of model, inputs, or evaluation, MLSC and its subsidiaries established operating procedures for model development, verification, custody, and modifications and validated prices before issue, confirmed after transactions, checked monthly evaluation, and verified gain or loss upon maturity and early termination to avoid model risk.

vi) Credit risk management

To avoid the financial and business losses because counterparties, including issuers of securities, counterparties of contracts, and debtors, were unable to perform contract obligations, MLSC and its subsidiaries established procedures for authorizations, notifications, monitoring of limits, and exception management, set up lines of credit according to counterparties and their credit ratings by different levels, examined the credit ratings and exposures of counterparties and issuers, and developed forecasting models for credit defaults, such as KMV and Z-score.

vii) Operation risk management

To avoid losses directly or indirectly caused by lapses in internal process, personnel, or system, or external events, each operation of MLSC and its subsidiaries is performed in conformity with procedures and control points of internal control and audited regularly or irregularly by Auditing Office according to internal audit implementation rules.

viii) System risk management

To avoid the situations that management systems cannot work due to system gaps resulting in obstacles to achievement of target, systems cannot ensure that company governance and business are performed properly, or organizations are regulated precisely, or authority or systems are not modified to keep up with changes in laws and regulations or company policies, the business departments set up and follow the rules for business or the regulations, and monitored by the risk management office, Compliance Office, and Auditing Office to implement system risk management.

b) Market risk

Market risk is the risk that losses would occur to investment portfolio of MLSC and its subsidiaries due to changes in risk factors, such as market price, interest rate and foreign exchange rate. MLSC and its subsidiaries adopted market risk management tools, such as sensitivity test, Value-at-Risk and stress test, to calculate quantitative information of each kind of financial instruments every day in order to realize the exposures to market risks of the whole company and completely and efficaciously identify, evaluate, monitor and control market risk.

i. Sensitivity analysis

Sensitivity analysis is a measure of how investment portfolio will fluctuate as risk factors change, such as share price, interest rate and volatility. Risk factors can be divided into equity type and interest rate type according to their nature. MLSC and its subsidiaries used the following sensitivity tests to evaluate and monitor exposures to such risks:

Equity type

- i) Delta: The impact to price of commodity as a result of one unit changes in target price.
- ii) Gamma: The impact to Delta of commodity as a result of one unit changes in target price.
- iii) Theta: The impact to price of commodity as a result of one unit changes in maturity.
- iv) Rho: The impact to price of commodity as a result of one unit changes in market interest rate.

Interest rate type

- i) Price Value of Basic Point (PVBP): The impact to price of commodity as a result of 1BP (0.01%) change in interest rate.
- ii) Convexity: The impact of PVBP (or DV01) of commodity as a result of 1BP change in interest rate.

ii. Value-at-Risk

Value-at-Risk is a quantitative presentation of risk to measure the maximum losses to investment portfolio during a specific interval at a certain confidence level due to the worst event occurring in the market. MLSC and its subsidiaries calculate Value-at-Risk for next one day at 99% confidence level.

To effectively measure the maximum potential losses of financial instruments and investment portfolios and use these data in market risk management, MLSC and its subsidiaries continuously perform model verification and periodic retrospective test to validate the accuracy of quantitative model, ensuring the soundness, reasonableness, and completeness of the model.

### VaR Statistic for One-day Operating Activities

<b>December 31, 2020</b>	<b>Amount</b>
End of the year	\$ 94,508
Average	120,542
Lowest	59,658
Highest	175,063
<b>December 31, 2019</b>	<b>Amount</b>
End of the year	\$ 56,912
Average	65,143
Lowest	37,352
Highest	82,645

### VaR Statistics for Risk Factors of Operating Activities

	<b>Equity</b>	<b>Interest Rate</b>	<b>Foreign Exchange Rate</b>	<b>Total</b>
December 31, 2020	\$ 78,831	\$ 22,009	\$ 8,892	\$ 94,508
Average	97,798	33,881	4,000	120,542
Lowest	37,750	22,009	897	59,658
Highest	149,081	71,813	8,892	175,063
	<b>Equity</b>	<b>Interest Rate</b>	<b>Foreign Exchange Rate</b>	<b>Total</b>
December 31, 2019	\$ 44,493	\$ 29,870	\$ 1,640	\$ 56,912
Average	45,875	34,763	906	65,143
Lowest	25,721	20,725	348	37,352
Highest	57,478	50,018	1,650	82,645

iii. Stress test

Value-at-Risk is an estimate of maximum losses at a specific confidence level, but it cannot forecast the potential risk exposure of all investment portfolios as a result of an extraordinary change in financial market; therefore, MLSC and its subsidiaries evaluated the losses of all investment portfolios at extraordinary scenarios through stress test. For the basis of risk analysis, risk pre-warning, and business management, MLSC and its subsidiaries periodically summarize results of sensitivity test, hypothetical scenario and historical scenario as a stress test report as follows:

Historical scenario

How the values of investment portfolio would fluctuate was evaluated according to variations of risk factors during specific extraordinary events in the past financial markets, including 921 earthquake, 911 terrorist attack, 319 shooting, 915 Lehman financial crisis, 311 Japan earthquake, tsunami and 806 S&P's downgrade of U.S. Treasuries, 1011 US shares plunged due to US-China trade war and COVID-19.

### Hypothetical scenario

The variations of the values of investment portfolio were evaluated under specific stress events for extreme measurement assumptions, including 50 bps increase in yield curve, 15% decrease in share index, 30% decrease in share index, 15% increase in a share market index change in volatility and 5% appreciate in NTD.

### Sensitivity analysis

Sensitivity test is a measure of how investment portfolio fluctuates as a result of changes in specific risk factors. The changes in values of investment portfolios were evaluated in various scenarios of equity type and interest rate type, of which the scenarios were set with the following TAIEX and government bond yield rate: In order to have comprehensive scenario covered by each risk factor, the measurement of Vega risk (a share market index change in volatility) combined with foreign exchange risk (depreciation/appreciation in NTD) is added into risk categories since second quarter in 2015.

Type	Factors	Scenario Contents						
Equity	TAIEX (%)	(30)	(20)	(10)	0	10	20	30
Interest rate	Government bond yield rate (bps)	-	50	25	-	(25)	(50)	-

### **Stress Test Table**

<b>December 31, 2020</b>			
<b>Risk factors</b>	<b>Risk price</b>	<b>Difference</b>	<b>Profit or Loss on Investment Positions</b>
Equity risk	Share index	-30%	\$ (2,741,727)
Interest risk	Yield curve	+50bps	(488,736)
Vega risk	A share market index change in volatility	+15%	(311,904)
Foreign exchange risk	Foreign exchange rate	+5%	(47,361)

<b>December 31, 2019</b>			
<b>Risk factors</b>	<b>Risk price</b>	<b>Difference</b>	<b>Profit or Loss on Investment Positions</b>
Equity risk	Share index	-30%	\$ (1,619,070)
Interest risk	Yield curve	+50bps	(760,708)
Vega risk	A share market index change in volatility	+15%	(303,284)
Foreign exchange risk	Foreign exchange rate	+5%	(13,175)

c) Credit risk management

i. Credit risk management system

To avoid financial and business loss because counterparties, including issuers of securities and counterparties of contracts and debtors, were unable to perform contract obligations, MLSC and its subsidiaries established procedures for authorizations, notifications, monitoring of limits and exception management in rules of risk management, ensuring the completeness of credit risk management system, and measuring and monitoring of credit risk limits in daily reports as implementation of control system of credit risk management. The credit risk management system is as follows:

i) Authorization and notification

The authorization and notification for credit risk of each business were regulated in the rules of business risk management for business departments to comply and implement control.

ii) Credit assessment before the transaction

To control credit risk, credit of counterparties should be cautiously assessed before closing transaction and compliance of transactions should be monitored.

iii) Credit level management

To control credit risk, MLSC and its subsidiaries established rules of credit level management for counterparties with different credit levels and the rules of business risk management for business departments required to set up lines of credit and control by different levels.

iv) Credit monitoring after the transaction

Credits of the counterparties of positions are periodically examined after transaction and the rules of credit monitoring are established for credit risk control, periodical assessment and monitoring. Business department issued evaluations on credit levels of counterparties for juristic-person clients every month, which are reviewed by the management of departments and preserved by the risk management office.

v) Quantitative measurement techniques for credit risk

The quantitative measurement techniques for credit risk are divided into counterparties and transaction objects as follows:

- Counterparties: Risk exposure limits are evaluated at different levels by industry or by TCRI rating, and the credit risk exposures are monitored and examined against limits every day.

- Transaction objects: To evaluate the credit risk of transaction objects, besides TCRI rating and Z-Score model, KMV credit module was developed to calculate the possibility of default according to daily share price information and credit levels are compared with TCRI ratings and divided into levels to minimize Type I error and Type II error.

- KMV model

MLSC and its subsidiaries developed KMV model as internal rating module for listed shares and emerging shares, which produced the distance of default (DD) and possibility of default (PD), and, according to the actual defaults of listed companies and emerging share companies in Taiwan, they formulated the table of possibilities of default for the securities issued by listed companies and emerging share companies, including shares, corporate bonds and convertible bonds as the criteria to convert KMV model possibilities of default and internal credit ratings. Possibilities of default and credit ratings of listed companies and emerging market companies are summarized in Risk Management Information System (Risk MIS) as a reference of credit for investing and controlling margin loan and share loan.

- Z-Score and TCRI

Introduction of Altman Z-Score and TCRI in Taiwan Economic Journal and development of examination criteria for credit risk levels helped identify the credit risk levels of investment object and monitor the changes in credit risk.

ii. Credit risk for financial instruments

MLSC and its subsidiaries held financial assets with potential credit risk, including cash in banks, debt securities, over-the-counter derivatives, bonds and notes purchased under resale agreements, margin loans and short sales, guarantee deposits, deposits for futures, other deposits and accounts receivable.

i) Cash and cash equivalents

Cash and cash equivalents include time deposits, demand deposits, checking accounts and commercial papers, and MLSC and its subsidiaries engaged in these transactions with domestic financial institutions.

ii) Financial assets at FVTPL - current

- Debt securities

Debt securities include bonds, convertible bonds and bond funds.

- Domestic bonds

Domestic bonds held by MLSC and its subsidiaries primarily comprised of domestic government bonds (central and local) and corporate bonds (including bank debentures and international bonds), and the corporate bonds were grouped and managed by secured and unsecured bonds. Of all secured and unsecured corporate bonds, the issuers ratings were twBBB or above, and holding positions with ratings twA- or below should not exceed 20% of total authorized limits. Therefore, the credit risk of bonds was not material.

- Foreign bonds

Foreign bonds held by MLSC and its subsidiaries primarily comprised foreign government bonds and corporate bonds (including bank debentures and other bonds). The issuers' ratings of the bonds were required to be above a certain standard, and bonds with no ratings or that were below the standard should not exceed 10% of total equity.

- Convertible bonds

Convertible bonds held by MLSC and its subsidiaries were primarily issued by domestic legal entities and grouped and managed by secured and unsecured convertible bonds. For convertible bonds, the issuers ratings were twBBB or above; for unsecured convertible bonds, the issuers' ratings should be twBBB- or above, and credit linked note and assets swap were issued to transfer the credit risks to external investors and lower the retained credit risks from issuers.

- Bond funds

Bond funds held by MLSC and its subsidiaries were primarily money market funds and were not material to total bonds.

- Over-the-counter (OTC) derivatives

Before transaction of OTC derivatives, MLSC and its subsidiaries should sign ISDA contracts with legal entity counterparties as agreements of such transactions for both parties, and the agreements are the main contract for each OTC derivative transaction. If any party defaults or early terminates contract, all covered open interest should be closed-out-netting under the requirements of the agreements.

OTC derivatives engaged by MLSC and its subsidiaries included interest rate swap, bond option, asset swap of convertible bonds, structured instrument, share option and foreign exchange forward, and the primary counterparties were domestic institutions.

- Deposits for futures

When engaged in futures in secondary markets, MLSC and its subsidiaries should provide deposits to margin accounts appointed by futures companies as guarantee funds for performing contract obligations. These transactions are mainly processed by MLSC's subsidiaries, and, accordingly, such credit risks were low.

- Bonds purchased under resale agreements

When engaged in bonds or notes purchased under resale agreements, MLSC and its subsidiaries should agree the amounts, interests and periods of the transactions, and provide agreed amounts to counterparties, which are guaranteed by the target bonds or notes, and credit risk on counterparties could be lowered effectively. The bonds or notes are sold back to the counterparties upon maturity at agreed prices, and MLSC and its subsidiaries assume the credit risks during the transactions.

- Margin loans and short sales

For margin loans and short sales, MLSC and its subsidiaries assume credit risks from counterparties; such risks exist in both transactions. Credit risks from counterparties could be lowered by obtaining collaterals and were not material because the counterparties were financial institutions with high credit ratings.

- Other current assets

Other current assets represented cash provided by MLSC and its subsidiaries as collaterals or for restricted purposes, whose custodians were domestic financial institutions with high credit ratings.

- Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income held by MLSC and its subsidiaries were mainly domestic unlisted shares.

- Other deposits

Other deposits were mainly operation guarantee deposits, clearing and settlement fund and other guarantee deposits. Operation guarantee deposits are kept in domestic bank with high credit ratings, and clearing and settlement fund is provided to Taiwan Stock Exchange for use when one of market transaction counterparties do not perform delivery or payment of obligation; the credit risks from these deposits' custodians are not material; other guarantee deposits represented cash or other assets provided as guarantee, which were deposited to large number of entities with insignificant amounts, and, accordingly, the credit risks were diversified and no significant exposure to credit risk existed.

### iii. Measurement of expected credit losses

#### i) Assessment of credit risk that has increased significantly since initial recognition

- MLSC and its subsidiaries assess the change in the probability of default of every financial instruments which applied IFRS 9 impairment requirements on each reporting date to determine if the credit risk has increased significantly since initial recognition. In order to make this assessment, MLSC and its subsidiaries take into consideration the reasonable and supportable information that credit risk has increased significantly since initial recognition (including forward-looking information). The main considerations include: Internal/external credit rating, information on overdue status, credit spread, and other market information related to the borrower, issuer or counterparty, credit risk of other financial instruments from the same borrower has increased significantly, etc.
- Low credit risk: If the credit risk of a financial instrument at the reporting date is low, it can be assumed that the credit risk of the financial instrument has not increased significantly since the initial recognition date.

## ii) Definition of default and credit impairment of financial assets

The definition of financial asset default is the same as that of financial asset credit impairment. If one or more of the following conditions are met, MLSC and its subsidiaries determine that the financial asset has defaulted and is credit impaired:

- Quantitative indicators: When trade receivables fail to fulfill delivery obligations or other overdue receivables for more than 90 days. MLSC and its subsidiaries determine that the financial asset has defaulted and is credit impaired
- Qualitative indicators: If there is evidence that the issuer or counterparty will not be able to repay the contract, or that the issuer or counterparty has significant financial difficulties, such as:
  - The issuer or counterparty has gone bankrupt or may have called for bankruptcy or financial restructuring.
  - Other financial instrument contracts of the issuer or counterparty have defaulted.
  - The active market for the financial asset has disappeared due to the financial difficulties of the issuer or counterparty.
  - Purchase or initiate financial assets at a significant discount reflecting credit losses that have occurred.
- The definitions of default and credit impairment apply to all financial assets held by MLSC and its subsidiaries, and are consistent with the internal credit risk management, and are applied simultaneously through internal and external rating related impairment assessment models.
- If a financial asset no longer meets the definition of default and credit impairment for six months, it is determined to be out of default and is no longer considered a financial asset that has defaulted and credit impairment.

## iii) Measurement of expected credit losses

- Methods and assumptions

MLSC and its subsidiaries have measured the allowance loss of financial instruments in which credit risk has not increased significantly since the original recognition according to the expected credit loss for the 12 months, financial instruments whose credit risk has significantly increased or the credit has been impaired since the original recognition, and receivables that are measured based on the expected credit losses during the lifetime.

To measure the expected credit losses, MLSC and its subsidiaries consider the Probability of default (“PD”) of the financial asset or issuer or counterparty in the next 12 months or over its lifetime, which is included in the Loss given default (“LGD”) which is then multiplied by the Exposure at default (“EAD”), taking into consideration the impact of the time value of the currency when calculating the 12 months and lifetime expected credit loss.

MLSC and its subsidiaries measures EAD by the amortized cost of financial assets.

There were no significant changes in the estimation techniques or significant assumptions used to assess expected credit losses as of December 31, 2020.

- Consideration of forward-looking information

MLSC and its subsidiaries take forward-looking information into consideration when determining whether the credit risk of a financial asset has increased significantly since its original recognition and when measuring expected credit losses.

The PD and LGD which MLSC and its subsidiaries used to measure the expected credit losses include forward-looking overall economic information released regularly by international credit rating agencies (S&P and Moody's) after readjusting forward-looking factors such as economic growth predictability for the probability of default and loss rate.

- The expected credit losses of accounts receivable of MLSC and its subsidiaries were measured based on the lifetime expected credit losses. The explanations for assessing allowance losses on December 31, 2020 are as follows:

Historical experience of credit losses of accounts receivable showed that there was no significant difference between different customer groups. Therefore, the customer group was not further distinguished during the evaluation, and the allowance loss was measured by the expected credit loss rate of receivables from 0.000797% to 0.084578%.

#### iv. Management of credit risk quality by levels

Internal credit ratings evaluated by MLSC and its subsidiaries were classified into low credit risk, medium credit risk, high credit risk and default (impaired), explained as follows:

- Low credit risk: Entities have adequate capacity to meet financial commitments; even if facing significant uncertainties or adverse conditions, they still have stable capacity to deal with the creditor.
- Medium credit risk: Entities have moderate capacity to meet financial commitments; adverse economic conditions or changes in environments may weaken their capacity to meet financial commitments.
- High credit risk: Entities have weak capacity to meet financial commitments; exposure to long-term significant uncertain factors or adverse business, financial or economic conditions may weaken their capacity to meet financial commitments.
- Default (impaired): Entities that have no capacity to meet financial commitments in current situations or did not fulfill contract obligations and potential losses were estimated according to exposure.

The internal and external credit ratings are presented in the following table:

<b>Internal Credit Risk Level</b>	<b>Credit Rating from Taiwan</b>	<b>TCRI Indicator of Taiwan Economic Journal</b>
Low credit risk	twAAA - twBBB-	1-4
Medium credit risk	twBB+ - twBB	5-6
High credit risk	twBB+ - twC and without rating	7-9 and without TCRI
Default (impaired)	D	D

d) Liquidity management

MLSC and its subsidiaries managed capital by the use of bank loans, bonds purchased under resale agreements, and bills to achieve a flexible use of capital and capital stability. The derivatives engaged in by MLSC and its subsidiaries were traded in secondary markets and did not result in a material risk; the liquidity risk from OTC derivatives were under control since MLSC and its subsidiaries were the main market players.

The maturity analysis of financial liabilities was as follows:

December 31, 2020

	Payment Term					Total
	Within 1 Month	1-3 Months	3-12 Months	1-5 Years	More Than 5 Years	
Short-term borrowings	\$ 1,079,744	\$ -	\$ -	\$ -	\$ -	\$ 1,079,744
Commercial papers issued	2,399,935	-	-	-	-	2,399,935
Bonds issued under repurchase agreements	25,859,037	6,914,762	3,260,933	-	-	36,034,732
Bills issued under repurchase agreements	1,397,312	-	-	-	-	1,397,312
Financial liabilities at FVTPL	131,602	223,345	2,895,471	3,509,140	-	6,759,558
Non-derivative financial liabilities	-	-	1,182,323	-	-	1,182,323
Derivative financial liabilities	131,602	223,345	1,713,148	3,505,795	-	5,573,890
Others	-	-	-	3,345	-	3,345
Deposits received for securities loan	-	-	1,753,479	-	-	1,753,479
Guarantee payable for securities loans	-	-	1,979,768	-	-	1,979,768
Deposits for securities borrowing	-	-	1,037,438	-	-	1,037,438
Notes/accounts payable	25,646,245	4,361	1,302	-	-	25,651,908
Other financial liabilities - current	5,508,552	2,008,878	1,799,870	-	-	9,317,300
Lease liabilities - current	10,756	35,257	79,082	222,395	-	347,490
Others	1,934,723	-	71,716	-	-	2,006,439
	<u>\$ 63,967,906</u>	<u>\$ 9,186,603</u>	<u>\$ 12,879,059</u>	<u>\$ 3,731,535</u>	<u>\$ -</u>	<u>\$ 89,765,103</u>

December 31, 2019

	Payment Term					Total
	Within 1 Month	1-3 Months	3-12 Months	1-5 Years	More Than 5 Years	
Short-term borrowings	\$ 248,245	\$ -	\$ -	\$ -	\$ -	\$ 248,245
Bonds issued under repurchase agreements	25,636,508	6,097,596	7,536,551	-	-	39,270,655
Bills issued under repurchase agreements	1,097,586	-	-	-	-	1,097,586
Financial liabilities at FVTPL	84,681	175,582	2,279,930	1,895,130	-	4,435,323
Non-derivative financial liabilities	-	-	572,119	-	-	572,119
Derivative financial liabilities	84,681	175,582	1,707,811	1,890,346	-	3,858,420
Others	-	-	-	4,784	-	4,784
Deposits received for securities loan	-	-	1,434,815	-	-	1,434,815
Guarantee payable for securities loans	-	-	1,600,443	-	-	1,600,443
Deposits for securities borrowing	-	-	361,332	-	-	361,332
Notes/accounts payable	12,907,157	-	-	-	-	12,907,157
Other financial liabilities - current	-	9,515,624	356,366	-	-	9,871,990
Lease liabilities - current	-	-	164,610	-	-	164,610
Others	65,764	16,462	58,220	54,215	-	194,661
	<u>\$ 40,039,941</u>	<u>\$ 15,805,264</u>	<u>\$ 13,972,267</u>	<u>\$ 1,949,345</u>	<u>\$ -</u>	<u>\$ 71,586,817</u>

Note: The figures in the above table are expressed using the undiscounted total cash flow.

e) Transfers of financial assets

i. Derecognition of a financial asset other than in its entirety

The transferred financial assets of MLSC and its subsidiary, which were not eligible to derecognition in its entirety, were mainly the debt securities that were available for counterparties as pledges under repurchase agreements and the equity securities that were lent under security lending agreement. The transaction in fact is secured pledge loans, the related liability occurs since MLSC and its subsidiary has responsibility to buyback transferred financial asset at the fixed price in the future. For this type of transactions, MLSC and its subsidiaries cannot use, sell or pledge transferred financial assets within the valid period, but is exposed to interest risk and credit risk; thus transferred financial assets are not derecognized in entirety.

Financial assets that are not derecognized in entirety and the related financial liabilities were as follows:

As of December 31, 2020					
Category of Financial Asset	Carrying Amount of Transferred Financial Asset	Carrying Amount of Related Financial Liability	Fair Value of Transferred Financial Asset	Fair Value of Related Financial Liability	Fair Value of Net Positions
Financial assets at fair value through profit or loss					
Repurchase agreements	\$ 38,665,784	\$ 38,290,510	\$ 38,665,784	\$ 38,290,510	\$ 375,274
Bonds transaction	1,662,503	1,182,323	-	-	-

As of December 31, 2019					
Category of Financial Asset	Carrying Amount of Transferred Financial Asset	Carrying Amount of Related Financial Liability	Fair Value of Transferred Financial Asset	Fair Value of Related Financial Liability	Fair Value of Net Positions
Financial assets at fair value through profit or loss					
Repurchase agreements	\$ 39,591,954	\$ 39,270,655	\$ 39,591,954	\$ 39,270,655	\$ 321,299
Bonds transaction	803,958	572,119	-	-	-

ii. Derecognition of a transferred financial asset in its entirety

MLSC and its subsidiaries entered into Asset Swap, and its trading purpose was to sell the convertible corporate bonds that were acquired through brokering or underwriting. Payments were received when selling to counterparties and during the contract period, the seller exchanged agreed interests with counterparties for fixed coupons and interest compensation while retaining the right to buy back convertible corporate bonds from counterparties at any time before contractual maturities. Transferred financial assets were derecognized as MLSC and its subsidiaries lost control over them since the counterparties had the right to sell their financial assets to third parties without having additional restrictions. However, MLSC and its subsidiaries still had the right to buy back the transferred asset. The maximum exposure to loss would be the carrying amount. Transferred assets and the related financial liabilities under the criteria for derecognition in entirety were analyzed as follows:

As of December 31, 2020					
Type of Continuing Involvement	Cash Outflows to Repurchase Transferred (Derecognized) Financial Assets	Carrying Amount of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum Exposure to Loss
		Financial Assets at Fair Value Through Profit or Loss	Assets	Liabilities	
Purchased call options	\$ 10,891,500	\$ 1,820,201	\$ 1,820,201	\$ -	\$ 1,820,201

As of December 31, 2019					
Type of Continuing Involvement	Cash Outflows to Repurchase Transferred (Derecognized) Financial Assets	Carrying Amount of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum Exposure to Loss
		Financial Assets at Fair Value Through Profit or Loss	Assets	Liabilities	
Purchased call options	\$ 9,651,700	\$ 987,854	\$ 987,854	\$ -	\$ 987,854

The table below had been drawn up based on the undiscounted cash flows of financial assets to be transferred (derecognized) upon buy-back on maturity. The information of cash flows is disclosed according to expected maturity from end of reporting period.

As of December 31, 2020							
Type of Continuing Involvement	Less Than 1 Month	1-3 Months	3-6 Months	6 Months -1 Year	1-3 Years	More Than 3 Years	Total
Purchased call options	\$ 730,700	\$ 337,000	\$ 712,000	\$ 1,366,200	\$ 6,764,900	\$ 980,700	\$ 10,891,500

As of December 31, 2019							
Type of Continuing Involvement	Less Than 1 Month	1-3 Months	3-6 Months	6 Months -1 Year	1-3 Years	More Than 3 Years	Total
Purchased call options	\$ 70,000	\$ 70,100	\$ 847,500	\$ 2,244,900	\$ 6,178,200	\$ 241,000	\$ 9,651,700

The table below had been drawn up based on gain or loss recognized on transfer date as well as income and expenses from continuing involvement recognized in the current period and recognized cumulatively by type of continuing involvement - purchased call options.

As of December 31, 2020			
Type of Continuing Involvement	Gain or Loss Recognized at Transfer Date	Gain/(Loss) from Continuing Involvement Recognized in the Current Period	Gain/(Loss) from Continuing Involvement Recognized Cumulatively
Purchased call options	\$ (1,164)	\$ 595,167	\$ 594,003

As of December 31, 2019			
Type of Continuing Involvement	Gain or Loss Recognized at Transfer Date	Gain/(Loss) from Continuing Involvement Recognized in the Current Period	Gain/(Loss) from Continuing Involvement Recognized Cumulatively
Purchased call options	\$ (3,698)	\$ 283,033	\$ 279,335

f) Offsetting financial assets and financial liabilities

The derivatives and bonds issued under repurchase agreements of MLSC and its subsidiaries did not meet the offsetting criteria pursuant to IFRS, but was covered by enforceable master netting arrangements or similar agreements signed with counterparties. Derivatives under enforceable master netting arrangements or similar agreements can be settled on a net basis of financial assets and financial liabilities if two parties decide to settle on net basis, or if not, settle on gross basis. If one party defaults, the other party can choose to settle on net basis.

The tables below present the information on financial assets and financial liabilities that have been offset.

As of December 31, 2020

Financial Assets That Have Been Offset or That Are Covered by Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amounts Not Set Off in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivatives	\$ 140,263	\$ -	\$ 140,263	\$ -	\$ -	\$ 140,263
Repurchase agreements	4,556,278	-	4,556,278	-	-	4,556,278
Total	\$ 4,696,541	\$ -	\$ 4,696,541	\$ -	\$ -	\$ 4,696,541

Financial Liabilities That Have Been Offset or That Are Covered By Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Related Amounts Not Set Off in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivatives	\$ 301,989	\$ -	\$ 301,989	\$ -	\$ -	\$ 301,989
Repurchase agreements	38,290,510	-	38,290,510	-	-	38,290,510
Total	\$ 38,592,499	\$ -	\$ 38,592,499	\$ -	\$ -	\$ 38,592,499

Note: Included master netting arrangements and non-cash financial collateral.

As of December 31, 2019

Financial Assets That Have Been Offset or That Are Covered by Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amounts Not Set Off in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivatives	\$ 144,883	\$ -	\$ 144,883	\$ -	\$ -	\$ 144,883
Repurchase agreements	2,102,233	-	2,102,233	-	-	2,102,233
Total	\$ 2,247,116	\$ -	\$ 2,247,116	\$ -	\$ -	\$ 2,247,116

Financial Liabilities That Have Been Offset or That Are Covered By Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Related Amounts Not Set Off in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivatives	\$ 265,814	\$ -	\$ 265,814	\$ -	\$ -	\$ 265,814
Repurchase agreements	39,270,655	-	39,270,655	-	-	39,270,655
Total	\$ 39,536,469	\$ -	\$ 39,536,469	\$ -	\$ -	\$ 39,536,469

Note: Included master netting arrangements and non-cash financial collateral.

7) The property and coverage of risk of insurance contract:

a) Risk management

i. The policies of risk management

According to related laws and business needs, SKLIC's board of directors passed a resolution of "SKLIC's risk management policies", which clearly regulated the objectives and strategies of risk management, risk appetite and limit, the organization and responsibility of risk management, and the category and management of business management risk.

ii. The objectives of risk management

The objectives of SKLIC's risk management are to protect assets, ensure the adequacy of risk-based capital (RBC), increase shareholders' value and conform with related laws, and under the premise of the balance between risk and return, to promote the sound operation and development.

iii. The principles of risk management

SKLIC manages risks strategically. When making decisions, SKLIC takes risks into consideration, and through qualitative and quantitative management, carries out risk identification, evaluation, response, monitoring and controlling, keeping every risk it might encounter in operating activities endurable, in order to pursue stable operating policies and persist in the spirit of thorough implementation.

iv. Organization and responsibility

In order to effectively plan, supervise and implement risk management, SKLIC established “Risk Management Committee” under the board of directors and related units independent to business units. The risk management levels and responsibilities are as follows:

- The board of directors approves risk management policies.
- Audit committee controls the existing or potential risk.
- Risk Management Committee regularly evaluates risk tolerance.
- Risk management related units analyze and evaluate the change of risks.
- Business units implement risk management activities within the scope of jurisdiction.

v. The category and management of business operating risk

SKLIC’s business operating risks include insurance risk, market risk, credit risk, liquidity risk, concentration risk, operation risk, information security risk, asset - liability matching risk and other risks which are included in the resolutions of the parent company’s Risk Management Committee or SKLIC’s board of directors. In consideration of abovementioned business management risk, SKLIC complies with laws and regulations, builds adequate management system, and strictly implements policies.

b) Insurance risk information

i. Sensitivity of insurance risk

SKLIC’s sensitivity analysis of insurance risk are based on the effect of individual changes in current year’s financial revenue, operating expenses, insurance payments related to death or morbidity and termination fees (assuming other assumptions unchanged) on net income before tax and shareholder’s equity. The assumptions are illustrated as follows:

- Financial revenues include gains from lease of real estate, dividends and bonuses from financial assets and interest from fund application.
- Operating expenses include selling and administrative expenses and staff training expenses.
- Insurance payments related to death or morbidity are payments occurring due to insurance business and the insured’s death or morbidity.
- Termination fees are refunds due to termination or invalidity of insurance contracts.

**The Effects of Changes in Sensitivity Factors on  
Income Before Tax and Shareholders’ Equity**

	<b>For the Year Ended December 31, 2020</b>		
	<b>Changes in Assumptions</b>	<b>Changes in Income Before Tax</b>	<b>Changes in Shareholders’ Equity</b>
Financial revenue	Decrease 5%	\$ (5,505,316)	\$ (4,404,253)
Operating expenses	Increase 5%	(1,208,012)	(966,410)
Insurance payments related to death or morbidity	Increase 5%	(1,380,402)	(1,104,322)
Termination fees	Increase 5%	87,392	69,914

Note: The abovementioned assumption factors and analysis are based on SKLIC and its subsidiaries’ financial information for the year ended December 31, 2020.

Supplemental:

- The result is not linear; therefore, it is unable to estimate the extent of influence by interpolation method or extrapolation method.
- Assumption factors may not change and there may be correlation between different changes.
- Sensitivity analysis will not take into consideration the factors and effects that market changes have on business, such as buying or selling positions, changing asset allocation and adjustment to declared interest of insurance contracts.
- The calculation of changes in shareholders' equity is based on the amount net of income tax.

ii. The illustration of insurance risk concentration

SKLIC's main insurance products are life insurance, annuity insurance, accident insurance and health insurance, and the business is mainly in the Republic of China. Also, there is no significant difference in insurance contracts between different regions.

SKLIC's premium income is mainly from individual life insurance, individual health insurance and individual accident insurance in order. The insurance payments are mainly for endowment payments, refund benefit payments, termination fees and health benefits.

According to Regulations Governing Calculation of Various Reserve for Operations, due to heavy reparations when there are catastrophes and in order to deal with unusual changes in loss rate of different insurance and insurance payments, SKLIC provides special reserve for catastrophe and for contingent claim. The aforementioned catastrophe is one the government declared as a severe disaster, and the cumulative net indemnities of all the insurance products for an individual company are up to \$30 million and the cumulative indemnities for all the life insurance companies are up to \$1 billion.

The provision above for special reserve for catastrophe and for contingent claim is recognized, net of tax as special reserve under shareholders' equity.

iii. Claims development

SKLIC provided reserve for claims, whether or not it is reported, for projected future payments and related costs. The provision for reserves is highly complicated since there are many uncertain causes, estimation and judgment. Some claim reports may be delayed to SKLIC, and the estimation is related to past claim experiences and subjective judgment when estimating possible payments for the claims not yet reported. The claim reserve per book is estimated on the basis of available information at present. Therefore, it is unable to make sure the claim reserve on the date of balance sheet is equal to the actual payments, which will deviate from original estimation as the claim goes on.

The following tables show the claims development (excluding the claims whose payment amount and payment date have already been known in one year). Every accident year means the year the accident happens, the horizontal axis is the year of development, and every slash is the cumulative payment incurring for every accident year in the end of the year. The cumulative payments include the claims whether or not it is sure to happen, and illustrate how SKLIC estimates payments for every accident year as time passes. The conditions and trends that influence SKLIC's reserve provision may not be the same when claims develop. Therefore, the projected payments may not actually happen.

- Claims development of direct business

Accident Year	Development Trend of Direct Business Indemnities					Claim Reserve
	1	2	3	4	5	
2016	\$ 9,187,347	\$ 10,917,734	\$ 11,084,882	\$ 11,120,246	\$ 11,119,636	
2017	10,149,119	12,333,339	12,546,872	12,563,059		
2018	10,986,543	13,332,858	13,492,566			
2019	11,786,914	14,205,269				
2020	11,783,116					

Claim reserve for unreported and unpaid claims \$ 2,926,479  
 Add: Claim reserve for unreported which provided by other regulation 5,809  
 Add: Reported but unpaid claims 477,093  
 Claim reserve, balance \$ 3,409,381

- Claims development of retained business

Accident Year	Development Trend of Direct Business Indemnities					Claim Reserve
	1	2	3	4	5	
2016	\$ 9,187,347	\$ 10,917,734	\$ 11,084,882	\$ 11,120,246	\$ 11,119,588	
2017	10,149,119	12,333,339	12,546,872	12,563,059		
2018	10,986,543	13,332,858	13,489,540			
2019	11,786,914	14,205,131				
2020	11,719,369					

Claim reserve for unreported and unpaid claims \$ 2,904,622  
 Add: Claim reserve for unreported which provided by other regulation 5,809  
 Add: Reported but unpaid claims 477,093  
 Claim reserve, balance \$ 3,387,524

c) The credit risk, liquidity risk and market risk of insurance contracts

i. Credit risk

SKLIC enacted Shin Kong Life Insurance Company's Credit Risk Management Policies and established risk limit and required regular credit examination to control credit risks of investment objectives and counterparties. Undertaking large insurance risks is the core business of the insurance industry, and SKLIC's business scale is large enough to undertake considerable insurance risks. However, if certain risks are over-concentrated or significantly uncertain, reinsurance will be used to decentralize risks and reinsurance companies' credit ratings should meet the related regulations. Therefore, compared to retained risk, SKLIC's reinsurance risk is not significant.

ii. Liquidity risk

SKLIC enacted Shin Kong Life Insurance Company's Liquidity Risk Control and Management Policies as the basis of controlling and managing fund liquidity risk and market liquidity risk. Also, SKLIC makes use of asset and liability matching model to project future assets and liabilities' cash flows, to ensure there are enough cash flows to satisfy project liability obligations, as the basis of a long-term controlling and managing measures of liquidity risk. Besides, based on the regulation of reserve provision, the book value of contracts are all higher than surrender value. Therefore, the liquidity risk from contract termination is not significant. In consideration of materiality principle, there will be no cash flow analysis disclosure on maturity date when policyholders execute options to lapse.

iii. Market risk

According to the Regulations Governing Calculation of Various Reserves for Operations and other rulings promulgated by regulators, SKLIC calculates and provides various reserves for life insurance liabilities of insurance products based on projected interest rate and undertaking rate regulated by regulatory authorities. Since projected interest rate is determined when selling insurance products, it will not fluctuate as market interest rate does. Regulatory authorities considered a long-term level when it regulated the interest rate, which will not change with present market risk variables in the same time, same way or at the same amount. If the result of liability adequacy test is inadequate, the insufficient amount should be provided as liability adequacy reserve. Otherwise, reasonably possible changes in market risks would not influence SKLIC's amount of liabilities of insurance products.

In addition, for the calculation of reserve for life insurance liability, it is not likely that regulatory authorities will change the projected interest rate from fixed interest rate to floating rate fluctuating with market interest rate. Therefore, it is unlikely that market risk will, through liabilities of insurance products, have a significant effect on net income.

### **53. EMPLOYEE SHARE OPTION PLAN OF THE COMPANY**

According to the Company Act, the Company retains 15% of shares as provision for subscription by qualified employees when there is issuance of preference shares B and ordinary shares for cash. On July 29 and April 10, 2020, qualified employees were granted 33,000 and 63,000 thousand options. Each option entitles the holder with the right to subscribe for one ordinary share of the Company. The options were granted at an exercise price of \$45 and \$7.8.

According to the Company Act, the Company retains 15% of shares as provision for subscription by qualified employees when there is issuance of preference shares A and ordinary shares for cash. On September 2, 2019, qualified employees were granted 11,250 and 51,000 thousand options. Each options entitles the holder with the right to subscribe for one ordinary share of the Company. The options were granted at an exercise price of \$45 and \$8.6.

Information on ordinary share options is as follows:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
Balance at January 1	-	\$ -	-	\$ -
Options granted	63,000	7.8	51,000	8.6
Options forfeited	-	-	-	-
Options exercised	(41,326)	7.8	(42,384)	8.6
Options expired	<u>(21,674)</u>	7.8	<u>(8,616)</u>	8.6
Balance at December 31	<u>-</u>		<u>-</u>	
Options exercisable, end of the year	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 1.0264</u>		<u>\$ 0.7075</u>	

Information on preference share options is as follows:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
Balance at January 1	-	\$ -	-	\$ -
Options granted	33,300	45	11,250	45
Options forfeited	-	-	-	-
Options exercised	(4,043)	45	(4,294)	45
Options expired	<u>(29,257)</u>	45	<u>(6,956)</u>	45
Balance at December 31	<u>-</u>		<u>-</u>	
Options exercisable, end of the year	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 0.0009</u>		<u>\$ 0.1906</u>	

The options granted by SKFHC in August 2019, April 2020 and July 2020 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Ordinary Shares</b>	<b>Preference Shares B</b>	<b>Ordinary Shares</b>	<b>Preference Shares B</b>
Acquisition date share price (NT\$)	\$8.61	\$45	\$9.3	\$45
Exercise price (NT\$)	\$7.8	\$45	\$8.6	\$45
Expected volatility	60.013%	1.620%	19.823%	4.683%
Option life (in years)	26 days	27 days	18 days	18 days
Dividend yield	0%	13.652%	0%	0%
Risk-free interest rate	0.316%	0.336%	0.368%	0.368%

The fees recognized by the Group for the employee share based payment plan are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Fees recognized for share-based payment transactions (all equity-settled share-based payment transactions)	<u>\$ 64,693</u>	<u>\$ 38,227</u>

#### **54. CAPITAL MANAGEMENT**

##### **a. Management objectives of capital adequacy**

The Company manages the Group's owned capital to meet the requirements of regulations and achieve the minimum required Group capital adequacy ratio as the basis objective of capital management.

To ensure the Company owns sufficient capital to assume risks, the Company evaluates the risks according to the portfolio amount and characteristics. The Group's risk on capital is calculated according to requirements regulated by authorities.

##### **b. Management procedures for capital adequacy**

The Group's capital adequacy is summarized, calculated and controlled by the Company's Risk Management Department and reported to Risk Management Committee and board of directors quarterly in compliance with requirements of authorities and internal regulations, and delivered to authorities half-yearly.

The key points of management procedures for the Group's capital adequacy are as follows:

- 1) Calculations and control procedures should be in accordance with the Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies and the Regulations Governing the Capital Adequacy of SKFHC.
- 2) The Company sets the annual control objective of capital adequacy for the Group and primary subsidiaries at the beginning of the year, and reported to and approved by Risk Management Committee and board of directors, and responsible units manage capital adequacy periodically to comply with legal requirements and internal target.

3) The Company sets pre-warning value for above control objectives. When capital adequacy ratio decreases to pre-warning value, responsible units issues warning notice to require related units to propose corresponding improvement plan and perform these procedures.

c. Capital adequacy ratio as of December 31, 2020

The Group's audited capital adequacy ratio as of December 31, 2020 was 113.70%, which complied with authorities' requirements and internal control objectives.

## 55. FINANCIAL INFORMATION ON OPERATING SEGMENTS

a. General information on operating segments:

Information reported to the chief operating decision maker for the purpose of assessment of segment performance focuses on the nature of business operations and are divided into four reportable segments, including the insurance segment, bank segment, securities segment and others. The accounting policies are the same as the summary of significant accounting policies in Note 4. The Group's segment profits are evaluated on the basis of operating profits before tax, excluding extraordinary gain or loss.

b. The Group's reportable profit by segment for the years ended December 31, 2020 and 2019 is as follows:

	For the Year Ended December 31, 2020					
	Insurance Segment	Bank Segment	Securities Segment	Others	Elimination Between Segments	Total
Total net profit of reportable segments	\$ 245,921,050	\$ 16,948,665	\$ 6,484,374	\$ 883,700	\$ (1,919,786)	\$ 268,318,003
Reportable segment profit	\$ 330,907	\$ 6,674,033	\$ 2,150,176	\$ 60,585		\$ 9,215,701
	For the Year Ended December 31, 2019					
	Insurance Segment	Bank Segment	Securities Segment	Others	Elimination Between Segments	Total
Total net profit of reportable segments	\$ 258,766,687	\$ 16,605,638	\$ 5,405,944	\$ 829,039	\$ (2,100,872)	\$ 279,506,436
Reportable segment profit	\$ 10,727,930	\$ 6,691,870	\$ 1,672,396	\$ 141,459		\$ 19,233,655

c. The reconciliation of segment revenues, profits, assets and liabilities:

	For the Year Ended December 31	
	2020	2019 (Restated)
Total net profit of reportable segments	\$ 268,318,003	\$ 279,506,436
Other net loss	(157,107)	(104,873)
Elimination between segments	(23,747)	(156,537)
Total net profit	\$ 268,137,149	\$ 279,245,026
Total reportable segment profit before tax	\$ 9,215,701	\$ 19,233,655
Other loss	(723,650)	(604,138)
Total net profit (loss) before tax	\$ 8,492,051	\$ 18,629,517

December 31, 2020						
	Insurance Segment	Bank Segment	Securities Segment	Others	Elimination Between Segments	Total
Total reportable segment assets	\$ 3,261,268,656	\$ 1,040,251,390	\$ 127,528,946	\$ 5,015,226	\$ (76,991,728)	\$ 4,357,072,490
Non-allocable items						
Other assets	-	-	-	-	-	3,295,760
Elimination between segments	-	-	-	-	-	(3,244,454)
Total assets	<u>\$ 3,261,268,656</u>	<u>\$ 1,040,251,390</u>	<u>\$ 127,528,946</u>	<u>\$ 5,015,226</u>	<u>\$ (76,991,728)</u>	<u>\$ 4,357,123,796</u>
Total reportable segment liabilities	\$ 3,100,987,281	\$ 970,555,531	\$ 101,732,322	\$ 2,752,668	\$ (76,575,408)	\$ 4,099,452,394
Non-allocable items						
Other liabilities	-	-	-	-	-	19,774,506
Elimination between segments	-	-	-	-	-	(3,681,962)
Total liabilities	<u>\$ 3,100,987,281</u>	<u>\$ 970,555,531</u>	<u>\$ 101,732,322</u>	<u>\$ 2,752,668</u>	<u>\$ (76,575,408)</u>	<u>\$ 4,115,544,938</u>
December 31, 2019 (Restated)						
	Insurance Segment	Bank Segment	Securities Segment	Others	Elimination Between Segments	Total
Total reportable segment assets	\$ 3,028,007,513	\$ 939,841,614	\$ 104,445,134	\$ 3,641,844	\$ (47,218,843)	\$ 4,028,717,262
Non-allocable items						
Other assets	-	-	-	-	-	8,249,645
Elimination between segments	-	-	-	-	-	(7,153,188)
Total assets	<u>\$ 3,028,007,513</u>	<u>\$ 939,841,614</u>	<u>\$ 104,445,134</u>	<u>\$ 3,641,844</u>	<u>\$ (47,218,843)</u>	<u>\$ 4,029,813,719</u>
Total reportable segment liabilities	\$ 2,868,331,282	\$ 874,719,910	\$ 80,018,658	\$ 1,387,208	\$ (46,746,804)	\$ 3,777,710,254
Non-allocable items						
Other liabilities	-	-	-	-	-	19,674,903
Elimination between segments	-	-	-	-	-	(5,494,130)
Total liabilities	<u>\$ 2,868,331,282</u>	<u>\$ 874,719,910</u>	<u>\$ 80,018,658</u>	<u>\$ 1,387,208</u>	<u>\$ (46,746,804)</u>	<u>\$ 3,791,891,027</u>

**56. NOTES DISCLOSED AS REQUIRED BY THE CONSOLIDATED REPORT ON OPERATIONS AND THE STANDARDS GOVERNING THE COMPILATION OF THE REPORT ON AFFILIATION AND OF THE CONSOLIDATED FINANCIAL STATEMENTS OF RELATED CORPORATIONS**

- a. Summary of subsidiaries: Refer to Notes 1 and 16.
- b. Changes in the subsidiaries in the consolidated financial statements for this period: Refer to Notes 1 and 16.
- c. Subsidiaries excluded from the consolidated financial statements for this period: None.
- d. Adjustments and provisions dealing with different accounting fiscal years between the subsidiary and the controlling company: None.
- e. Adjustments and provisions dealing with different accounting policies between the subsidiary and the controlling company: None.
- f. Particular risks for the operation of foreign subsidiaries: None.

g. Legal or contractual limitations imposed on the distribution of retained earnings of various affiliates:

1) SKLIC

Based on the Company Act of the ROC and the Articles of Incorporation of SKLIC, SKLIC's annual earnings, net of tax and any deficit, should be appropriated in the following order:

- a) A legal reserve and, if required, a special reserve based on relevant regulations;
- b) Annual dividends to SKLIC's Classes A and B preference shareholders.

The board of directors prepares an earnings distribution plan based on the residual distributable earnings and submits the plan to annual regular meeting of shareholders for approval.

According to Rule No. 10202501992 issued by the FSC on February 28, 2013, except for the appropriation of preference share liability, insurance companies that tended to appropriate earning by cash dividends declaration shall first notify their decision to the FSC. The agency would comprehensively examine their financial condition.

Further, based on Rule No. 910074195 issued by the Department of Insurance, any revenue arising from the contingent claim reserves in excess of 30% of the current year's retained premium should not be distributed as dividends or be used for any other purposes, unless there is prior approval by the authorities. The restricted amount should be appropriated as special reserve according to the resolution of the shareholders in the following year.

2) TSKCB

TSKCB's Articles of Incorporation provide that TSKCB's annual earnings shall be appropriated in the following order:

- a) Payment of taxes;
- b) Offset accumulated deficit, if any;
- c) 30% thereafter, if any, as legal reserve;
- d) Provision or reversal of special reserve, according to Securities and Exchange Act and authority's regulations;
- e) The board of directors prepares an earnings distribution plan based on the residual distributable earnings and submits the plan to annual regular meeting of stockholders for approval.

The appropriation of item (d) will be proposed and approved by the board of directors. However, the reversed amount distributed as employees' compensation in the past year should not be included.

The maximum of cash dividends should not exceed 15% of the amount of capital until reserve equals to the amount of capital. Cash or assets distribution should be restricted if the capital adequacy ratio doesn't reach the authority's requirement.

3) MLSC

MLSC's Articles of Incorporation provide that MLSC's annual earnings shall be appropriated in the following order:

- a) Payment of taxes;
  - b) Offset accumulated deficit, if any;
  - c) 10% thereafter, if any, as legal reserve;
  - d) Provision or reversal of special reserve, according to Securities and Exchange Act and authority's regulations.
  - e) The board of directors prepares an earnings distribution plan based on the residual distributable earnings and submits the plan to annual regular meeting of shareholders for approval.
- h. Amortization method and period of consolidated debits (credits): None
- i. Individual disclosure items (subsidiaries with total assets and operating income exceeding 10% of those of the parent company)
- 1) Eliminated transactions: See Table 6.
  - 2) Capital financing: Not applicable.
  - 3) Endorsement/guarantee: None.
  - 4) Derivative financial instruments: Notes 8 and 52.
  - 5) Major contingent events: Note 43.
  - 6) Major subsequent events: None.
  - 7) Holding of securities and marketable securities

(In Thousands of New Taiwan Dollars, Except for Number of Shares)

Holding Company	Type/Name	Quantity	Cost	Market Price/Net Worth	Ownership Interest	Collateral	Highest Number of Shares Held During the Period
Shin Kong Holding Co., Ltd.	Common stock: SKLIC	6,662,523	\$ 109,616,410	\$ 157,408,929	100	Collateral 42,000 thousand shares	6,662,523
	SKITC	40,000	2,075,862	1,614,632	100		40,000
	TSKCB	4,633,116	32,278,880	69,907,561	100		4,633,116
	MLSC	1,609,610	19,223,684	25,960,986	100		1,609,610
	SKVIC	156,275	1,550,000	1,475,939	100		156,275
	SKPIA	1,000	7,724	101,884	100		1,000

Note: No additional disclosure is required for insurance, banking, and securities subsidiaries.

- j. Others: None.

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST \$300 MILLION OR 10% OF ISSUED SHARE CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Seller	Property	Event Date	Transaction Amount (Note 1)	Payment (Note 2)	Counterparty	Relationship	The Transfer Data of the Related Party in the Previous Transaction				Price Reference	Purpose of Disposal	Other Terms
							Owner	Relationship	Transaction Date	Amount			
SKLIC	Land serial No. 972, 973 Subsection, Nangang Section, Nangang Dist., Taipei City Nangang Bus Station, Nangang Section, Taipei City	2020.12.14	\$ 614,690	Paid \$ 307,345	Taipei City, R.O.C.	None	-	-	-	\$ -	Appraisers' report	Investment	

Note 1: The transaction amount does not include the agency fees, regulatory fees, scrivener fees paid at the time of acquisition.

Note 2: This transaction was registered for superficies in February 2020. According to the contract, the remaining price will be paid within 7 days from the day following the expiration of 5 years from the signing date.

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST \$300 MILLION OR 10% OF ISSUED SHARE CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount (Note)	Transaction Amount	Collection	Gain on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
SKLIC	Land serial No. 153, 2th Subsection, Wende Section, Neihu Dist., Taipei City  Bihu Park Mansion A1 2F, 5F, 7F, 8F, 10F, 11F, 13F, Bihu Park Mansion A2 7F, 8F, 10F, 11F, 13F, 14F, 16F, 17F, 19F, 20F, Bihu Park Mansion A3 2F, 5F, 7F, 8F, 10F, 13F, 16F, 17F, 20F, 23F, Bihu Park Mansion A5 5F, 7F, 8F, 10F, 11F, 13F, 14F, 16F, 17F, 19F, 20F, 22F, 23F, Bihu Park Mansion A6 7F, 8F, 10F, 11F, 13F, 14F, 16F, 17F, 19F, 20F, 22F, 23F, Bihu Park Mansion A7 5F, 7F, 8F, 10F, 11F, 13F, 14F, 16F, 17F, 20F, 22F, 23F	2020.09.18-2020.12.21	2009.05.14-2012.04.26	\$ -	\$ 2,824,630	\$ 423,695	\$ -	Flaps Technology Co., persons (a total of 71 people including Xiao Jun)	None	Investment	Appraisers' report and actual selling price login	

Note: As of December 31, 2020, the Shin Kong Bihu Park Mansion was a pre-sale house for sale, and it had not been completed to obtain a building license and point delivery. Therefore, there was no book value and no disposal (profit) or loss. The pre-sale house is still under pre-selling.

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Year	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Company	Nature of Relationship										
1	SKVIC	SKLSC	Subsidiaries directly held over 50% equity	\$ 5,903,756	\$ 1,966,541	\$ 1,966,541	\$ 1,540,613	\$ -	131.38	\$ 7,379,695	Yes	No	Yes
2	MLSC	Master Link (Hong Kong)	Subsidiaries directly held over 50% equity	4,988,991	600,000	600,000	-	-	-	9,977,982	Yes	No	No

Note 1: Parent company is number 0; subsidiaries are sequentially numbered starting from 1.

Note 2: Limits on endorsement/guarantee amount provided to each guaranteed party, except for the subsidiaries whose voting right were 100% directly or indirectly owned by SKVIC. If the subsidiaries were set up in China, the limit on endorsement/guarantee amount is four times of the net value of SKVIC.

Note 3: Maximum endorsement/guarantee amount allowable: Not greater than five times the net value of SKVIC on December 31, 2020;  $\$1,475,939 \times 5 = \$7,379,695$ .

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION REGARDING INVESTEE COMPANIES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Name of Investee (Note 1)	Location	Principal Business Activity	Ownership Interest (%), End of Period	Carrying Value, End of Period	Investment Gain (Loss) (Note 4)	Number of Shares Held by the Company and Related Parties (Note 1)				Remarks
							Number of Shares	Potential Number of Shares (Note 2)	Number of Shares	Ownership Interest (%)	
SKFHC	SKLIC TSKCB	F-31, No. 66, Chung Hsiao West Road, Sec. 1, Taipei	Insurance	100.00	\$ 157,408,929	\$ 7,018,066	6,662,523	-	6,662,523	100.00	Note 3
		3F-1, 4F, 5F, 5F-1, 20F, 21F, No. 32, Songren Road, Taipei; 4F, 5F, 20F, 21F, No. 36, Songren Road, Taipei	Banking	100.00	69,907,561	5,959,746	4,633,116	-	4,633,116	100.00	Note 3
	SKITC MLSC SKVIC SKPIA	F-12, No. 123, Nan Chin East Road, Sec. 2, Taipei	Entrusted investments	100.00	1,614,632	51,130	40,000	-	40,000	100.00	Note 3
		1-3F, No. 209, Fuxing South Road, Sec. 1, Taipei	Security brokerage, dealing and underwriting	100.00	25,960,986	1,902,824	1,609,610	-	1,609,610	100.00	Note 3
		F-38, No. 66, Chung Hsiao West Road, Sec. 1, Taipei	Venture capital	100.00	1,475,939	(65,761)	156,275	-	156,275	100.00	Note 3
		F-19, No. 66, Chung Hsiao West Road, Sec. 1, Taipei	Property insurance agency	100.00	101,884	68,260	1,000	-	1,000	100.00	Note 3

Note 1: All the owned shares and potential shares of investee company held by the Company, director, supervisors, general manager, vice general manager, and its related parties defined under the Company Act are included.

Note 2: a. The potential shares are those shares obtained through a transfer, on the assumption of share transfer, from equity securities purchased or derivative instrument contracts signed and linked to investee company's equity based on agreed transaction terms and undertaking intention, and for the purpose of investing in company under the provisions of Article 36, Item 2 and Article 37 of the ROC Company Law.

b. The equity securities mentioned above are referred to as the securities regulated by of Article 11, Item 1 of Securities and Exchange Act Enforcement Rules, for example, convertible bond and warrant.

c. The derivative instrument contracts mentioned above are specified as those derivative instruments defined by IAS 39, for example, stock option.

Note 3: The carrying amount and investment gain (loss) have been eliminated for the consolidation purpose.

Note 4: Investment income recognized under equity method adjust to subsidiaries' profit before income tax:

	Investment Income Recognized under Equity Method	Adjustment of IFRS 16	Adjustment of PPE	Subsidiaries' Profit before Income Tax
SKLIC	\$ 7,018,066	\$ (1,464)	\$ 147,922	\$ 7,164,524
TSKCB	5,959,746	(21,423)	(1,242)	5,937,081
SKITC	51,130	(265)	-	50,865
MLSC	1,902,824	(1,007)	(5,621)	1,896,196
SKVIC	(65,761)	-	-	(65,761)
SKPIA	68,260	4	-	68,264

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Except for Number of Shares)

Holding Company	Type and Name of Marketable Securities	Issuer's Relationship to the Holding Company	Financial Statement Account	End of December 31, 2020				Note
				Units/Shares ('000)	Carrying Value	Ownership Interest (%)	Market Price	
SKLRESC	<u>Listed shares</u>							
	Holy Stone Enterprise Co., Ltd.	None	Financial assets at fair value through profit or loss	40	\$ 4,660	-	\$ 4,660	
	Taiwan semiconductor Manufacturing Co., Ltd.	None	Financial assets at fair value through profit or loss	65	34,450	-	34,450	
	Taiwan Secom Co., Ltd.	None	Financial assets at fair value through profit or loss	293	25,989	0.06	25,989	
	Shina Steel Co., Ltd.	None	Financial assets at fair value through profit or loss	811	20,072	0.01	20,072	
	Chunghwa Telecom Co., Ltd.	None	Financial assets at fair value through profit or loss	260	28,340	-	28,340	
	Mirle Automation Co., Ltd.	None	Financial assets at fair value through profit or loss	160	7,040	0.08	7,040	
	Flexium Interconnect, Inc.	None	Financial assets at fair value through profit or loss	55	6,655	-	6,655	
	Macronix International Co., Ltd.	None	Financial assets at fair value through profit or loss	200	8,460	-	8,460	
	United Microelectronics Co., Ltd.	None	Financial assets at fair value through profit or loss	250	11,788	-	11,788	
	The Great Taipei Gas Corp.	Affiliate	Financial assets at fair value through other comprehensive income	11,799	404,717	2.29	404,717	
	Taiwan Shin Kong Security Co., Ltd.	Affiliate	Financial assets at fair value through other comprehensive income	3,550	131,184	0.92	131,184	
	Shin Kong Synthetic Fibers Corp.	Affiliate	Financial assets at fair value through other comprehensive income	593	25,084	0.20	25,084	
	Shin Kong Fire & Marine Insurance Co., Ltd.	Affiliate	Financial assets at fair value through other comprehensive income	878	33,934	0.28	33,934	
	<u>Unlisted shares</u>							
	Yi Kong Security	Affiliate	Financial assets at fair value through other comprehensive income	5,607	258,408	15.50	258,408	
	Lian-An Serve	Affiliate	Financial assets at fair value through other comprehensive income	5	53	0.20	53	
	Great Taipei Broadband Co., Ltd.	Affiliate	Financial assets at fair value through other comprehensive income	100,000	42,342	6.67	42,342	
	Yu Chi Venture Capital	None	Financial assets at fair value through other comprehensive income	563	2,784	2.50	2,784	
<u>Bonds</u>								
Mercuries Life Insurance Co., Ltd.	None	Financial assets at amortized cost	-	40,000	-	40,000		
SKSIC	<u>Beneficial certificates</u>							
	Shin Kong China Growth Fund TWD	Group entity	Financial assets at fair value through profit or loss	1,490	17,452	-	17,452	
	Yuanta Daily CSI 300 Bull 2X ETF	None	Financial assets at fair value through profit or loss	260	7,251	-	7,251	
	Shin Kong Chi-shin Money Market	Group entity	Financial assets at fair value through profit or loss	1,933	30,172	-	30,172	

(Continued)

Holding Company	Type and Name of Marketable Securities	Issuer's Relationship to the Holding Company	Financial Statement Account	End of December 31, 2020				Note	
				Units/Shares ('000)	Carrying Value	Ownership Interest (%)	Market Price		
SKVIC	Shin Kong Emerging Wealthy Nations Bond Fund B TWD	Group entity	Financial assets at fair value through profit or loss	1,662	\$ 16,274	-	\$ 16,274		
	Shin Kong Emerging Wealthy Nations Bond Fund B USD	Group entity	Financial assets at fair value through profit or loss	28	8,487	-	8,487		
	<u>Unlisted shares</u>								
	Victor Taichung Machinery Works Co., Ltd.	None	Financial assets at fair value through profit or loss	74	1,038	-	1,038		
	FundRich	None	Financial assets at fair value through other comprehensive income	294	2,273	-	2,273		
	<u>Listed shares</u>								
	Aerospace Industrial Development Corporation	None	Financial assets at fair value through profit or loss	596	17,282	-	17,282		
	Topkey Corporation	None	Financial assets at fair value through profit or loss	97	15,132	-	15,132		
	Chieftek Precision Co., Ltd.	None	Financial assets at fair value through profit or loss	144	12,038	-	12,038		
	The Shanghai Commercial & Savings Bank, Ltd.	None	Financial assets at fair value through other comprehensive income	625	25,694	-	25,694		
	WPG Holdings Limited	None	Financial assets at fair value through other comprehensive income	598	29,960	-	29,960		
	<u>OTC shares</u>								
	Zimmite	None	Financial assets at fair value through profit or loss	611	31,120	-	31,120		
	Fuzetec Technology Co., Ltd.	None	Financial assets at fair value through profit or loss	357	16,868	-	16,868		
	Value Values Co., Ltd.	None	Financial assets at fair value through profit or loss	152	15,580	-	15,580		
	<u>Emerging market shares</u>								
	SuperAlloy Industrial Co., Ltd.	None	Financial assets at fair value through profit or loss	345	18,237	-	18,237		
	Ace Edulink	None	Financial assets at fair value through other comprehensive income	124	18,229	-	18,229		
	Alar Pharmaceuticals Inc.	None	Financial assets at fair value through other comprehensive income	1,200	59,604	-	59,604		
	<u>Domestic unlisted shares</u>								
	Tiantai II Optoelectronics Co., Ltd.	None	Financial assets at fair value through other comprehensive income	1,600	38,195	-	38,195		
	DIT Startup	None	Financial assets at fair value through other comprehensive income	648	3,087	-	3,087		
	Aulisa Medical USA, Inc.	None	Financial assets at fair value through other comprehensive income	309	9,990	-	9,990		
	TECO Electric & Machinery Co., Ltd.	None	Financial assets at fair value through other comprehensive income	504	15,811	-	15,811		
	ACON Optics Communications Co., Ltd.	None	Financial assets at fair value through other comprehensive income	1,000	30,000	-	30,000		
	Sounds Great Co., Ltd.	None	Financial assets at fair value through other comprehensive income	7,450	14,900	-	14,900		
Lightning Speed Co., Ltd.	None	Financial assets at fair value through other comprehensive income	1,670	10,000	-	10,000			

(Continued)

Holding Company	Type and Name of Marketable Securities	Issuer's Relationship to the Holding Company	Financial Statement Account	End of December 31, 2020				Note
				Units/Shares ('000)	Carrying Value	Ownership Interest (%)	Market Price	
	<u>Foreign venture capital</u> Umbo Computer Vision Inc.	None	Financial assets at fair value through other comprehensive income	420	\$ 7,127	-	\$ 7,127	
	Mesh	None	Financial assets at fair value through other comprehensive income	-	8,658	-	8,658	
	<u>Beneficial certificates</u> Schroder 2025 Maturity Emerging Market Bond Fund	None	Financial assets at fair value through profit or loss	1,450	13,218	-	13,218	
	<u>Bonds</u> Mercuries Life Insurance Co., Ltd.	None	Financial assets at amortized cost	-	231,790	-	231,790	
	<u>Foreign bonds</u> Altria Group Inc.	None	Financial assets at fair value through other comprehensive income	835	30,287	-	30,287	
	Saudi Arabian Oil Company	None	Financial assets at fair value through other comprehensive income	630	21,553	-	21,553	
	The Goldman Sachs Group, Inc.	None	Financial assets at fair value through other comprehensive income	100	4,310	-	4,310	
	Electricite de France SA	None	Financial assets at fair value through other comprehensive income	365	14,850	-	14,850	
	HSBC Holdings plc.	None	Financial assets at fair value through other comprehensive income	200	7,869	-	7,869	
	Mexico	None	Financial assets at fair value through other comprehensive income	430	14,576	-	14,576	
	AT&T, Inc.	None	Financial assets at fair value through other comprehensive income	775	29,111	-	29,111	
	Saudi	None	Financial assets at fair value through other comprehensive income	830	28,986	-	28,986	
MasterLink Venture Capital Corp., Ltd.	<u>Listed shares</u> Tanvex BioPharma, Inc.	None	Financial assets at fair value through profit or loss	620	23,203	-	23,203	
	Luo Lih-Fen Holding Co., Ltd.	None	Financial assets at fair value through profit or loss	165	16,665	-	16,665	
	<u>OTC shares</u> TacBright Optronics Corp.	None	Financial assets at fair value through profit or loss	3,300	20,163	-	20,163	
	Allied Biotech Corp.	None	Financial assets at fair value through profit or loss	940	15,839	-	15,839	
	Tekho Marine Biotech Co., Ltd.	None	Financial assets at fair value through profit or loss	500	4,860	-	4,860	
	<u>Unlisted shares</u> Long Diann Marine Biotechnology Co., Ltd.	None	Financial assets at fair value through profit or loss	850	1,216	-	1,216	
	Amaran Biotechnology Inc.	None	Financial assets at fair value through profit or loss	292	9,317	-	9,317	
	Minima Technology Co., Ltd.	None	Financial assets at fair value through profit or loss	1,290	39,975	-	39,975	
	Excelsius Medical Co., Ltd.	None	Financial assets at fair value through profit or loss	1,761	49,298	-	49,298	
	Sing Ge Biotechnology Co., Ltd.	None	Financial assets at fair value through profit or loss	2,950	44,791	-	44,791	
Grow Trend Biomedical Co., Ltd.	None	Financial assets at fair value through profit or loss	922	9,215	-	9,215		

(Continued)

Holding Company	Type and Name of Marketable Securities	Issuer's Relationship to the Holding Company	Financial Statement Account	End of December 31, 2020				Note
				Units/Shares ('000)	Carrying Value	Ownership Interest (%)	Market Price	
	Lattice Energy Technology Corporation	None	Financial assets at fair value through profit or loss	2,300	\$ 24,266	-	\$ 24,266	
	Image Match Design Inc.	None	Financial assets at fair value through profit or loss	1,000	48,000	-	48,000	
	Bright Ideas for Life Co., Ltd.	None	Financial assets at fair value through profit or loss	1,000	8,679	-	8,679	
	UBI Pharma Inc.	None	Financial assets at fair value through profit or loss	537	8,460	-	8,460	
	NanoMed	None	Financial assets at fair value through profit or loss	146	-	-	-	
	MIGO CORP.	None	Financial assets at fair value through other comprehensive income	2,301	296	-	296	
	Revlis Biotech Co., Ltd.	None	Financial assets at fair value through other comprehensive income	3,114	-	-	-	

(Concluded)

**TABLE 6****SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****PUBLIC ANNOUNCEMENTS IN COMPLIANCE WITH ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT****DECEMBER 31, 2020****(In Millions of New Taiwan Dollars, Unless Specified Otherwise)**

Name	Amount of Credit, Endorsement or Other Transactions	Percentage to the Financial Holding Company's Net Worth
1. The same natural person or juridical person		
Kingdom of Saudi Arabia	\$ 119,620	49.60
United States of America	114,833	47.61
Central Bank of the Republic of China Department of Banking	80,885	33.54
United Mexican States	79,604	33.01
JPMorgan Chase & Co	77,450	32.11
Public Bonds of Central Government	69,434	28.79
Citigroup Inc	68,158	28.26
Chunghwa Telecom Co., Ltd.	63,862	26.48
Bank of America Corp	59,749	24.77
Bank of Nova Scotia	51,847	21.50
Morgan Stanley	49,869	20.68
Capital Investment Trust Corporation	48,234	20.00
AT&T Inc.	47,846	19.84
Barclays Bank PLC	46,596	19.32
Lloyds Bank PLC	44,466	18.44
First Abu Dhabi Bank PJSC	40,307	16.71
BNP Paribas SA	38,394	15.92
HSBC Holdings PLC	36,771	15.25
Republic of Indonesia	36,613	15.18
Verizon Communications Inc.	36,355	15.07
KGI Investment Trust Co., Ltd.	35,535	14.73
Goldman Sachs Group Inc.	35,113	14.56
Taiwan Mobile Co., Ltd.	34,716	14.39
Russian Federation	33,840	14.03
Standard Chartered PLC	33,413	13.85
Abu Dhabi Commercial Bank PJSC	33,250	13.79
Cathay Securities Investment Trust Co., Ltd.	32,743	13.58
Taiwan Semiconductor Manufacturing Co., Ltd.	32,667	13.54
United Arab Emirates	30,941	12.83
Deutsche Bank AG	29,943	12.42
Barclays PLC	29,173	12.10
Nomura International Funding Pte Ltd	29,147	12.09
Electricite de France SA	27,202	11.28
Bank of Montreal	26,512	10.99
Fubon Asset Management Co., Ltd.	25,034	10.38

(Continued)

Name	Amount of Credit, Endorsement or Other Transactions	Percentage to the Financial Holding Company's Net Worth
CTBC Investments	\$ 24,049	9.97
Federative Republic of Brazil	23,832	9.88
Far EasTone Telecommunication Co., Ltd.	23,361	9.69
Taiwan Power Company	22,506	9.33
Qatar National Bank	22,445	9.31
Fuh Hwa Securities Investment Trust Co., Ltd.	22,327	9.26
Cathay Financial Holding Co., Ltd.	21,578	8.95
Yuanta Securities Investment Trust	19,772	8.20
State of Qatar	19,411	8.05
Societe Generale SA	19,238	7.98
Natixis SA	19,115	7.93
Commonwealth Bank of Australia	18,813	7.80
Walt Disney Co/The	17,831	7.39
Wells Fargo & Co	17,588	7.29
Republic of South Africa	17,269	7.16
Anheuser-Busch InBev SA/NV	17,184	7.12
Codelco Inc	16,524	6.85
Comision Federal de Electricidad	14,775	6.13
Fubon Financial Holding Co., Ltd.	14,485	6.01
Halliburton Co	14,396	5.97
Hon Hai Precision Ind. Co., Ltd.	14,383	5.96
Comcast Corp	14,314	5.93
SKITC	13,341	5.53
SPDR Dow Jones Industrial Average ETF Trust	13,273	5.50
CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK	13,011	5.39
Unitedhealth Group Inc	11,571	4.80
Malayan Banking Berhad	11,308	4.69
Republic of Turkey	11,252	4.67
Southern Co	11,204	4.65
Grand Bills Finance Corp.	11,096	4.60
UBS AG	10,640	4.41
Gilead Sciences Inc	10,526	4.36
MUFG Bank Ltd	10,400	4.31
Anthem Inc	10,349	4.29
CTBC Bank Co., Ltd.	10,030	4.16
BPCE SA	9,797	4.06
Westpac Banking Corp	9,489	3.93
Royal Bank of Canada	9,348	3.88
Grupo Televisa Sab	8,828	3.66
Manulife Financial Corp	8,604	3.57

(Continued)

Name	Amount of Credit, Endorsement or Other Transactions	Percentage to the Financial Holding Company's Net Worth
America Movil Sab De Cv	\$ 8,393	3.48
Virginia Electric & Power Co	8,354	3.46
Australia & New Zealand Banking Group	8,122	3.37
China Development Bank	7,956	3.30
Burlington Northern Santa Fe LLC	7,902	3.28
People's Republic of China	7,795	3.23
Royal Bank of Scotland	7,652	3.17
Cooperatieve Rabobank UA	7,613	3.16
Vodafone Group Plc	7,588	3.15
Credit Suisse Group AG	7,482	3.10
Enel Finance International NV	7,360	3.05
State Grid Corp of China	6,765	2.80
E.SUN Commercial Bank	6,737	2.79
Conocophillips	6,723	2.79
Ford Motor Co	6,645	2.76
Dah Chung Bills Financial Corp.	6,562	2.72
CVS Health Corp	6,536	2.71
First Commercial Bank	6,499	2.69
Taishin Securities Investment Trust Co., Ltd.	6,372	2.64
Export-Import Bank of Korea	6,370	2.64
Cathay United Bank Co., Ltd.	6,356	2.64
Southern Copper Corp	6,103	2.53
City of Chicago IL	6,087	2.52
Exelon Generation Co Llc	6,058	2.51
CPC Corporation, Taiwan	6,055	2.51
Bank of China Ltd	6,037	2.50
National Australia Bank Ltd	5,997	2.49
KGI Bank Co., Ltd.	5,973	2.48
Fannie Mae	5,950	2.47
Coca-Cola Co	5,734	2.38
SPDR Trust Series 1	5,528	2.29
Israel	5,487	2.28
Far Easton New Century Corp.	5,430	2.25
Invesco QQQ Trust Series 1	5,371	2.23
Credit Agricole SA	5,347	2.22
The Shanghai commercial & Saving Bank, Ltd.	5,339	2.21
Fomento Economico Mexicano Sab	5,316	2.20
Cathay Life Insurance Co., Ltd.	5,300	2.20
Uni-President Co., Ltd.	5,288	2.19
Fubon Life Insurance Co., Ltd.	5,000	2.07
Credit Suisse AG	4,982	2.07

(Continued)

Name	Amount of Credit, Endorsement or Other Transactions	Percentage to the Financial Holding Company's Net Worth
The Export-Import Bank of the Republic of China	\$ 4,950	2.05
Nan Ya Plastics Corporation	4,947	2.05
Telefonica Emisiones Sau	4,946	2.05
Taiwan Finance Corporation	4,931	2.04
China Bills Finance Corporation	4,846	2.01
Abu Dhabi National Energy Co.	4,797	1.99
TransCanada Pipelines Ltd.	4,682	1.94
HSBC Bank Plc	4,656	1.93
Central American Bank for Economic Integration	4,609	1.91
Mega Bills Finance Co., Ltd.	4,341	1.80
SinoPac Securities Investment Trust Co., Ltd.	4,309	1.79
Mega Financial Holding Co., Ltd.	4,248	1.76
Johnson & Johnson	4,246	1.76
Taiwan Business Bank, Ltd.	4,200	1.74
Land Bank of Taiwan	4,191	1.74
Reliance Industries Ltd	4,150	1.72
Industrial and Commercial Bank of China	4,125	1.71
Pension Funds	4,005	1.66
China National Petroleum Corp	3,999	1.66
Quanta Computer Inc.	3,983	1.65
Asia Cement Corporation	3,969	1.65
Chinatrust Financial Holding Co., Ltd.	3,847	1.60
Formosa Chemicals and Fiber Corporation	3,844	1.59
Apple Inc.	3,734	1.55
HSBC Bank (Taiwan) Limited	3,731	1.55
UPAMC Global Innovative Tech Fund	3,652	1.51
Taiwan Cooperative Securities Investment Trust Co., Ltd.	3,616	1.50
HSBC France SA	3,540	1.47
International Bills Finance Corporation	3,506	1.45
Suncor Energy Inc.	3,505	1.45
Taiwan Secom Co., Ltd.	3,417	1.42
Vale Sa	3,391	1.41
Media Tek Inc.	3,301	1.37
Walmart Inc	3,299	1.37
First Securities Investment Trust Co., Ltd.	3,297	1.37
Barrick Gold Corp	3,259	1.35
Warburg Pincus LLC	3,141	1.30
Chailease Finance Co., Ltd.	3,107	1.29
Total	2,705,866	1,121.92

(Continued)

Name	Amount of Credit, Endorsement or Other Transactions	Percentage to the Financial Holding Company's Net Worth
2. The same related party		
Lai ○○	\$ 4,100	1.70
Gu ○○	3,301	1.37
Total	7,401	3.07
3. The same affiliate		
Republic of China government	150,319	62.33
U.S. government and state-owned enterprise	133,166	55.21
Saudi Arabia government and state-owned enterprise	119,641	49.61
Mexican government and state-owned enterprise	94,379	39.13
Fubon Financial Holding Co., Ltd. and affiliates	79,995	33.17
JPMorgan Chase & Co. and affiliates	78,963	32.74
Barclays PLC and affiliates	75,769	31.42
United Arab Emirates and state-owned enterprise	68,564	28.43
Citigroup Inc. and affiliates	68,292	28.32
Cathay Financial Holding Co., Ltd. and affiliates	66,354	27.51
Bank of America Corp and affiliates	59,801	24.80
Morgan Stanley and affiliates	50,508	20.94
HSBC Holdings Plc and affiliates	50,209	20.82
China government and state-owned enterprise	49,606	20.57
Qatar and state-owned enterprise	41,971	17.40
Far Easton New Century Corp. and affiliates	38,523	15.97
BNP Paribas and affiliates	38,465	15.95
Republic of Indonesia and state-owned enterprise	37,611	15.59
Taiwan Semiconductor Manufacturing Co., Ltd. and affiliates	35,402	14.68
Goldman Sachs Group Inc. and affiliates	35,140	14.57
Russian Federation and state-owned enterprise	34,978	14.50
Standard Chartered PLC and affiliates	33,635	13.95
Nomura Holdings In. and affiliates	29,162	12.09
Deutsche Bank Ag and affiliates	29,106	12.07
Groupe BPCE and affiliates	28,912	11.99
SKFH and affiliates	22,548	9.35
Yuanta Financial Holding Co., Ltd. and affiliates	21,774	9.03
State Street Corp and affiliates	21,266	8.82
Uni-President Enterprises Corporation and affiliates	21,155	8.77
Societe Generale and affiliates	19,267	7.99
Wells Fargo & Co and affiliates	18,250	7.57
Credit Agricole Group and affiliates	17,819	7.39
Hon Hai Precision Ind Co., Ltd. and affiliates	16,465	6.83
Chinatrust Financial Holding Co., Ltd. and affiliates	13,877	5.75
Mega Financial Holding Co., Ltd. and affiliates	13,867	5.75

(Continued)

Name	Amount of Credit, Endorsement or Other Transactions	Percentage to the Financial Holding Company's Net Worth
Formosa Plastics Corporation and affiliates	\$ 13,788	5.72
Credit Suisse Group Ag and affiliates	12,908	5.35
Mitsubishi UFJ Financial Group and affiliates	11,527	4.78
UBS Group AG and affiliates	10,762	4.46
First Financial Holding Co., Ltd. and affiliates	9,737	4.04
SinoPac Financial Holdings Co., Ltd. and affiliates	8,532	3.54
United Kingdom of Great Britain and state-owned enterprise	8,478	3.52
Berkshire Hathaway Inc. and affiliates	8,420	3.49
Australia & New Zealand Banking and affiliates	8,146	3.38
Republic of Korea and state-owned enterprise	7,858	3.26
China Development Financial Holding Co., Ltd. and affiliates	7,399	3.07
National Australia Bank Ltd and affiliates	7,336	3.04
E.SUN Financial Holding Co., Ltd. and affiliates	7,237	3.00
Taishin Financial Holding Co., Ltd. and affiliates	7,044	2.92
IBF Financial Holding Co., Ltd. and affiliates	5,506	2.28
United Microelectronics Corp. and affiliates	5,476	2.27
Taiwan Cooperative Financial Holding Co., Ltd. and affiliates	5,106	2.12
Macquarie Group Ltd and affiliates	4,825	2.00
Chailease Finance Co., Ltd. and affiliates	4,734	1.96
Union Enterprise Construction Co., Ltd. and affiliates	4,723	1.96
Highwealth Construction Co., Ltd. and affiliates	4,270	1.77
Ruentex Development Co., Ltd. and affiliates	3,718	1.54
Jih Sun Financial Holding Co., Ltd. and affiliates	3,312	1.37
Bayerische Motoren Werke AG and affiliates	3,234	1.34
AU Optronics Corporation and affiliates	3,180	1.32
Hua Nan Financial Holding Co., Ltd. and affiliates	3,070	1.27
Continental Engineering Corporation and affiliates	3,021	1.25
Continental Development Corporation and affiliates	3,015	1.25
Total	\$ 1,901,121	788.00

(Concluded)

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

## 1. SKLIC

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (CNY in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Investee Company's Earnings (Losses)	Percentage of Ownership (%)	Equity in the Earnings (Losses)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
DingCheng Life Insurance Co. (formerly known as SKHLIC)	Insurance	\$ 5,544,400 (CNY 1,250,000)	Invest China directly	\$ 1,386,100	\$ 807,188	\$ -	\$ 2,193,288	\$ (744,219)	25	\$ (186,055)	\$ 186,127	\$ 1,688,029

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$2,193,288	US\$39,507 thousand	\$95,929,982

Note 1: SKLIC was approved by the Ministry of Finance and Ministry of Economic Affairs Investment Commission to establish an insurance company in mainland China in its letter in 2003. SKLIC obtained the approval of the China Insurance Regulatory Commission (Ref. No. (96) Bao-Jian-Guo-Ji No. 1254), and SKLIC and HNA Group prepared to establish the Chinese and foreign joint venture life insurance company. SKLIC remitted the investment fund amount of CNY250,000 thousand, or the equivalent of US\$36,150 thousand, on June 6, 2008. SKHLIC started operation on April 27, 2009. SKLIC applied to increase its investment in mainland China by CNY187,500 thousand, or the equivalent of US\$28,310. This investment was approved by the Investment Commission, MOEA on September 25, 2018. The application for repatriation of CNY350,000 thousand (US\$51,818 thousand) which was raised by SKLIC from selling partial shares of SKHLIC had been reported to Investment Commission, MOEA on February 18, 2019. SKILS applied to increase its investment in mainland China by CNY350,000 thousand, or the equivalent of US\$51,818 thousand. This investment was approved by the Investment Commission, MOEA on February 18, 2019.

Note 2: Accumulated outflow of investment from Taiwan and current investment inflow were the original investment amount.

Note 3: SKLIC obtained approval from the China Insurance Regulatory Commission to increase and transfer the capital of SKHLIC on September 29, 2018. SKLIC transferred \$838,125 thousand (CNY187,500 thousand) to the capital account held by SKHLIC as well as recognized a gain on disposal of investments of \$1,688,029 thousand as other gain or loss on investments in 2018. SKLIC reclassified 25% of their ownership for sale to assets classified as held for sale in the amount of \$6,130 thousand. After the capital of SKHLIC had been transferred, SKLIC derecognized assets classified as held for sale and equity related to assets classified as held for sale.

Note 4: On April 3, 2019, SKHLIC obtained the approval from the Bank of China Insurance Regulatory Commission to change its name to DingCheng Life Insurance Company.

Note 5: SKLIC remitted capital increase \$807,188 thousand (CNY187,500 thousand) to DingCheng Life's capital increase account. As of December 31, 2020, the capital increase case is still waiting for China Banking and Insurance Regulatory Commission's approval. The capital increase account was recorded as advance investment.

Note 6: Location: Beijing, China.

Note 7: Status of capital funds and related income: As of December 31, 2020, SKHLIC's capital funds, which were deposited in banks or were invested in securities and policy loans, totaled \$5,736,089 thousand, and the investment income for the year ended December 31, 2020 was \$159,103 thousand.

(Continued)

Note 8: Provision methodology and balances of insurance liability reserves:

	<b>December 31, 2020</b>
Reserve for unearned premiums	\$ 3,274
Reserve for claim payments	236
Reserve for life insurance liability	<u>2,629,018</u>
	<u>\$ 2,632,528</u>

- a. Reserve for unearned premiums for short-term insurance universal insurance and for risk premiums with individual terms of less than one year is provided by policy type in accordance with the risk for the remaining policy period.
- b. Reserve for claim payments is provided by insurance based on past claims experience and expenses in accordance with actuarial principle, and reserve for claim payments reported but not yet paid is provided by case based on actual data.
- c. Reserve for life insurance liability is provided according to modified standards stated by the Regulations Governing Calculation of Various Reserves for Operations. The calculation uses mortality table and projected interest rate of reserve regulations in China.

Note 9: Percentage of insurance income: 0.27%.

Note 10: Percentage of insurance benefits and claims: 0.11%.

2. SKVIC

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Investee Company's Earnings (Losses)	Percentage of Ownership (%)	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
SKLSC	Financial leasing	US\$ 30,000	Note	US\$ 30,000	\$ -	\$ -	US\$ 30,000	\$ (71,842)	100	\$ (71,842)	\$ 785,635	N/A

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
US\$30,000	US\$30,000	NT\$885,563

Note: The investment was approved by the Investment Commission, MOEA (Ref. No. (100) No. 10000274430) on August 3, 2011. SKVIC established Lion Investment (Samoa) Co., Ltd. - SKLSC which was approved on September 15, 2011, and the main business was financial leasing.

(Continued)

3. MLSC

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Investee Company's Earnings (Losses)	Percentage of Ownership (%)	Equity in the Earnings (Losses)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Shanghai MasterLink Investment Advisory Corp. (Tianjin)	Securities investment consulting and training services	\$ 13,774	(Note 1)	\$ 13,774	\$ -	\$ -	\$ 13,774	\$ 589	100	\$ 589	\$ 25,814	\$ -
MasterLink Venture Management Corp. (Tianjin)	Management consulting, investment consulting	50,450	(Note 2)	50,450	-	-	50,450	6,400	100	6,400	60,103	-
MasterLink Venture Capital Corp. (Tianjin)	Venture capital consulting and management	504,500	(Note 3)	504,500	-	-	504,500	(814)	100	(814)	425,672	-

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$568,724	\$568,724	\$15,477,974

Note 1: The investment was approved by the board of directors of MLSC and by the Investment Commission, MOEA (Ref. No. (85) No. 85020739) on December 30, 1996. MLSC established MasterLink Securities (B.V.I.) - MasterLink Investment Advisory Corp. which was approved on May 30, 1997, and the main business was securities investment consulting and training services. MLSC's name was altered to Shanghai MasterLink Investment Advisory Corp. through the MOEA on June 27, 1997, and it was approved by the MOEA which increased its authorized paid-in capital to US\$500 thousand on July 1997. Shanghai MasterLink Investment Advisory Corp.'s name was altered to Shanghai MasterLink Investment Advisory Corp. (Tianjin), which was approved by Rule No. 1050011978 issued by the FSC on April 14, 2016.

Note 2: Directly investing in China was approved by the board of directors of MLSC and by the Investment Commission, MOEA (No. 10300317070) on December 29, 2014. The operation license was acquired on February 15, 2015.

Note 3: Directly investing in China was approved by the board of directors of MLSC and by the Investment Commission, MOEA (No. 10300317060) on January 6, 2015. The operation license was acquired on February 15, 2015.

(Concluded)

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Ref. No. (Note 1)	Name of Company	Name of Counterparty	Relationship (Note 2)	Transactions (Note 5)			% of Total Consolidated Operating Income or Total Consolidated Assets (Note 3)
				Account	Amount	Terms	
0	SKFHC	TSKCB SKLIC TSKCB	a a a	Cash and cash equivalents	\$ 2,771,836	Note 4	-
				Income tax payable for linked-tax	3,635,946	Note 4	-
				Income tax receivable for linked-tax	231,961	Note 4	-
1	SKLIC	SKLRESC TSKCB TSKCB TSKCB TSKCB TSKCB MLSC MasterLink Futures Co., Ltd.	c c c c c c c c	Management expenses	407,943	Note 4	-
				Deposits and remittances	61,764,086	Note 4	1
				Interest income	186,591	Note 4	-
				Rental income	267,024	Note 4	-
				Financial derivatives	1,337,247	Note 4	-
				Commission expense	885,580	Note 4	-
				Bond issued under repurchase agreements	2,467,000	Note 4	-
				Deposits for futures	142,316	Note 4	-
2	TSKCB	SKLIC MLSC MasterLink Futures Co., Ltd. SKMC SKLRESC TSKIBC	c c c c c c	Processing fee income	1,111,677	Note 4	-
				Deposits and remittances	4,652,770	Note 4	-
				Deposits and remittances	670,555	Note 4	-
				Deposits and remittances	179,357	Note 4	-
				Deposits and remittances	140,309	Note 4	-
				Deposits and remittances	102,775	Note 4	-
3	MLSC	TSKCB MasterLink Futures Co., Ltd. MasterLink Futures Co., Ltd.	c c c	Future trading deposits	110,476	Note 4	-
				Customer guarantee account	784,321	Note 4	-
				Deposits for futures	156,516	Note 4	-

Note 1: Parent company is number 0; subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationship:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Between subsidiaries.

(Continued)

Note 3: Percentage of transaction amount to total consolidated operating income and assets is calculated as follows:

For balance sheet accounts:  $\text{Transaction amount} \div \text{Total consolidated assets}$

For income statement accounts:  $\text{Accumulated transaction amount} \div \text{Total consolidated profit from operations}$ .

Note 4: Terms and conditions of related party transactions are made on arm's length basis.

Note 5: Minimum transaction amount of \$100 million.

(Concluded)

**TABLE 9****SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****INFORMATION ON MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Shareholder	Shares	
	Total Shares Owned (In Thousands)	Ownership Percentage
None	-	-

Note 1: The table above discloses information on major shareholders whose shareholdings of ordinary and preference shares are at least 5% of the Company's total shares, as calculated by the Taiwan Depository & Clearing Corporation based on the number of dematerialized shares (including treasury shares) which have been registered and delivered on the last working day of the current quarter. The number of shares recorded in the Company's consolidated financial statements may be different from the number of dematerialized shares which have completed registration and delivery due to differences in the basis of preparation and calculation.

Note 2: If a shareholder holds its shares by trust, the information is individually presented in the above disclosures by the trustee who opened the trust account. As for the handling of insider shareholding declaration for shareholders holding more than 10% of the Company's shares in accordance with the Securities and Exchange Act, the number of shares held includes those held by trust in which the shareholder has the power to decide the allocation of trust assets. For more information regarding insider shareholding declaration, please refer to the Market Observation Post System website.

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****CASH AND CASH EQUIVALENTS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Shipments (In Thousand Pieces)</b>	<b>Amount</b>
Cash and cash equivalents		\$ 3,763,411
Checking accounts and demand deposits	Including (US\$815,979 thousand @28.5080; JPY1,205,288 thousand @0.2765; HK\$55,666 thousand @3.6775; EUR6,073 thousand @35.0563; CNY332,792 thousand @4.3637; CNH252,954 thousand @4.3813; AUD67,832 thousand @21.9740) etc.	37,001,796
Time deposits with original maturities of less than three months	Including (US\$427,160 thousand @28.5080; CNY159,508 thousand @4.3637; maturity dates are during 2020.04.01-2020.06.15, interest rates are from 0.06%-2.50%)	82,914,517
Checks for clearing		1,310,731
Cash equivalents	Commercial paper	2,455,522
Less: Guarantee deposits	Pledged time deposits	<u>(393,863)</u>
		<u>\$ 127,052,114</u>

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Asset and Holder	Description	Shares (Thousands)	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Acquisition Cost	Fair Value		Changes in Fair Value Attributed to Changes in Credit Risk
							Unit Price/ Bond Price	Gross Amount	
Listed shares and emerging market shares									
SKLIC									
Others (Note)		731,643	10	\$ 7,316,430		\$ 55,306,799	13.25-1,570.00	\$ 60,404,287	\$ -
SKLRESC									
Others (Note)		2,134	10	21,340		139,512	2.75-530.00	147,454	-
MLSC									
Others (Note)		25,137	10	251,370		4,057,572	6.11-758.00	4,322,805	-
SKIVC									
Others (Note)		2,302	10	<u>23,020</u>		<u>125,063</u>	29.00-102.50	<u>126,257</u>	-
				<u>7,612,160</u>		<u>59,628,946</u>		<u>65,000,803</u>	-
Unlisted shares									
MLSC									
Others (Note)		13,147	10	131,470		342,060	0.00-48.00	249,817	-
SKITC									
Others (Note)		74	10	<u>740</u>		<u>1,546</u>	14.03	<u>1,038</u>	-
				<u>132,210</u>		<u>343,606</u>		<u>250,855</u>	-
Beneficiary certificates									
SKLIC									
Others (Note)		8,489,098	10-100	221,572,429		257,543,689	8.65-314,418,240	256,558,684	-
TSKCB									
Others (Note)		2,585	10	25,850		73,944	17.11-40.21	78,884	-
MLSC									
Others (Note)		59,544	10-10.48	597,030		2,512,114	9.70-122.25	2,549,987	-
SKITC									
Others (Note)		5,374	10	53,740		66,656	9.79-27.89	79,636	-
SKIVC									
Others (Note)		1,450	10	<u>14,500</u>		<u>14,500</u>	9.12	<u>13,218</u>	-
				<u>222,263,549</u>		<u>260,210,903</u>		<u>259,280,409</u>	-
Corporate bonds and bank debentures									
SKLIC									
Others (Note)		214,100	100,000	21,410,000	1.40-4.10	21,410,000	100.42-107.11	22,098,924	-
TSKCB									
Others (Note)		34,113	100,000	3,411,300	0.65-1.32	3,411,375		3,440,315	-
MLSC									
Others (Note)		-	-	<u>-</u>		<u>29,083,990</u>		<u>29,312,639</u>	-
				<u>24,821,300</u>		<u>53,905,365</u>		<u>54,851,878</u>	-

(Continued)

Financial Asset and Holder	Description	Shares (Thousands)	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Acquisition Cost	Fair Value		Changes in Fair Value Attributed to Changes in Credit Risk
							Unit Price/ Bond Price	Gross Amount	
Government bonds									
MLSC									
Others (Note)		-		\$ -		\$ 3,827,607		\$ 3,827,184	\$ -
Derivative instrument									
SKLIC									
Others (Note)		-		-		-		14,052,300	-
TSKCB									
Others (Note)		-		-		-		2,013,023	-
MLSC									
Others (Note)		-		-		-		1,993,058	-
								18,058,381	-
Short-term bills									
TSKCB									
Negotiable time deposits		8,737,500	10	87,375,000	0.21-0.65	87,375,787		87,343,938	-
Commercial paper		2,437,360	10	24,373,600	0.22-3.02	24,363,278		24,356,153	-
				111,748,600		111,739,065		111,700,091	-
Lending securities									
MLSC									
Others (Note)		-		-		1,397,107		1,397,483	-
Foreign investments									
SKLIC									
Beneficiary certificates		-		-		38,012,302		40,787,500	-
Others		-		-		17,109,657		23,758,593	-
TSKCB									
Others		-		-	1.94-3.00	3,354,824		3,705,584	-
MLSC									
Others		-		-		5,283,988		5,489,891	-
						63,760,771		73,741,568	-
				\$ 366,577,819		\$ 554,813,370		\$ 588,108,652	\$ -

Note: Individual balances is less than 5% of the total balance.

(Concluded)

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## FINANCIAL ASSETS AT FAIR VALUE OTHER COMPREHENSIVE INCOME

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Asset and Its Holder	Description	Shares (Thousands)	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Acquisition Cost	Allowance for Impairment Loss	Fair Value	
								Unit Price/ Bond Price	Gross Amount
Listed shares and emerging market shares									
SKLIC									
	CHT	571,356	10	\$ 5,713,560		\$ 62,513,155	N/A	109.00	\$ 62,277,824
	TWM	306,728	10	3,067,280		33,340,086	N/A	98.90	30,335,399
	Others (Note)	506,623	10	5,066,230		34,818,807	N/A	19.70-747.00	33,582,822
SKLRESC									
	Others (Note)	16,821	10	168,210		406,560	N/A	34.30-42.30	594,919
MLSC									
	Others (Note)	18,464	10	184,640		924,585	N/A	16.00-251.00	992,494
SKIVC									
	Others (Note)	2,547	10	<u>25,470</u>		<u>109,724</u>	N/A	12.47-234.50	<u>133,487</u>
				<u>14,225,390</u>		<u>132,112,917</u>			<u>127,916,945</u>
Unlisted shares									
SKLIC									
	Others (Note)	276,387	10	2,763,870		3,459,803	N/A	0.00-122.77	3,399,649
SKLRESC									
	Others (Note)	16,175	10	161,750		121,800	N/A	4.23-46.09	303,587
TSKCB									
	Others (Note)	37,456	8.68-15.70	374,887		374,887	N/A	6.43-50.27	626,805
MLSC									
	Others (Note)	22,290	10	222,900		519,360	N/A	0.00-162.44	2,417,261
SKIVC									
	Others (Note)	13,181	10	131,810		106,763	N/A	2.00-70.01	121,983
SKITC									
	Others (Note)	294	10	<u>2,940</u>		<u>3,065</u>	N/A	7.73	<u>2,273</u>
				<u>3,658,157</u>		<u>4,585,678</u>			<u>6,871,558</u>
Preference shares									
SKLIC									
	Others (Note)	577,338	1-10	<u>5,323</u>		<u>32,160,627</u>	N/A	0.46-99.60	<u>33,131,429</u>
Foreign investments									
SKLIC									
	Listed shares			-		886,739	N/A		876,832
	Preference shares			-		2,240,895	N/A		2,197,562
SKIVC									
	Listed shares			-		<u>19,736</u>	N/A		<u>15,785</u>
				-		<u>3,147,370</u>			<u>3,090,179</u>

(Continued)

Financial Asset and Its Holder	Description	Shares (Thousands)	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Acquisition Cost	Allowance for Impairment Loss	Fair Value	
								Unit Price/ Bond Price	Gross Amount
Government bonds									
SKLIC									
Others (Note)		73,260	100,000	\$ 7,326,000	0.19-3.63	\$ 7,289,706	\$ -	97.22-134.09	\$ 7,307,842
TSKCB									
Others (Note)		446,500	100,000	<u>44,650,000</u>	0.25-4.25	<u>45,207,886</u>	-	99.20-117.44	<u>46,372,716</u>
				<u>51,976,000</u>		<u>52,497,592</u>			<u>53,680,558</u>
Less: Guarantee deposits paid									
TSKCB									
Others (Note)				<u>(5,678,100)</u>		<u>-</u>	-		<u>(5,678,100)</u>
Corporate bonds and bank debentures									
SKLIC									
Others (Note)		176,400	100,000	17,640,000	0.45-3.30	17,649,076	(6,839)	98.45-114.03	19,043,291
TSKCB									
Others (Note)		442,200	100,000	<u>44,220,000</u>	0.50-1.70	<u>44,226,115</u>	(28,770)	98.47-103.55	<u>44,453,275</u>
				<u>61,860,000</u>		<u>61,875,191</u>			<u>63,496,566</u>
Real Estate Investment Trusts									
TSKCB									
Others (Note)		3,260	10	<u>32,600</u>		<u>67,406</u>	-	19.52	<u>63,635</u>
Foreign investments									
SKLIC									
Bonds				-		125,762,096	(5,564)		121,539,169
TSKCB									
Bonds				61,199,223	0.63-10.04	61,760,379	(15,381)	90.27-120.42	63,106,286
MLSC									
Bonds				996,800	0.13-2.38	1,030,919	-		1,064,907
SKIVC									
Bonds				<u>-</u>		<u>151,347</u>	-		<u>151,543</u>
				<u>62,196,023</u>		<u>188,704,741</u>			<u>185,861,905</u>
				<u>\$ 188,275,393</u>		<u>\$ 475,151,522</u>			<u>\$ 468,434,675</u>

Note: Individual balances is less than 5% of the total balance.

(Concluded)

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****NOTES AND BONDS PURCHASED UNDER RESALE AGREEMENTS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Title</b>	<b>Item</b>	<b>Face Value</b>	<b>Carrying Amount</b>
SKLIC			
Others (Note)		\$ 17,234,000	\$ 17,224,520
SKLRESC			
Others (Note)		485,379	485,379
SKFHC			
Others (Note)		280,000	279,860
MLSC			
Others (Note)		<u>4,550,000</u>	<u>4,556,278</u>
		<u>\$ 22,549,379</u>	<u>\$ 22,546,037</u>

Note: Individual balances is less than 5% of the total balance.

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****ACCOUNTS RECEIVABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	<b>Allowance for Impairment Loss</b>	<b>Net Value</b>
Notes receivable	\$ 155,625	\$ (33,521)	\$ 122,104
Accounts receivable	13,725,581	(291)	13,725,290
Forward contracts receivable	6,379,860	-	6,379,860
Bank acceptance receivables	315,816	-	315,816
Interest receivables	23,725,406	(8,285)	23,717,121
Receivables transaction on securities	463,109	-	463,109
Receivables of margin trading	16,047,049	-	16,047,049
Receivables of trade	21,175,216	-	21,175,216
Earned revenue receivables	3,436,764	-	3,436,764
Others (Note)	<u>6,176,429</u>	<u>(1,914,477)</u>	<u>4,261,952</u>
	<u>\$ 91,600,855</u>	<u>\$ (1,956,574)</u>	<u>\$ 89,644,281</u>

Note: Individual balances is less than 5% of the total balance.

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****LOANS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	<b>Allowance for Impairment Loss</b>	<b>Net Value</b>
Policy loans	\$ 97,835,029	\$ -	\$ 97,835,029
Premium loans	10,017,978	-	10,017,978
Loans	693,433,616	(8,196,851)	685,236,765
Overdue loans	922,762	(922,762)	-
Add: Premium on loans	<u>129,146</u>	<u>-</u>	<u>129,146</u>
	<u>\$ 802,338,531</u>	<u>\$ (9,119,613)</u>	<u>\$ 793,218,918</u>

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Title	Description	Share	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Allowance for Impairment Loss	Unamortized Premium (Discount)	Carrying Amount	Note
Government bonds									
SKLIC									
Others (Note)		124,500	100,000	\$ 12,450,000	0.63-2.50	\$ -	\$ 657,494	\$ 13,107,494	
SKPIAC									
Others (Note)		20	100,000	2,000	1.63	-	7	2,007	
				<u>12,452,000</u>		<u>-</u>	<u>657,501</u>	<u>13,109,501</u>	
Corporate bonds and bank debentures									
SKLIC									
Others (Note)		208,500	100,000	20,850,000	0.41-1.30	(8,777)	132	20,841,355	
SKLRESC									
Others (Note)		400	100,000	40,000	3.90	-	-	40,000	
TSKCB									
Others (Note)		17,270	500,000-10,000,000	18,290,000	0.00-2.03	(8,535)	204,729	18,486,194	
SKIVC									
Others (Note)		2,320	100,000	232,000	4.00	-	(3,818)	228,182	
				<u>39,412,000</u>		<u>(17,312)</u>	<u>201,043</u>	<u>39,595,731</u>	
Time deposits with original maturities of more than three months									
SKLIC									
Others (Note)		-		28,850,000	0.20-0.45	-	-	28,850,000	
SKLRESC									
Others (Note)		-		3,538	0.63	-	-	3,538	
SKITC									
Others (Note)		-		496,872	0.08-1.95	-	-	496,872	
				<u>29,350,410</u>		<u>-</u>	<u>-</u>	<u>29,350,410</u>	
Less: Guarantee deposits paid									
SKLIC									
Others (Note)		-		(10,100,000)		-	-	(10,100,000)	
SKLRESC									
Others (Note)		-		(558)		-	-	(558)	
SKPIAC									
Others (Note)		-		(2,000)		-	-	(2,000)	
				<u>(10,102,558)</u>		<u>-</u>	<u>-</u>	<u>(10,102,558)</u>	

(Continued)

Title	Description	Share	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Allowance for Impairment Loss	Unamortized Premium (Discount)	Carrying Amount	Note
Foreign investments									
SKLIC									
Bonds		-		\$ 980,757,716		\$ (451,937)	\$ 94,163,223	\$ 1,074,469,002	
Callable bonds		-		673,045,288		(223,746)	55,578,411	728,399,953	
Others (Note)		-		9,630,981		-	(52,516)	9,578,465	
TSKCB									
Bonds		-		1,919,297		(463)	(918)	1,917,916	
				<u>1,665,353,282</u>		<u>(676,146)</u>	<u>149,688,200</u>	<u>1,814,365,336</u>	
				<u>\$ 1,736,465,134</u>		<u>\$ (693,458)</u>	<u>\$ 150,546,744</u>	<u>\$ 1,886,318,420</u>	

Note: Individual balances is less than 5% of the total balance.

(Concluded)

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars and Shares)

Title	January 1, 2020		Increase in Current Year		Decrease in Current Year		December 31, 2020			Fair Value or Carrying Amount		Guarantee, Pledge or Lending	Note
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Ownership Interest (%)	Amount	Unit Price	Gross Amount		
DingCheng Life Insurance Co.	-	\$ 378,021	-	\$ -	-	\$ (191,894)	-	25.00	\$ 186,127	-	\$ 186,127	None	1
Century Biotech Development Co.	-	-	60,000	600,000	-	(498)	60,000	24.00	599,502	-	599,502	None	2
Kaixin Energy Co., Ltd.	4,500	44,969	-	-	(4,500)	(44,969)	-	0.00	-	-	-	None	3
Jih-yao Energy Co., Ltd.	-	-	3,500	35,000	-	(200)	3,500	35.00	34,800	-	34,800	None	4
LeadsunFox Greenergy Investment Co., Ltd.	-	-	42,500	425,000	-	(5,465)	42,500	28.33	419,535	-	419,535	None	5
		<u>\$ 422,990</u>		<u>\$ 1,060,000</u>		<u>\$ (243,026)</u>			<u>\$ 1,239,964</u>		<u>\$ 1,239,964</u>		

Note 1: The decrease in current year is due to a decrease adjustment of \$5,839 thousand in carrying amount and investment loss of \$186,055 thousand.

Note 2: The increase in current year is due to the subscription of common shares of Century Biotech Development Co., with an investment amount of \$600,000 thousand. The decrease in current year is due to investment loss of \$498 thousand.

Note 3: The decrease in current year is due to the sale at the price of \$44,865 thousand, the loss on sale of \$640 thousand, and an investment gain of \$536 thousand.

Note 4: The increase in current year is due to the subscription of common shares of Jih-yao Energy Co., Ltd., with an investment amount of \$35,000 thousand. The decrease in current year is due to an investment loss of \$200 thousand.

Note 5: The increase in current year is due to the subscription of common shares of LeadsunFox Greenergy Investment Co., Ltd., with an investment amount of \$425,000 thousand. The decrease in current year is due to an investment loss of \$5,465 thousand.

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**MISCELLANEOUS FINANCIAL ASSETS**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Title</b>	<b>Description</b>	<b>Amount</b>	<b>Note</b>
Customer's margin accounts		\$ 7,426,478	
Others (Note)		<u>84,510</u>	
		<u>\$ 7,510,988</u>	

Note: Individual balance is less than 5% of the total balance.

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## RIGHT-OF-USE ASSETS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	January 1, 2020	Increase in Current Year	Decrease in Current Year	Reclassification	December 31, 2020	Note
Land and building	\$ 5,663,155	\$ 257,402	\$ 147,465	\$ (20,617)	\$ 5,752,475	
Others	<u>126,378</u>	<u>37,676</u>	<u>26,576</u>	<u>-</u>	<u>137,478</u>	
	<u>\$ 5,789,533</u>	<u>\$ 295,078</u>	<u>\$ 174,041</u>	<u>\$ (20,617)</u>	<u>\$ 5,889,953</u>	

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	January 1, 2020	Increase in Current Year	Decrease in Current Year	Reclassification	December 31, 2020	Note
Land and building	\$ 583,002	\$ 642,227	\$ 137,948	\$ (2,017)	\$ 1,085,264	
Others	<u>38,185</u>	<u>46,035</u>	<u>22,346</u>	<u>-</u>	<u>61,874</u>	
	<u>\$ 621,187</u>	<u>\$ 688,262</u>	<u>\$ 160,294</u>	<u>\$ (2,017)</u>	<u>\$ 1,147,138</u>	

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Liabilities and Its Holder	Description	Share	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Acquisition Cost	Fair Value	
							Unit Price/ Bond Price	Gross Amount
Domestic investments								
SKLIC								
Currency swap contracts				\$ -		\$ -		\$ 433,802
SKFHC								
Bond options				-		-		7,699
TSKCB								
Currency swap contracts				-		-		251,270
Interest rate swap contracts				-		-		265,327
Currency options				-		-		201,382
Equity swap contracts				-		-		29,521
MLSC								
Share warrants liabilities, net				-		-		607,336
Short options liabilities - futures				-		-		43,394
Asset swap options				-		-		2,616,279
Borrowed securities payable - hedge				-		-		439,421
Borrowed securities payable - non-hedge				-		-		742,902
Others (Note)				-		-		642,193
								<u>6,280,526</u>
Foreign investments								
SKLIC								
Foreign exchange forward contracts				-		-		1,618,649
TSKCB								
Foreign exchange forward contracts				-		-		10,897
								<u>1,629,546</u>
Financial liabilities designated as at FVTPL								
MLSC								
Structured investment notes - credit-linked				-		-		1,668,033
								<u>\$ 9,578,105</u>

Note: Individual balances is less than 5% of the total balance.

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Title</b>	<b>Face Value</b>	<b>Carrying Amount</b>
TSKCB		
Foreign bonds	\$ 2,064,789	\$ 2,064,789
MLSC		
Others (Note)	<u>36,210,001</u>	<u>37,220,821</u>
	<u>\$ 38,274,790</u>	<u>\$ 39,285,610</u>

Note: Individual balances is less than 5% of the total balance.

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## DEPOSITS AND REMITTANCES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Saving account deposits	Demand savings deposits	\$ 235,947,512
	Round-amount savings deposits	41,464,406
	Withdrawals of interest savings deposits	122,845,084
	Others (Note)	215,589
Time deposits	Time deposits	218,253,026
	Time deposits FOREX	65,526,561
Demand deposits	Demand deposits	70,662,445
	Demand deposits FOREX	77,114,330
	Others (Note)	259,527
Checking account deposits	Checking account deposits	5,620,147
	Others (Note)	1,599,333
Negotiable time deposits		101,400
Due from banks		<u>200,793</u>
		<u>\$ 839,810,153</u>

Note: Individual balances is less than 5% of the total balance.

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**BONDS PAYABLE**  
**DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars)

Title	Terms			Bonds		Carrying Amount
	Issued Date	Maturity Date	Rate	Category	Face Value	
Secondary financial debenture of 2011 - second issue A bond	2011.09.26	2021.09.26	Fixed interest rate of 1.95%	Subordinate	10,000	\$ 1,500,000
Secondary financial debenture of 2012 - first issue B bond	2012.12.28	2022.12.28	Fixed interest rate of 1.63%	Subordinate	10,000	3,000,000
Secondary financial debenture of 2014 - second issue	2014.12.15	2024.12.15	Fixed interest rate of 2.10%	Subordinate	10,000	2,500,000
Secondary financial debenture of 2016 - first issue A bond	2016.01.29	2023.01.29	Fixed interest rate of 1.60%	Subordinate	10,000	800,000
B bond	2016.01.29	2026.01.29	Fixed interest rate of 1.80%	Subordinate	10,000	2,200,000
Non-cumulative secondary financial debenture of 2018 without maturity - first issue	2018.03.30	N/A	Fixed interest rate of 3.40%	Subordinate	10,000	2,500,000
Secondary financial debenture of 2018 - second issue	2018.06.28	2028.06.28	Fixed interest rate of 1.62%	Subordinate	10,000	2,500,000
Non-cumulative secondary financial debenture of 2019 without maturity - first issue	2019.06.21	N/A	Fixed interest rate of 2.20%	Subordinate	10,000	4,500,000
Non-cumulative secondary financial debenture of 2020 without maturity - first issue	2020.06.23	N/A	Fixed interest rate of 1.70%	Subordinate	10,000	3,000,000
Non-cumulative secondary financial debenture of 2020 without maturity - second issue	2020.12.16	N/A	Fixed interest rate of 1.70%	Subordinate	10,000	3,000,000
Non-cumulative secondary financial debenture of 2020 without maturity - third issue	2020.12.23	N/A	Fixed interest rate of 0.75%	Subordinate	10,000	2,000,000
Cumulative secondary bond of 2012 without maturity -first issue	2012.12.10	N/A	3.35%, if not redeemed by the Company, the fixed interest rate will be adjusted to 4.35% on the day following the bond issue date to the tenth year	Subordinate	1,000	5,000,000
Cumulative secondary bond of 2016 - without maturity - first issue	2016.10.31	N/A	3.80%, if not redeemed by the Company, 1% will be added to the fixed interest rate on the day following the bond issue date to the tenth year	Subordinate	1,000	13,000,000
Unsecured convertible bond of 2017 - fourth issue	2017.08.22	2022.08.22	Nominal interest rate of 0%	Unsecured convertible	100	1,476,300
Unsecured corporate bond of 2017 - first issue	2017.04.05	2022.04.05	Nominal interest rate of 1.25%	Unsecured	1,000	5,000,000
Cumulative secondary bond of 2018 without maturity - fist issue	2018.06.29	N/A	3.50%, if not redeemed by the Company, 1% will be added to the fixed interest rate on the day following the bond issue date to the tenth year	Subordinate	1,000	6,000,000
Unsecured convertible bond of 2018 - fifth issue	2018.12.17	2023.12.17	Nominal interest rate of 0%	Unsecured convertible	100	4,851,772
Unsecured corporate bond of 2020 - first issue	2020.05.27	2025.05.26	Nominal interest rate of 0.82%	Unsecured	100	3,000,000
						<u>\$ 65,828,072</u>

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INSURANCE LIABILITY RESERVES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Title	Balance (January 1, 2020)	Net Changes in the Current Period	Other Changes	Balance (December 31, 2020)
Reserve for unearned premiums				
Total				
Individual life insurance	\$ 909	\$ 24	\$ -	\$ 933
Individual accident insurance	3,885,939	185,179	-	4,071,118
Individual health insurance	4,032,373	208,663	-	4,241,036
Group insurance	1,112,002	(40,162)	-	1,071,840
Investment type insurance	<u>44,748</u>	<u>2,923</u>	-	<u>47,671</u>
	<u>9,075,971</u>	<u>356,627</u>	-	<u>9,432,598</u>
Ceded reserve:				
Individual life insurance	22,808	36,240	(12)	59,036
Individual accident insurance	-	3,043	-	3,043
Individual health insurance	70,249	61,158	13	131,420
Investment type insurance	<u>11</u>	<u>72</u>	-	<u>83</u>
	<u>93,068</u>	<u>100,513</u>	<u>1</u>	<u>193,582</u>
	<u>\$ 8,982,903</u>	<u>\$ 256,114</u>	<u>\$ (1)</u>	<u>\$ 9,239,016</u>
Reserve for claim payments				
Total				
Individual life insurance	\$ 243,384	\$ (74,212)	\$ (1,851)	\$ 167,321
Individual accident insurance	1,329,103	29,689	-	1,358,792
Individual health insurance	1,251,213	37,580	-	1,288,793
Group insurance	631,262	(84,274)	-	546,988
Investment type insurance	<u>42,367</u>	<u>5,120</u>	-	<u>47,487</u>
	<u>3,497,329</u>	<u>(86,097)</u>	<u>(1,851)</u>	<u>3,409,381</u>
Ceded reserve:	-	-	-	-
	<u>\$ 3,497,329</u>	<u>\$ (86,097)</u>	<u>\$ (1,851)</u>	<u>\$ 3,409,381</u>
Reserve for life insurance liability				
Total				
Life insurance	\$ 2,473,220,575	\$ 210,629,245	\$ (19,562,200)	\$ 2,664,287,620
Health insurance	240,155,079	22,363,404	(436)	262,518,047
Annuity insurance	26,134,718	566,696	-	26,701,414
Investment type insurance	<u>160,373</u>	<u>(56,148)</u>	-	<u>104,225</u>
	<u>2,739,670,745</u>	<u>233,503,197</u>	<u>(19,562,636)</u>	<u>2,953,611,306</u>
Ceded reserve:	-	-	-	-
	<u>\$ 2,739,670,745</u>	<u>\$ 233,503,197</u>	<u>\$ (19,562,636)</u>	<u>\$ 2,953,611,306</u>
Reserve for life insurance liability plus "Reserve for life insurance-pending payments to insured" was \$2,966,354,145 thousand at December 31, 2020.				

(Continued)

Title	Balance (January 1, 2020)	Net Changes in the Current Period	Other Changes	Balance (December 31, 2020)
Special reserve for life insurance				
Reserve for participating policy dividends	\$ 1,738,205	\$ (13,580)	\$ 601	\$ 1,725,226
Surplus of fair value measurement of investment properties offset by the negative effect of transition to IFRSs	<u>3,974,960</u>	<u>-</u>	<u>-</u>	<u>3,974,960</u>
	<u>\$ 5,713,165</u>	<u>\$ (13,580)</u>	<u>\$ 601</u>	<u>\$ 5,700,186</u>
Reserve for insufficient premiums				
Total				
Individual life insurance	\$ 5,868,931	\$ (2,127,784)	\$ (91,166)	\$ 3,649,981
Individual health insurance	<u>209,172</u>	<u>(29,828)</u>	<u>-</u>	<u>179,344</u>
	6,078,103	(2,157,612)	(91,166)	3,829,325
Ceded reserve:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,078,103</u>	<u>\$ (2,157,612)</u>	<u>\$ (91,166)</u>	<u>\$ 3,829,325</u>
Reserve for insurance contract with the nature of financial products	<u>\$ 103</u>	<u>\$ 1,325</u>	<u>\$ -</u>	<u>\$ 1,428</u>
Reserve for changes in foreign exchange valuation	<u>\$ 2,078,314</u>	<u>\$ 3,081,913</u>	<u>\$ -</u>	<u>\$ 5,160,227</u>

(Concluded)

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**LEASE LIABILITIES**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Description</b>	<b>Rental Period</b>	<b>Discount Rate</b>	<b>Amount</b>	<b>Note</b>
Land and building	Land, superficies and building	2003.12.04-2157.10.11	0.82%-5.64%	\$ 6,666,668	
Others	Transportation equipment	2014.03.15-2026.06.19	0.82%-5.64%	<u>153,703</u>	
				<u>\$ 6,820,371</u>	

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**MISCELLANEOUS FINANCIAL LIABILITIES**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Title</b>	<b>Description</b>	<b>Amount</b>	<b>Note</b>
Principal value of structured instrument notes		\$ 9,317,300	
Futures customers' equity		7,722,093	
Others (Note)		<u>54,322</u>	
		<u>\$ 17,093,715</u>	

Note: Individual balance is less than 5% of the total balance.

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**OTHER LIABILITIES**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Title</b>	<b>Amount</b>	<b>Note</b>
Guarantee deposits received	\$ 16,067,877	
Receipts under custody	1,934,723	
Others (Note)	<u>6,262,903</u>	
	<u>\$ 24,265,503</u>	

Note: Individual balance is less than 5% of the total balance.

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**INTEREST INCOME**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Bonds	\$ 278,307
Foreign bonds	81,443,063
Loans	14,646,352
Life Insurance loans	5,604,075
Bond investment	2,643,368
Due from Central Bank of China and other banks	230,279
Others (Note)	<u>1,747,563</u>
	<u>\$ 106,593,007</u>

Note: Individual balances is less than 5% of the total balance.

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**INTEREST EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Deposits	\$ 4,204,093
Corporate bonds and bank debentures	1,535,178
Bonds issued under repurchase agreements	234,293
Others (Note)	<u>333,825</u>
	<u>\$ 6,307,389</u>

Note: Individual balances is less than 5% of the total balance.

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****NET PROCESSING FEE AND COMMISSION (LOSS) INCOME****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Processing fee income	
Commission	\$ 323,444
Banks and issuance	18,754
Credit cards	914,441
Processing fee	81,054
Brokerage revenue	3,500,182
Bank fund	1,338,783
Granting of credit	554,925
Insurance	394,162
Others	<u>1,173,132</u>
	<u>8,298,877</u>
Processing fee expense	
Acquisition commission - allowance of representative	126,599
Acquisition commission	8,398,214
Credit cards	621,665
Others	<u>1,388,103</u>
	<u>10,534,581</u>
	<u>\$ (2,235,704)</u>

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****GAIN (LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

---

<b>Title</b>	<b>Description</b>	<b>Amount</b>
Equity	Gain (loss) on changes in fair value	\$ 932,166
	Gain (loss) on disposal	11,893,042
	Dividend income	7,792,890
	Distributions from foreign investments	1,541,268
Debt	Gain (loss) on changes in fair value	2,754,173
	Gain (loss) on disposal	(35,193)
Derivative instruments	Gain (loss) on changes in fair value	3,298,954
	Gain (loss) on disposal	<u>25,024,478</u>
		<u>\$ 53,201,778</u>

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**FOREIGN EXCHANGE GAINS OR LOSS**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Title</b>	<b>Amount</b>	<b>Note</b>
Foreign exchange gains	\$ 5,236,284	
Foreign exchange losses	<u>(77,348,440)</u>	
	<u>\$ (72,112,156)</u>	

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## (REVERSAL OF) IMPAIRMENT LOSS RECOGNIZED ON ASSETS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

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Title	Amount of Impairment Loss	Gain on Reversal of Impairment Loss	Note
Financial assets at fair value through other comprehensive income	\$ (17,728)	\$ 9,449	
Financial assets at amortized costs	<u>(57,271)</u>	<u>6,277</u>	
	<u>\$ (74,999)</u>	<u>\$ 15,726</u>	

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**OTHER MISCELLANEOUS INCOME, NET**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Title</b>	<b>Amount</b>	<b>Note</b>
Share warrants expenses	\$ (180,763)	
Management income	279,952	
Others (Note)	<u>473,406</u>	
	<u>\$ 572,595</u>	

Note: Individual balance is less than 5% of the total balance.

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**BAD DEBT EXPENSES, PROVISION OF LIABILITY RESERVE**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Title</b>	<b>Amount</b>	<b>Note</b>
Provision for doubtful account	<u>\$ 1,433,375</u>	

## SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## EMPLOYEE BENEFITS EXPENSE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Employee Benefits	Net Income and Gains Other Than Interest Income	Other Selling and Administrative Expense	Total	Note
Employee benefits expense					
Salary	\$ 13,905,815	\$ 3,853,428	\$ -	\$ 17,759,243	
Labor and health insurance	1,339,524	-	-	1,339,524	
Termination benefits	710,815	-	-	710,815	
Remuneration of directors and supervisors	198,193	-	72	198,265	
Other employee benefits	606,083	-	20,089	626,172	
Share-based payment arrangements	<u>64,693</u>	<u>-</u>	<u>-</u>	<u>64,693</u>	
	<u>\$ 16,825,123</u>	<u>\$ 3,853,428</u>	<u>\$ 20,161</u>	<u>\$ 20,698,712</u>	

Note:

1. As of December 31, 2020 and 2019, the number of employees in the Group was 17,255 and 17,470, respectively, including 70 and 59 directors who are not concurrently serving as employees, respectively.
2. During 2020 and 2019, the average expense of employee benefits was \$1,192 thousand and \$1,161 thousand, respectively.
3. During 2020 and 2019, the average salary was \$1,033 thousand and \$1,007 thousand, respectively.
4. The change in average salary between 2020 and 2019 was 2.58%.
5. During 2020 and 2019, the supervisors' remuneration was \$1,012 thousand and \$1,233 thousand, respectively.
6. Salary policy
  - a. Directors
    - 1) Remuneration of directors includes remuneration, director's repayment and business execution costs.
    - 2) Remuneration of directors is in accordance with Article 23 of the Company's articles of incorporation. According to the authorization, the board of directors shall negotiate the remuneration of directors in accordance with its degree of participation in the Company's operations and contribution value and the usual level of the industry.

(Continued)

- 3) Remuneration of directors according to Article 32 of the articles of incorporation: if the Company makes a profit during the year, no more than 1% of the profit may be allocated by the board of directors for remuneration of directors. The remuneration distribution proposal shall be submitted to the shareholders' meeting. If the Company has accumulated losses, it shall reserve the amount of compensation in advance, and then allocate the remuneration to the directors based on the proportion of the preceding paragraph. Remuneration of directors shall be collected by corporate directors.
  - 4) Business execution expenses include related expenses incurred in the execution of the business, including expenses such as carriage fees for attending the meetings of the board of directors.
- b. Independent directors
- 1) Remuneration of directors includes remuneration and business execution costs.
  - 2) The remuneration of independent directors is in accordance with Article 23 of the Company's articles of incorporation. The board of directors shall determine a fixed remuneration based on its responsibilities, risks, time spent and the usual level of the industry, and does not participate in the Company's surplus distribution.
  - 3) Business execution expenses include related expenses incurred in the execution of the business, including expenses such as carriage fees for attending the meetings of the board of directors.
- c. Managers
- 1) Remuneration of managers includes remuneration, pension, bonus, and salary.
  - 2) The policies, systems, standards and structure of the performance evaluation and salary remuneration of the Company's managers are reviewed by the remuneration committee and submitted to the board of directors for decision. The remuneration of managers is based on their professional qualifications, and with reference to the salary levels of the Company, the same trade or business, and the market. Performance of managers is evaluated in accordance with performance management methods. When setting performance targets, in addition to financial indicators, they also include indicators related to corporate governance, such as internal control and compliance with laws and regulations, corporate governance evaluation rankings, and corporate social responsibility's key projects, etc. At the same time, in order to implement the purpose of linking performance and rewards, and to encourage managers to pursue outstanding performance, personal annual performance bonuses are effectively linked with the Company's operating performance and personal performance in accordance with the annual performance bonus method. In order to create long-term value for the Company, shareholders and employees, managers establish a link between bonuses and future risks in accordance with the long-term incentive bonus method and the senior executive shareholding trust reward method. Remuneration of employees according to Article 32 of the Company's articles of incorporation: if the Company makes a profit during the year, it shall allocate more than one ten thousandth and less than five ten thousandth of profit for employee compensation, which may include employees of affiliated companies who meet certain conditions. The plan for the distribution of the remuneration of employees shall be submitted to the shareholders' meeting. If the Company has accumulated losses, it shall reserve the compensation amount in advance, and then allocate the balance in proportion to the preceding paragraph.

(Continued)

d. Employees

- 1) Compensation of employees includes salary, pension, bonus and employee compensation.
- 2) The salary of employees is based on their professional qualifications, responsibilities, Company's operating performance and personal performance, while taking into account factors such as the level of talent payment in the market, providing a competitive salary level to achieve the goal of attracting and retaining talents. Performance of employees is evaluated in accordance with performance management methods. When setting performance targets, in addition to financial indicators, it also includes indicators related to corporate governance, such as internal control and compliance with laws and regulations, corporate governance evaluation rankings, and corporate social responsibility's key projects, etc. At the same time, in order to implement the purpose of linking performance and rewards, and to encourage colleagues to pursue excellent performance, according to the annual performance bonus method, the personal annual performance bonus is effectively linked to the Company's operating performance and personal performance. Compensation of employees according to Article 32 of the Company's articles of incorporation: if the Company makes a profit during the year, it shall allocate more than one ten thousandth and less than five ten thousandth of profit for compensation of employees, which may include employees of affiliated companies who meet certain conditions. The plan for the distribution of the compensation of employees shall be submitted to the shareholders' meeting. If the Company has accumulated losses, it shall reserve the compensation amount in advance, and then allocate the balance in proportion to the preceding paragraph.

7. Net income and gains other than interest income is mainly the commission fee of the consolidated company salesperson.

(Concluded)

**SHIN KONG FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**OTHER SELLING AND ADMINISTRATIVE EXPENSES**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Title</b>	<b>Amount</b>	<b>Note</b>
Tax	\$ 2,467,014	
Insurance expenses	1,174,904	
Professional service expenses	861,676	
Repayment expenses	540,291	
Others (Note)	<u>3,091,856</u>	
	<u>\$ 8,135,741</u>	

Note: Individual balance is less than 5% of the total balance.