

O-Bank and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
O-Bank

Introduction

We have reviewed the accompanying consolidated balance sheets of O-Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Notes 15 and 16 to the consolidated financial statements, the financial statements of some non-significant subsidiaries and investment accounted for using the equity method included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2021 and 2020, combined total assets of these non-significant subsidiaries were NT\$1,114,665 thousand and NT\$1,086,999 thousand, respectively, representing 0.19% and 0.18%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$213,698 thousand and NT\$250,142 thousand, respectively, representing 0.04% and 0.05%, respectively, of the consolidated total liabilities; for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$33,427 thousand and NT\$(1,857) thousand, NT\$94,937 thousand and NT\$(18,904) thousand, respectively, representing 9.00%, (0.21%), 5.07% and (0.88%), respectively, of the consolidated total comprehensive income.

As of September 30, 2021 and 2020, the amount of investment accounted for using the equity method was NT\$800,064 thousand and NT\$863,564 thousand, respectively, representing 0.14% and 0.15%, respectively, of the consolidated total assets; for the three months ended September 30, 2021 and for the nine months ended September 30, 2021, the amount of share of comprehensive income of associate accounted for using the equity method was NT\$56,097 thousand and NT\$10,202 thousand, respectively, representing 15.11% and 0.54%, respectively, of the consolidated total comprehensive income.

Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and the investment accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2021 and 2020, and of its consolidated financial performance for the three months ended September 30, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Yin-Chou Chen and Wang-Sheng Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 3, 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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors’ review 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’ review report and consolidated financial statements shall prevail.

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CASH AND CASH EQUIVALENTS (Note 6)	\$ 10,821,501	2	\$ 9,621,739	2	\$ 8,560,396	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	20,242,466	4	18,125,019	3	19,576,030	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 42)	172,321,474	29	162,494,696	28	171,739,616	29
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 42 and 46)	179,721,441	31	172,509,235	30	169,792,092	29
BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS (Note 10)	6,155,319	1	4,732,882	1	7,322,042	1
RECEIVABLES, NET (Notes 11 and 13)	19,555,973	3	14,952,859	3	14,441,372	3
CURRENT TAX ASSETS	299,261	-	362,328	-	376,882	-
DISCOUNTS AND LOANS, NET (Notes 12, 13, 41 and 42)	171,932,351	29	183,710,973	32	191,333,494	32
INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD, NET(Note 16)	800,064	-	789,863	-	863,564	-
OTHER FINANCIAL ASSETS (Notes 17 and 42)	882,004	-	858,462	-	1,395,559	-
PROPERTY AND EQUIPMENT, NET (Notes 18 and 43)	2,591,330	1	2,672,567	1	2,702,314	1
RIGHT-OF-USE ASSETS, NET (Note 19)	359,872	-	429,678	-	421,007	-
INTANGIBLE ASSETS, NET (Note 20)	2,000,660	-	2,207,244	-	2,222,939	-
DEFERRED TAX ASSETS	896,040	-	895,887	-	773,271	-
OTHER ASSETS (Notes 19 and 21)	<u>1,393,208</u>	<u>-</u>	<u>1,050,198</u>	<u>-</u>	<u>956,711</u>	<u>-</u>
TOTAL	<u>\$ 589,972,964</u>	<u>100</u>	<u>\$ 575,413,630</u>	<u>100</u>	<u>\$ 592,477,289</u>	<u>100</u>
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits From the Central Bank and other banks (Note 22)	\$ 38,573,210	7	\$ 28,479,755	5	\$ 46,438,619	8
Financial liabilities at fair value through profit or loss (Note 8)	343,206	-	790,298	-	535,931	-
Bills and bonds sold under repurchase agreements (Note 23)	186,545,736	32	181,165,826	32	179,908,518	30
Payables (Note 24)	2,750,156	1	2,740,642	1	2,451,471	1
Current tax liabilities	174,624	-	172,428	-	187,191	-
Deposits and remittances (Notes 25 and 41)	265,649,562	45	267,719,672	47	272,812,288	46
Bank debentures payable (Note 26)	14,500,000	2	16,400,000	3	16,400,000	3
Other financial liabilities (Note 27)	20,991,841	4	18,102,763	3	17,230,236	3
Provisions (Notes 13, 28 and 29)	2,094,343	-	2,102,012	-	2,023,194	-
Lease liabilities (Note 19)	377,523	-	444,659	-	433,009	-
Deferred tax liabilities	808,069	-	793,255	-	567,532	-
Other liabilities (Note 30)	<u>2,547,543</u>	<u>-</u>	<u>2,249,555</u>	<u>-</u>	<u>2,341,929</u>	<u>-</u>
Total liabilities	<u>535,355,813</u>	<u>91</u>	<u>521,160,865</u>	<u>91</u>	<u>541,329,918</u>	<u>91</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Capital						
Common stock	27,330,063	5	27,330,063	5	24,130,063	4
Preferred stock	3,000,000	-	3,000,000	-	3,000,000	1
Total capital	<u>30,330,063</u>	<u>5</u>	<u>30,330,063</u>	<u>5</u>	<u>27,130,063</u>	<u>5</u>
Capital surplus	<u>6,742</u>	<u>-</u>	<u>5,966</u>	<u>-</u>	<u>10,510</u>	<u>-</u>
Retained earnings						
Legal reserve	3,729,690	1	3,697,811	1	3,697,811	1
Special reserve	797,783	-	1,396,353	-	1,396,353	-
Unappropriated earnings	<u>1,606,182</u>	<u>-</u>	<u>106,262</u>	<u>-</u>	<u>955,342</u>	<u>-</u>
Total retained earnings	<u>6,133,655</u>	<u>1</u>	<u>5,200,426</u>	<u>1</u>	<u>6,049,506</u>	<u>1</u>
Other equity	<u>(495,337)</u>	<u>-</u>	<u>57,744</u>	<u>-</u>	<u>(151,771)</u>	<u>-</u>
Treasury stock	<u>(38,304)</u>	<u>-</u>	<u>(38,304)</u>	<u>-</u>	<u>(38,304)</u>	<u>-</u>
Total equity attributable to owners of the Bank	35,936,819	6	35,555,895	6	33,000,004	6
NON-CONTROLLING INTERESTS	<u>18,680,332</u>	<u>3</u>	<u>18,696,870</u>	<u>3</u>	<u>18,147,367</u>	<u>3</u>
Total equity (Note 31)	<u>54,617,151</u>	<u>9</u>	<u>54,252,765</u>	<u>9</u>	<u>51,147,371</u>	<u>9</u>
TOTAL	<u>\$ 589,972,964</u>	<u>100</u>	<u>\$ 575,413,630</u>	<u>100</u>	<u>\$ 592,477,289</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated November 3, 2021)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 32 and 41)	\$ 1,708,249	72	\$ 1,772,840	83	\$ 5,091,084	72	\$ 5,946,235	99
INTEREST EXPENSE (Notes 32 and 41)	(524,152)	(22)	(751,793)	(35)	(1,627,349)	(23)	(3,061,160)	(51)
NET INTEREST	1,184,097	50	1,021,047	48	3,463,735	49	2,885,075	48
NET REVENUE OTHER THAN INTEREST REVENUE								
Service fee income, net (Notes 33 and 41)	570,587	24	559,554	26	1,868,544	27	1,536,206	26
Gains (losses) on financial assets or liabilities measured at fair value through profit or loss (Note 34)	269,118	12	(266,323)	(12)	667,076	9	263,941	4
Realized gains on financial assets at fair value through other comprehensive income (Note 35)	248,230	11	216,981	10	400,107	6	393,684	7
Foreign exchange gain (loss), net	(45,140)	(2)	579,057	27	435,505	6	864,660	14
Reversal of impairment loss (impairment loss) on assets	(2,675)	-	287	-	596	-	(5,350)	-
Share of profit of associates and joint ventures accounted for using the equity method	56,594	2	-	-	19,545	-	-	-
Other net revenue other than interest	76,118	3	20,925	1	184,159	3	69,370	1
Total net revenue other than interest revenue	1,172,832	50	1,110,481	52	3,575,532	51	3,122,511	52
NET REVENUE	2,356,929	100	2,131,528	100	7,039,267	100	6,007,586	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 13)	(136,367)	(6)	(36,111)	(2)	(292,113)	(4)	(464,476)	(8)
OPERATING EXPENSES								
Employee benefits expenses (Notes 29, 36 and 41)	682,738	29	672,075	32	2,094,414	30	1,975,168	33
Depreciation and amortization expenses (Note 37)	159,846	7	157,337	7	479,794	7	468,711	8
Other general and administrative expenses (Notes 38 and 41)	300,108	12	280,740	13	840,193	12	810,133	13
Total operating expenses	1,142,692	48	1,110,152	52	3,414,401	49	3,254,012	54

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O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	\$ 1,077,870	46	\$ 985,265	46	\$ 3,332,753	47	\$ 2,289,098	38
INCOME TAX EXPENSE (Note 39)	260,786	11	208,257	9	816,679	11	510,430	9
INCOME FROM CONTINUING OPERATIONS	817,084	35	777,008	37	2,516,074	36	1,778,668	29
LOSS FROM DISCONTINUED OPERATIONS (Note 14)	(1,508)	-	(1,330)	-	(4,509)	-	(11,722)	-
NET PROFIT FOR THE PERIOD	815,576	35	775,678	37	2,511,565	36	1,766,946	29
OTHER COMPREHENSIVE INCOME (LOSS)								
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:								
Gains (losses) on remeasurements of defined benefit plans	-	-	-	-	(149)	-	111	-
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	(220,358)	(9)	(5,886)	-	418,762	6	33,532	1
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 39)	-	-	-	-	30	-	(22)	-
Components of other comprehensive income (loss) that will not be reclassified to profit or loss, net of tax	(220,358)	(9)	(5,886)	-	418,643	6	33,621	1
Components of other comprehensive income (loss) that will be reclassified to profit or loss:								
Exchange differences on translation of financial statements of foreign operations	(1,928)	-	(122,470)	(6)	(260,983)	(4)	(330,041)	(5)

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O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	\$ (246,301)	(11)	\$ 235,408	11	\$ (925,204)	(13)	\$ 723,180	12
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 39)	24,321	1	(17,467)	(1)	128,441	2	(40,812)	(1)
Components of other comprehensive income (loss) that will be reclassified to profit or loss, net of tax	(223,908)	(10)	95,471	4	(1,057,746)	(15)	352,327	6
Other comprehensive income (loss) for the period, net of tax	(444,266)	(19)	89,585	4	(639,103)	(9)	385,948	7
TOTAL COMPREHENSIVE INCOME	<u>\$ 371,310</u>	<u>16</u>	<u>\$ 865,263</u>	<u>41</u>	<u>\$ 1,872,462</u>	<u>27</u>	<u>\$ 2,152,894</u>	<u>36</u>
NET PROFIT								
ATTRIBUTABLE TO:								
Owners of the Bank	\$ 481,840	21	\$ 441,424	21	\$ 1,454,678	21	\$ 895,622	15
Non-controlling interests	333,736	14	334,254	16	1,056,887	15	871,324	14
	<u>\$ 815,576</u>	<u>35</u>	<u>\$ 775,678</u>	<u>37</u>	<u>\$ 2,511,565</u>	<u>36</u>	<u>\$ 1,766,946</u>	<u>29</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owners of the Bank	\$ 187,077	8	\$ 432,445	20	\$ 1,053,102	15	\$ 871,048	15
Non-controlling interests	184,233	8	432,818	21	819,360	12	1,281,846	21
	<u>\$ 371,310</u>	<u>16</u>	<u>\$ 865,263</u>	<u>41</u>	<u>\$ 1,872,462</u>	<u>27</u>	<u>\$ 2,152,894</u>	<u>36</u>
EARNINGS PER SHARE (Note 40)								
From continuing and discontinued operations								
Basic	<u>\$0.18</u>		<u>\$0.18</u>		<u>\$0.49</u>		<u>\$0.32</u>	
Diluted	<u>\$0.16</u>		<u>\$0.16</u>		<u>\$0.44</u>		<u>\$0.28</u>	
From continuing operations								
Basic	<u>\$0.18</u>		<u>\$0.18</u>		<u>\$0.49</u>		<u>\$0.32</u>	
Diluted	<u>\$0.16</u>		<u>\$0.16</u>		<u>\$0.44</u>		<u>\$0.28</u>	

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

(With Deloitte & Touche auditors' review report dated November 3, 2021)

(Concluded)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Bank (Notes 9 and 31)													
	Capital Stock			Capital Surplus	Retained Earnings				Other Equity		Treasury Stock	Owners of the Bank	Non-controlling Interests (Note 31)	Total Equity
	Common Stock	Preferred Stock	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2020	\$ 24,130,063	\$ 3,000,000	\$ 27,130,063	\$ 9,750	\$ 3,367,681	\$ 1,631,335	\$ 1,187,851	\$ 6,186,867	\$ (307,473)	\$ 239,996	\$ -	\$ 33,259,203	\$ 17,557,074	\$ 50,816,277
Reversal of special reserve	-	-	-	-	-	(234,982)	234,982	-	-	-	-	-	-	-
Appropriation and distribution of 2019 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	330,130	-	(330,130)	-	-	-	-	-	-	-
Cash dividends of common stock distributed by the Bank	-	-	-	-	-	-	(965,203)	(965,203)	-	-	-	(965,203)	-	(965,203)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(127,500)	(127,500)	-	-	-	(127,500)	-	(127,500)
Unclaimed dividends	-	-	-	336	-	-	-	-	-	-	-	336	1,071	1,407
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	424	-	-	-	-	-	-	-	424	-	424
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(692,624)	(692,624)
Net profit for the nine months ended September 30, 2020	-	-	-	-	-	-	895,622	895,622	-	-	-	895,622	871,324	1,766,946
Other comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	25	25	(274,024)	249,425	-	(24,574)	410,522	385,948
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	895,647	895,647	(274,024)	249,425	-	871,048	1,281,846	2,152,894
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(38,304)	(38,304)	-	(38,304)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	59,695	59,695	-	(59,695)	-	-	-	-
BALANCE AT SEPTEMBER 30, 2020	\$ 24,130,063	\$ 3,000,000	\$ 27,130,063	\$ 10,510	\$ 3,697,811	\$ 1,396,353	\$ 955,342	\$ 6,049,506	\$ (581,497)	\$ 429,726	\$ (38,304)	\$ 33,000,004	\$ 18,147,367	\$ 51,147,371
BALANCE AT JANUARY 1, 2021	\$ 27,330,063	\$ 3,000,000	\$ 30,330,063	\$ 5,966	\$ 3,697,811	\$ 1,396,353	\$ 106,262	\$ 5,200,426	\$ (697,554)	\$ 755,298	\$ (38,304)	\$ 35,555,895	\$ 18,696,870	\$ 54,252,765
Reversal of special reserve	-	-	-	-	-	(598,570)	598,570	-	-	-	-	-	-	-
Appropriation and distribution of 2020 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	31,879	-	(31,879)	-	-	-	-	-	-	-
Cash dividends of common stock distributed by the Bank	-	-	-	-	-	-	(545,454)	(545,454)	-	-	-	(545,454)	-	(545,454)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(127,500)	(127,500)	-	-	-	(127,500)	-	(127,500)
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	405	-	-	-	-	-	-	-	405	-	405
Unclaimed dividends	-	-	-	371	-	-	-	-	-	-	-	371	1,023	1,394
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(836,921)	(836,921)
Net profit for the nine months ended September 30, 2021	-	-	-	-	-	-	1,454,678	1,454,678	-	-	-	1,454,678	1,056,887	2,511,565
Other comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	(34)	(34)	(218,079)	(183,463)	-	(401,576)	(237,527)	(639,103)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	1,454,644	1,454,644	(218,079)	(183,463)	-	1,053,102	819,360	1,872,462
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	151,539	151,539	-	(151,539)	-	-	-	-
BALANCE AT SEPTEMBER 30, 2021	\$ 27,330,063	\$ 3,000,000	\$ 30,330,063	\$ 6,742	\$ 3,729,690	\$ 797,783	\$ 1,606,182	\$ 6,133,655	\$ (915,633)	\$ 420,296	\$ (38,304)	\$ 35,936,819	\$ 18,680,332	\$ 54,617,151

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

(With Deloitte & Touche auditors' review report dated November 3, 2021)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 3,332,753	\$ 2,289,098
Loss from discontinued operations before tax	(4,509)	(11,722)
Adjustments for:		
Depreciation expense	269,712	266,026
Amortization expense	212,576	203,130
Expected credit losses/recognition of provisions	291,517	469,826
Net gain on financial assets or liabilities at fair value through profit or loss	(674,722)	(263,829)
Interest expense	1,627,349	3,061,160
Interest income	(5,091,084)	(5,946,828)
Dividends income	(237,878)	(176,856)
Share of profit of associates and joint ventures accounted for using the equity method	(19,545)	-
Loss on disposal of property and equipment	16	738
Gain on disposal of investments	(162,229)	(216,828)
Changes in operating assets and liabilities:		
Due from the Central Bank and call loans to banks	796,659	(2,005,421)
Financial assets at fair value through profit or loss	(9,552,860)	1,116,860
Financial assets at fair value through other comprehensive income	(6,931,424)	(26,294,847)
Bills and bonds purchased under resell agreements	(1,422,437)	(7,222,029)
Receivables	(5,025,792)	1,343,545
Discounts and loans	11,536,891	2,570,712
Deposits from the Central Bank and other banks	10,093,455	2,999,221
Financial liabilities at fair value through profit or loss	(447,092)	2,349
Bills and bonds sold under repurchase agreements	5,379,910	20,355,133
Payables	176,324	(977,665)
Deposits and remittances	(2,070,110)	7,080,464
Provisions	(7,388)	(36,327)
Cash generated from (used in) operations	2,070,092	(1,394,090)
Interest received	5,344,446	6,479,417
Dividends received	229,162	186,048
Interest paid	(1,786,013)	(3,310,277)
Income taxes paid	(736,755)	(246,365)
Net cash flows generated from operating activities	<u>5,120,932</u>	<u>1,714,733</u>

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment accounted for using the equity method	\$ -	\$ (863,564)
Acquisition of property and equipment	(86,389)	(59,264)
Proceeds from disposal of property and equipment	2,521	165
Increase in refundable deposits	(268,805)	(35,002)
Acquisition of intangible assets	(20,122)	(86,188)
Decrease in other financial assets	533,774	115,361
Increase in other assets	<u>(74,205)</u>	<u>(4,935)</u>
Net cash flows generated from (used in) investing activities	<u>86,774</u>	<u>(933,427)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	227,052	1,024,373
Increase in commercial papers	338,000	4,462,000
Proceeds from issuing bank debentures	1,000,000	-
Repayments of bank debentures	(2,900,000)	(2,300,000)
Proceeds from long-term borrowings	5,171,782	-
Repayments of long-term borrowings	(2,420,679)	(586,912)
Repayment of the principal portion of lease liabilities	(138,495)	(136,346)
Decrease in other financial liabilities	(322,264)	(577,240)
Decrease in other liabilities	-	(74,833)
Increase in other liabilities	297,869	-
Dividends paid to owners of the Bank	(672,954)	(1,092,703)
Payments to acquire treasury stock	-	(38,304)
Dividends paid to non-controlling interests	<u>(836,921)</u>	<u>(692,624)</u>
Net cash flows used in financing activities	<u>(256,610)</u>	<u>(12,589)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(279,912)</u>	<u>(238,060)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,671,184	530,657
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>16,905,644</u>	<u>17,550,472</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 21,576,828</u>	<u>\$ 18,081,129</u>

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of September 30, 2021 and 2020:

	<u>September 30</u>	
	2021	2020
Cash and cash equivalents reported in the consolidated balance sheets	\$ 10,821,501	\$ 8,560,396
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	10,198,011	8,938,209
Other items qualifying for cash and cash equivalents under the definition of IAS 7	<u>557,316</u>	<u>582,524</u>
Cash and cash equivalents at the end of the period	<u>\$ 21,576,828</u>	<u>\$ 18,081,129</u>

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

(With Deloitte & Touche auditors' review report dated November 3, 2021)

(Concluded)

O-BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Industrial Bank of Taiwan started its preparation for incorporation on March 2, 1998, was authorized for incorporation by the Ministry of Finance on July 27, 1999, and began its business operations on September 2, 1999.

To be in coordination with the government's financial liberation policy and to increase the operating efficiency, on August 14, 2015, the Industrial Bank of Taiwan's board of directors approved of the application for a change of registration to a commercial bank and for a change of name to "O-Bank Co., Ltd." ("O-Bank" or the "Bank"). The Financial Supervisory Commission (the "FSC") accepted the application on December 15, 2016 and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. On January 1, 2017, the Banking Bureau approved and issued the operating license for the Bank to operate a commercial banking business. The Bank's name was changed from "Industrial Bank of Taiwan" to "O-Bank Co., Ltd." on January 1, 2017.

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank debentures; (c) providing loans, discounts, and acceptance business; (d) providing domestic and foreign exchange and guarantee business; (e) issuing letters of credit at home and abroad; (f) making receipts and payments by agents; (g) investing in and underwriting offering of securities; (h) dealing in bonds; (i) factoring; (j) providing financial advisory services to financing and non-financing business; (k) wealth management business; (l) providing personal insurance and property insurance agent business; (m) dealing with debit card business; (n) providing foreign exchange services for client's imports or exports, overseas remittances, foreign currency deposits, and foreign currency loans and guarantees; (o) overseeing trust business under the Trust Business Law and regulations; and (p) dealing in derivative financial instruments and participating in other operations authorized by the central authorities.

As of September 30, 2021, the Bank has eight main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate and Institutional Banking Department, Corporate Finance Department, Consumer Lending Department and Wealth Management Department. It also has four domestic branches - Zhongxiao Dunhua branch, Taoyuan branch, Hsinchu branch, Taichung branch and Kaohsiung branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin representative office.

The Bank's stocks were listed on the Emerging Stock Market of the Taipei Exchange ("TPEX") starting in August 2004. The TWSE approved the Bank's application for listing on November 28, 2016 and transferred the listing from the TPEX to the TWSE on May 5, 2017.

The consolidated financial statements are presented in the Bank's functional currency, the New Taiwan dollar.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Bank and its subsidiaries (the "Group") had 1,510, 1,453 and 1,451 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on November 3, 2021.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

Effect of interest rate benchmark reform

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

The Group elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes 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.

- b. The IFRSs endorsed by the FSC for application starting from 2022

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

Note 1: 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” are 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” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

The Group assessed the application of the above standards would not have any material impact on the Group's financial position and financial performance. 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.

- c. New IFRSs in issued but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
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 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction "	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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 AND REPORTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC.

Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values and the net defined benefit liabilities (assets) recognized at the fair value of the assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Since the operating cycle in the banking industry could not be clearly identified, accounts included in the consolidated financial statements of the Bank were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 46 for the maturity analysis of liabilities.

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank. 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 and 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 Bank. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. The total comprehensive income of subsidiaries shall be attributed to the owners of the Bank and to the non-controlling interests, even if the balance becomes negative or loss is incurred.

Refer to Note 15 and Table 5 for the list of main business activities and ownership percentages of subsidiaries.

Other Significant Accounting and Reporting Policies

Except as described in the following paragraphs, other significant accounting and reporting policies used in the preparation of these consolidated financial statements are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2020.

a. Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

b. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

c. Modification of financial instruments

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Group elects to apply the practical expedient in which the changes 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. When multiple changes are made to a financial asset or a financial liability, the Group first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

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.

Estimated Impairment of Loans and Financial Guarantee Contract

The impairment of loans and financial guarantee contracts is based on assumptions about the risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs of the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand and petty cash	\$ 100,212	\$ 70,930	\$ 107,513
Checking for clearing	54,860	451,158	27,931
Due from banks	<u>10,666,429</u>	<u>9,099,651</u>	<u>8,424,952</u>
	<u>\$ 10,821,501</u>	<u>\$ 9,621,739</u>	<u>\$ 8,560,396</u>

The cash and cash equivalents of the consolidated cash flows and the related adjustments of the consolidated balance sheets as of December 31, 2020 are as follows. For the adjustments as of September 30, 2021 and 2020, refer to the consolidated statements of cash flows.

	December 31, 2020
Cash and cash equivalents in the consolidated balance sheets	\$ 9,621,739
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>7,283,905</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 16,905,644</u>

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	September 30, 2021	December 31, 2020	September 30, 2020
Reserves for deposits - Type A	\$ 4,166,644	\$ 4,091,431	\$ 3,667,249
Reserves for deposits - Type B	5,049,599	5,521,144	5,440,569
Due from Central Bank - Financial	800,346	1,200,031	1,500,877
Call loans to banks	10,198,011	7,283,905	8,938,209
Others	<u>27,866</u>	<u>28,508</u>	<u>29,126</u>
	<u>\$ 20,242,466</u>	<u>\$ 18,125,019</u>	<u>\$ 19,576,030</u>

Under a directive issued by the Central Bank, deposit reserves are determined monthly at prescribed rates on average balances of customers' deposits. Type B deposit reserves are subject to withdrawal restrictions.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets mandatorily classified as at <u>FVTPL</u>			
Hybrid financial assets			
Convertible bonds - domestic (include assets swap contracts)	\$ 10,649,337	\$ 9,793,156	\$ 11,082,931
Structured debt	<u>561,273</u>	<u>577,236</u>	<u>589,224</u>
	<u>11,210,610</u>	<u>10,370,392</u>	<u>11,672,155</u>
Derivative financial assets			
Currency swap contracts	296,799	269,278	165,777
Forward contracts	47,108	30,816	18,211
Interest rate swap contracts	7,905	8,324	10,208
Currency option contracts - call	<u>25,962</u>	<u>8,028</u>	<u>17,677</u>
	<u>377,774</u>	<u>316,446</u>	<u>211,873</u>
Non-derivative financial assets			
Short-term bills	119,830,860	106,494,789	114,956,454
Negotiable certificates of deposit	39,787,650	44,080,443	44,098,826
Stocks and beneficiary certificates	<u>1,114,580</u>	<u>1,232,626</u>	<u>800,308</u>
	<u>160,733,090</u>	<u>151,807,858</u>	<u>159,855,588</u>
	<u>\$ 172,321,474</u>	<u>\$ 162,494,696</u>	<u>\$ 171,739,616</u>
<u>Held-for-trading financial liabilities</u>			
Derivative financial instruments			
Currency swap contracts	\$ 245,876	\$ 682,233	\$ 463,752
Forward contracts	27,859	42,719	20,742
Interest rate swap contracts	12,546	18,334	22,759
Currency option contracts - put	25,494	8,030	16,360
Others	<u>30,376</u>	<u>37,022</u>	<u>12,220</u>
	<u>342,151</u>	<u>788,338</u>	<u>535,833</u>
Non-derivative financial liabilities			
Commercial paper contracts	<u>1,055</u>	<u>1,960</u>	<u>98</u>
	<u>\$ 343,206</u>	<u>\$ 790,298</u>	<u>\$ 535,931</u>

The Group engages in derivative transactions, including forward contracts, currency swap contracts and currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As for the engagement in interest rate swap contracts, its purpose is to hedge risk of cash flow and risk of market value caused by the change of interest rates or exchange rates. The Group strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a high negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (or notional amounts) of outstanding derivative transactions as of September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Interest rate swap contracts	\$ 13,741,172	\$ 13,219,615	\$ 14,908,489
Currency swap contracts	67,609,469	58,701,818	62,197,631
Forward contracts	8,003,787	5,899,199	4,379,288
Currency option contracts			
Buy	1,730,195	368,196	1,107,952
Sell	1,585,509	368,196	662,492
Promised purchase contracts	12,900,000	12,800,000	12,300,000

As of September 30, 2021, December 31, 2020 and September 30, 2020, financial assets at fair value through profit and loss under agreement to repurchase were in the face amount of \$82,919,900 thousand, \$73,379,700 thousand and \$73,930,300 thousand, respectively.

Refer to Note 42 for information relating to financial assets at fair value through profit or loss pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2021	December 31, 2020	September 30, 2020
Investments in equity instruments at FVTOCI	\$ 6,645,487	\$ 6,118,890	\$ 5,019,495
Investments in debt instruments at FVTOCI			
Government bonds	19,320,573	20,713,254	21,256,748
Bank debentures	34,349,099	38,028,140	38,841,604
Corporate bonds	82,014,259	74,779,579	70,983,470
Overseas government bonds	2,687,716	2,199,467	2,167,000
Mortgage backed securities	2,117,857	885,917	1,087,315
Commercial papers	6,589,884	-	-
Negotiable certificates of deposit	<u>25,996,566</u>	<u>29,783,988</u>	<u>30,436,460</u>
	<u>\$ 179,721,441</u>	<u>\$ 172,509,235</u>	<u>\$ 169,792,092</u>

a. Investments in equity instruments at FVTOCI

These investments in listed and emerging stocks 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.

The Group disposed stock classified as at FVTOCI for invested management purpose for the nine months end September 30, 2021 and 2020. The fair value of stocks classified as at FVTOCI which had to be disposed of were \$1,486,607 thousand and \$2,115,619 thousand and the accumulated loss and gain related to the sold assets of \$151,539 thousand gain and \$59,695 thousand gain, respectively, were transferred from other equity-unrealized valuation gain or loss on financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of \$237,878 thousand and \$176,856 thousand were recognized in profit or loss for the nine months ended September 30, 2021 and 2020. The dividends related to investments held at the end of the reporting period were \$237,878 thousand and \$173,905 thousand, respectively.

b. Investments in debt instruments at FVTOCI

- 1) Refer to Note 42 for information relating to investments in debt instruments at FVTOCI pledged as security.
- 2) Refer to Note 46 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.
- 3) Investments in debt instruments at FVTOCI under agreement to repurchase were in the face amount of \$93,037,420 thousand, \$98,234,855 thousand, and \$94,006,620 thousand, as of on September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

10. BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS

The Group's bills and bonds purchased under resale agreements are all government bonds. As of September 30, 2021, December 31, 2020 and September 30, 2020, the bonds purchased under agreements to resale were in the amount of \$6,156,364 thousand, \$4,734,256 thousand and \$7,324,012 thousand, respectively. As of September 30, 2021, December 31, 2020 and September 30, 2020, bonds purchased under agreements to resell were sold under agreements to repurchase in the face amount of \$5,960,000 thousand, \$4,726,100 thousand and \$7,320,000 thousand, respectively.

11. RECEIVABLES, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Lease payment receivable	\$ 16,469,396	\$ 12,727,198	\$ 11,526,214
Factored receivable	1,685,213	869,297	1,004,450
Interest receivable	955,219	1,098,072	1,186,465
Accounts receivable	1,443,283	1,077,159	765,600
Investment settlements receivable	149,806	92,502	532,012
Acceptances receivable	55,916	43,447	221,774
Settlement accounts receivable - trusteeship	60,673	82,227	84,934
Others	<u>153,310</u>	<u>101,479</u>	<u>154,695</u>
	20,972,816	16,091,381	15,476,144
Less: Unrealized interest revenue	945,191	707,317	606,105
Allowance for credit losses	<u>471,652</u>	<u>431,205</u>	<u>428,667</u>
Receivables, net	<u>\$ 19,555,973</u>	<u>\$ 14,952,859</u>	<u>\$ 14,441,372</u>

The changes in gross carrying amount on receivables (less unrealized interest revenue) for the nine months ended September 30, 2021 and 2020 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2021	\$ 15,070,846	\$ 86,938	\$ 226,280	\$ 15,384,064
Transfers				
To 12-month ECLs	7,163	(7,162)	(1)	-
To lifetime ECLs	(71,191)	71,191	-	-
To credit-impaired financial assets	(711)	(59,845)	60,556	-
New financial assets purchased or originated	15,956,191	146,267	111	16,102,569
Derecognition of financial assets in the reporting period	(11,223,946)	(28,163)	(35,393)	(11,287,502)
Write-offs	-	-	(28,001)	(28,001)
Exchange rate or other changes	<u>(137,796)</u>	<u>(3,141)</u>	<u>(2,568)</u>	<u>(143,505)</u>
Balance at September 30, 2021	<u>\$ 19,600,556</u>	<u>\$ 206,085</u>	<u>\$ 220,984</u>	<u>\$ 20,027,625</u>
Balance at January 1, 2020	\$ 16,348,342	\$ 190,010	\$ 425,106	\$ 16,963,458
Transfers				
To 12-month ECLs	8,384	(8,370)	(14)	-
To lifetime ECLs	(139,753)	139,753	-	-
To credit-impaired financial assets	(40,949)	(33,059)	74,008	-
New financial assets purchased or originated	10,104,349	11,651	217	10,116,217
Derecognition of financial assets in the reporting period	(11,657,469)	(155,482)	(222,165)	(12,035,116)
Write-offs	-	-	(58,227)	(58,227)
Exchange rate or other changes	<u>(111,716)</u>	<u>(1,724)</u>	<u>(2,853)</u>	<u>(116,293)</u>
Balance at September 30, 2020	<u>\$ 14,511,188</u>	<u>\$ 142,779</u>	<u>\$ 216,072</u>	<u>\$ 14,870,039</u>

Rental equipment is held as collateral for the lease payment receivable. The Group is not allowed to sell or re-pledge the collateral if the lessee has no arrears.

The Group provides an appropriate allowance for doubtful debts for the assessment of receivables. Refer to Note 13 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 46 for the impairment loss analysis of receivables.

12. DISCOUNTS AND LOANS, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Short-term	\$ 62,490,907	\$ 55,209,054	\$ 56,324,750
Medium-term	84,435,763	102,429,234	108,139,337
Long-term	26,243,051	27,583,799	28,336,966
Accounts receivables financing	69,720	102,706	135,652
Export bill negotiated	254,090	1,222	-

(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
Guaranteed overdraft	\$ 147,586	\$ 142,971	\$ 119,197
Overdue loans	<u>823,891</u>	<u>704,710</u>	<u>982,778</u>
	174,465,008	186,173,696	194,038,680
Less: Allowance for credit losses	<u>2,532,657</u>	<u>2,462,723</u>	<u>2,705,186</u>
	<u>\$ 171,932,351</u>	<u>\$ 183,710,973</u>	<u>\$ 191,333,494</u>

(Concluded)

The changes in gross carrying amount on discounts and loans for the nine months ended September 30, 2021 and 2020 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit- impaired Financial Assets)	Total
Balance at January 1, 2021	\$ 167,034,025	\$ 17,442,689	\$ 1,696,982	\$ 186,173,696
Transfers				
To 12-month ECLs	2,305,432	(2,302,079)	(3,353)	-
To lifetime ECLs	(1,469,274)	1,469,274	-	-
To credit-impaired financial assets	(703,980)	(11,088)	715,068	-
New financial assets purchased or originated	73,188,841	8,929,693	408,742	82,527,276
Derecognition of financial assets in the reporting period	(82,253,651)	(10,372,162)	(483,415)	(93,109,228)
Write-offs	-	-	(165,310)	(165,310)
Exchange rate or other changes	<u>(752,258)</u>	<u>(162,485)</u>	<u>(46,683)</u>	<u>(961,426)</u>
Balance at September 30, 2021	<u>\$ 157,349,135</u>	<u>\$ 14,993,842</u>	<u>\$ 2,122,031</u>	<u>\$ 174,465,008</u>
Balance at January 1, 2020	\$ 177,477,719	\$ 16,398,011	\$ 3,082,728	\$ 196,958,458
Transfers				
To 12-month ECLs	229,379	(214,341)	(15,038)	-
To lifetime ECLs	(1,284,446)	1,284,446	-	-
To credit-impaired financial assets	(60,651)	(212,921)	273,572	-
New financial assets purchased or originated	80,887,511	8,028,273	830,541	89,746,325
Derecognition of financial assets in the reporting period	(81,336,593)	(8,730,747)	(793,925)	(90,861,265)
Write-offs	-	-	(325,040)	(325,040)
Exchange rate or other changes	<u>(1,284,167)</u>	<u>(143,846)</u>	<u>(51,785)</u>	<u>(1,479,798)</u>
Balance at September 30, 2020	<u>\$ 174,628,752</u>	<u>\$ 16,408,875</u>	<u>\$ 3,001,053</u>	<u>\$ 194,038,680</u>

The balance of the overdue loans of the Group as of September 30, 2021, December 31, 2020 and September 30, 2020 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to \$16,950 thousand and \$27,244 thousand for the nine months ended September 30, 2021 and 2020, respectively. For the nine months ended September 30, 2021 and 2020, the Group wrote off credits only upon completing the required legal procedures.

Refer to Note 42 for information relating to discounts and loan assets pledged as security.

The Group provides an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 13 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 46 for the impairment loss analysis of discounts and loans.

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The change in allowance for credit loss and provisions for the nine months ended September 30, 2021 and 2020 were as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2021	\$ 220,734	\$ 25,785	\$ 175,691	\$ 422,210	\$ 8,995	\$ 431,205
Transfers						
To 12-month ECLs	16	(16)	-	-	-	-
To lifetime ECLs	(9,696)	9,696	-	-	-	-
To credit-impaired financial assets	(183)	(19,742)	19,925	-	-	-
New financial assets purchased or originated	54,821	766	68	55,655	-	55,655
Derecognition of financial assets in the reporting period	(2,526)	(65)	(11,010)	(13,601)	-	(13,601)
Change in model or risk parameters	208	(14)	(3)	191	-	191
Difference between IFRS 9 and local requirements	-	-	-	-	8,418	8,418
Write-offs	-	-	(28,001)	(28,001)	-	(28,001)
Withdrawal after write-offs	-	-	22,211	22,211	-	22,211
Exchange rate or other changes	(2,030)	(193)	(2,165)	(4,388)	(38)	(4,426)
Balance at September 30, 2021	<u>\$ 261,344</u>	<u>\$ 16,217</u>	<u>\$ 176,716</u>	<u>\$ 454,277</u>	<u>\$ 17,375</u>	<u>\$ 471,652</u>

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2021	\$ 530,975	\$ 194,967	\$ 352,887	\$ 1,078,829	\$ 1,383,894	\$ 2,462,723
Transfers						
To 12-month ECLs	62,338	(62,335)	(3)	-	-	-
To lifetime ECLs	(7,731)	7,731	-	-	-	-
To credit-impaired financial assets	(56,002)	(5,560)	61,562	-	-	-
New financial assets purchased or originated	128,448	31,367	242,166	401,981	-	401,981
Derecognition of financial assets in the reporting period	(239,426)	(48,078)	(185,447)	(472,951)	-	(472,951)
Change in model or risk parameters	(38,671)	9,737	98,103	69,169	-	69,169
Difference between IFRS 9 and local requirements	-	-	-	-	243,532	243,532
Write-offs	-	-	(165,310)	(165,310)	-	(165,310)
Withdrawal after write-offs	-	-	14,416	14,416	-	14,416
Exchange rate or other changes	(3,864)	(1,364)	(433)	(5,661)	(15,242)	(20,903)
Balance at September 30, 2021	<u>\$ 376,067</u>	<u>\$ 126,465</u>	<u>\$ 417,941</u>	<u>\$ 920,473</u>	<u>\$ 1,612,184</u>	<u>\$ 2,532,657</u>

Reserve for Losses on Guarantees and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2021	\$ 131,948	\$ 21,026	\$ -	\$ 152,974	\$ 1,686,303	\$ 1,839,277
Transfers						
To 12-month ECLs	2,833	(2,833)	-	-	-	-
To lifetime ECLs	(19)	19	-	-	-	-
New financial assets purchased or originated	72,239	11,426	-	83,665	-	83,665
Derecognition of financial assets in the reporting period	(94,055)	(5,174)	-	(99,229)	-	(99,229)
Change in model or risk parameters	(6,931)	1,455	-	(5,476)	-	(5,476)
Difference between IFRS 9 and local requirements	-	-	-	-	20,759	20,759
Withdrawal after write-offs	-	-	-	-	8,041	8,041
Exchange rate or other changes	(307)	(119)	-	(426)	39	(387)
Balance at September 30, 2021	<u>\$ 105,708</u>	<u>\$ 25,800</u>	<u>\$ -</u>	<u>\$ 131,508</u>	<u>\$ 1,715,142</u>	<u>\$ 1,846,650</u>

The changes in allowance for credit losses and provisions for the nine months ended September 30, 2020 were as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	\$ 196,173	\$ 35,928	\$ 226,869	\$ 458,970	\$ 21,314	\$ 480,284
Transfers						
To 12-month ECLs	2,702	(2,696)	(6)	-	-	-
To lifetime ECLs	(11,047)	11,047	-	-	-	-
To credit-impaired financial assets	(1)	(29,753)	29,754	-	-	-
New financial assets purchased or originated	11,377	19,594	305	31,276	-	31,276
Derecognition of financial assets in the reporting period	(4,799)	(115)	(39,166)	(44,080)	-	(44,080)
Change in model or risk parameters	541	1	53	595	-	595
Difference between IFRS 9 and local requirements	-	-	-	-	(9,805)	(9,805)
Write-offs	-	-	(58,227)	(58,227)	-	(58,227)
Withdrawal after write-offs	-	-	32,916	32,916	-	32,916
Exchange rate or other changes	(1,416)	(331)	(2,381)	(4,128)	(164)	(4,292)
Balance at September 30, 2020	<u>\$ 193,530</u>	<u>\$ 33,675</u>	<u>\$ 190,117</u>	<u>\$ 417,322</u>	<u>\$ 11,345</u>	<u>\$ 428,667</u>

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	\$ 265,977	\$ 77,304	\$ 403,522	\$ 746,803	\$ 1,965,426	\$ 2,712,229
Transfers						
To 12-month ECLs	7,726	(1,300)	(6,426)	-	-	-
To lifetime ECLs	(4,841)	4,841	-	-	-	-
To credit-impaired financial assets	(171)	(1,800)	1,971	-	-	-
New financial assets purchased or originated	292,681	25,232	369,462	687,375	-	687,375
Derecognition of financial assets in the reporting period	(84,429)	(14,511)	(83,607)	(182,547)	-	(182,547)
Change in model or risk parameters	162,909	52,200	144,482	359,591	-	359,591
Difference between IFRS 9 and local requirements	-	-	-	-	(522,396)	(522,396)
Write-offs	-	-	(325,040)	(325,040)	-	(325,040)
Withdrawal after write-offs	-	-	6,237	6,237	-	6,237
Exchange rate or other changes	(4,150)	(762)	(5,487)	(10,399)	(19,864)	(30,263)
Balance at September 30, 2020	<u>\$ 635,702</u>	<u>\$ 141,204</u>	<u>\$ 505,114</u>	<u>\$ 1,282,020</u>	<u>\$ 1,423,166</u>	<u>\$ 2,705,186</u>

Reserve for Losses on Guarantees and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	\$ 75,284	\$ 4,380	\$ -	\$ 79,664	\$ 1,531,119	\$ 1,610,783
Transfers						
To 12-month ECLs	111	(111)	-	-	-	-
To lifetime ECLs	(254)	254	-	-	-	-
New financial assets purchased or originated	106,282	7,768	-	114,050	-	114,050
Derecognition of financial assets in the reporting period	(34,558)	(2,643)	-	(37,201)	-	(37,201)
Change in model or risk parameters	10,068	2,180	-	12,248	-	12,248
Difference between IFRS 9 and local requirements	-	-	-	-	55,370	55,370
Withdrawal after write-offs	-	-	-	-	3,686	3,686
Exchange rate or other changes	(576)	(14)	-	(590)	(192)	(782)
Balance at September 30, 2020	<u>\$ 156,357</u>	<u>\$ 11,814</u>	<u>\$ -</u>	<u>\$ 168,171</u>	<u>\$ 1,589,983</u>	<u>\$ 1,758,154</u>

14. DISCONTINUED OPERATIONS

Chun Teng New Century Co., Ltd. (the former IBTS) decided to transfer operating rights and property of brokerage of securities to SinoPac Securities Corp. Ltd. approved by the temporary stockholders' meeting on May 25, 2016. Total price of transfer was \$390,000 thousand, and set the business transfer date was set on September 26, 2016.

The subsidiary ended the securities business on September 23, 2016, and was dissolved and liquidated on November 11, 2016 which had been approved by the board of directors' in their meeting on October 17, 2016.

From September 30, 2016, the self-operating and new financial assets business of the operating department of the subsidiary has ended and conformed to the discontinued operations definition of IFRS 5. Hence, the consolidated financial report regarded the operating department above as discontinued operations.

The details and cash flows information of discontinued operations are exhibited below:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Interest revenue	\$ 46	\$ 146	\$ 128	\$ 1,646
Interest expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net interest	<u>46</u>	<u>146</u>	<u>128</u>	<u>1,646</u>
Net revenue other than interest				
Gain (loss) on financial assets and liabilities measured at fair value through profit or loss	2,113	2,154	7,646	(112)
Foreign exchange gain, net	-	-	-	11
Other net revenue other than interest	<u>72</u>	<u>22</u>	<u>101</u>	<u>(256)</u>
Total net revenue other than interest	<u>2,185</u>	<u>2,176</u>	<u>7,747</u>	<u>(357)</u>
Net revenue	<u>2,231</u>	<u>2,322</u>	<u>7,875</u>	<u>1,289</u>
Operating expenses				
Employee benefits expenses	1,835	1,561	6,125	5,713
Depreciation and amortization expense	823	146	2,494	445
Others general and administrative expenses	<u>1,145</u>	<u>1,982</u>	<u>3,951</u>	<u>6,315</u>
Total operating expenses	<u>3,803</u>	<u>3,689</u>	<u>12,570</u>	<u>12,473</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss from discontinued operations before elimination	(1,572)	(1,367)	(4,695)	(11,184)
Elimination of transactions with related parties	<u>64</u>	<u>37</u>	<u>186</u>	<u>(538)</u>
Loss from discontinued operations	<u>\$ (1,508)</u>	<u>\$ (1,330)</u>	<u>\$ (4,509)</u>	<u>\$ (11,722)</u>
Loss from discontinued operations attributable to:				
Owners of the Bank	\$ (1,505)	\$ (1,327)	\$ (4,498)	\$ (11,692)
Non-controlling interests	<u>(3)</u>	<u>(3)</u>	<u>(11)</u>	<u>(30)</u>
	<u>\$ (1,508)</u>	<u>\$ (1,330)</u>	<u>\$ (4,509)</u>	<u>\$ (11,722)</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Net cash flows generated from (used in) operating activities	\$ 7,989	\$ (9,993)	\$ 2,051	\$ (12,804)
Net cash flows generated from investing activities	4	41	43	39
Net cash flows used in financing activities	(693)	-	(2,099)	-
Effects of exchange rate changes on cash and cash equivalents	<u>698</u>	<u>3,059</u>	<u>4,879</u>	<u>4,081</u>
Net cash inflow (outflow)	<u>\$ 7,998</u>	<u>\$ (6,893)</u>	<u>\$ 4,874</u>	<u>\$ (8,684)</u> (Concluded)

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership			Remark	Reviewed by CPA
			September 30, 2021	December 31, 2020	September 30, 2020		
The Bank	China Bills Finance Co. (CBF)	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	28.37	Founded in 1978	Yes
	IBT Holding Corp. (IBTH)	Holding company	100.00	100.00	100.00	Founded in 2006 in California	Yes
	IBT Leasing	Leasing	100.00	100.00	100.00	Founded in 2011	Yes
	IBTM	Investment consulting	100.00	100.00	100.00	Founded in 2000	No
	Chun Teng New Century Co., Ltd. (former IBTS)	Investment (former Security Firm)	99.75	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016 and still recognized using the equity method)	No
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	100.00	Founded in 2011 in mainland China (commonly held with IBT VII)	Yes
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	100.00	Founded in 2014	No
Chun Teng New Century Co., Ltd. (formerly IBTS)	IBTS Holding B.V.I. Limited (IBTSH)	Holding company	100.00	100.00	100.00	Founded in 2003 in the British Virgin Islands	No
IBTSH	IBTS Financial (HK) Limited	Investment	100.00	100.00	100.00	Founded in 2003 in Hong Kong	No
	IBTS Asia (HK) Limited	Securities and investment	100.00	100.00	100.00	Founded in 2004 in Hong Kong	No
IBTH	EverTrust Bank	Banking	91.78	91.78	91.78	Founded in 1994 in California	Yes

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
		September 30, 2021	December 31, 2020	September 30, 2020
CBF	Taipei	71.63%	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	September 30, 2021	December 31, 2020	September 30, 2020
CBF			
Equity attributable to:			
Owners of CBF	\$ 7,209,031	\$ 7,219,701	\$ 7,000,750
Non-controlling interests of CBF	<u>18,202,800</u>	<u>18,229,741</u>	<u>17,676,892</u>
	<u>\$ 25,411,831</u>	<u>\$ 25,449,442</u>	<u>\$ 24,677,642</u>
		For the Nine Months Ended September 30	
		2021	2020
Net revenue		<u>\$ 2,195,185</u>	<u>\$ 1,861,976</u>
Net profit from continuing operations		\$ 1,444,139	\$ 1,193,993
Other comprehensive income for the period		<u>(314,802)</u>	<u>593,622</u>
Total comprehensive income for the period		<u>\$ 1,129,337</u>	<u>\$ 1,787,615</u>
Profit attributable to:			
Owners of CBF		\$ 409,685	\$ 338,721
Non-controlling interests of CBF		<u>1,034,454</u>	<u>855,272</u>
		<u>\$ 1,444,139</u>	<u>\$ 1,193,993</u>
Total comprehensive income attributable to:			
Owners of CBF		\$ 320,379	\$ 507,125
Non-controlling interests of CBF		<u>808,958</u>	<u>1,280,490</u>
		<u>\$ 1,129,337</u>	<u>\$ 1,787,615</u>
Net cash inflow (outflow) from:			
Operating activities		\$ (17,476,497)	\$ (3,980,718)
Investing activities		(9,867)	(4,175)
Financing activities		<u>17,564,786</u>	<u>3,980,808</u>
Net cash inflow (outflow)		<u>\$ 78,422</u>	<u>\$ (4,085)</u>
Dividends paid to non-controlling interests of CBF		<u>\$ 836,921</u>	<u>\$ 692,624</u>

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Investments in Associates

	September 30, 2021	December 31, 2020	September 30, 2020
Associates - Beijing Sunshine Consumer Finance Co., Ltd.,	<u>\$ 800,064</u>	<u>\$ 789,863</u>	<u>\$ 863,564</u>

The investment in Beijing Sunshine Consumer Finance Co., Ltd., was jointly invested by the Bank, China Everbright Bank and China CYTS Tours Holding. The Bank's investment amounted to RMB200,000 thousand with the shareholding ratio of 20%, and Beijing Sunshine Consumer Finance Co., Ltd. has begun operation since August 17, 2020.

Refer to Table 5 "Name, locations and other information of investees on which the Group exercises significant influence" for the nature of activities, principal place of business and country of incorporation of the associate.

Investment was accounted for using the equity method, and the share of profit or loss and other comprehensive income of this investment were calculated based on financial statements which have not been reviewed. 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 financial statements of Beijing Sunshine Consumer Finance Co., Ltd., which have not been reviewed.

17. OTHER FINANCIAL ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
Time deposits with original maturities more than 3 months	\$ 49,852	\$ 57,843	\$ 16,893
Pledged time deposits	215,634	744,108	738,978
Compensation account for payment	18,000	15,500	15,500
Call loans to securities firms	557,316	-	582,524
Others	<u>41,202</u>	<u>41,011</u>	<u>41,664</u>
	<u>\$ 882,004</u>	<u>\$ 858,462</u>	<u>\$ 1,395,559</u>

18. PROPERTY AND EQUIPMENT

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Carrying amounts of each class of</u>			
Land	\$ 781,970	\$ 781,970	\$ 781,970
Buildings	1,250,675	1,284,858	1,296,448
Machinery and computer equipment	317,469	326,010	322,141
Transportation equipment	27,379	31,574	31,415
Office and other equipment	55,079	65,234	69,219
Lease improvement	136,784	161,712	159,478
Construction in progress and prepayments for equipment	<u>21,974</u>	<u>21,209</u>	<u>41,643</u>
	<u>\$ 2,591,330</u>	<u>\$ 2,672,567</u>	<u>\$ 2,702,314</u>

The movements of property and equipment for the nine months ended September 30, 2021 and 2020 are summarized as follows:

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>								
Balance at January 1, 2021	\$ 781,970	\$ 1,905,429	\$ 842,003	\$ 80,683	\$ 282,030	\$ 393,822	\$ 21,209	\$ 4,307,146
Additions	-	601	32,842	5,860	7,433	15,172	24,481	86,389
Disposals and scrapped	-	-	(20,016)	(6,702)	(2,441)	(1,033)	-	(30,192)
Reclassification	-	-	9,944	60	583	2,289	(23,600)	(10,724)
Effect of foreign currency exchange differences	-	-	(1,100)	(271)	(1,255)	(3,658)	(116)	(6,400)
Balance at September 30, 2021	\$ 781,970	\$ 1,906,030	\$ 863,673	\$ 79,630	\$ 286,350	\$ 406,592	\$ 21,974	\$ 4,346,219
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2021	\$ -	\$ 620,571	\$ 515,993	\$ 49,109	\$ 216,796	\$ 232,110	\$ -	\$ 1,634,579
Disposals and scrapped	-	-	(19,690)	(4,662)	(2,270)	(1,033)	-	(27,655)
Depreciation expense	-	34,784	51,105	7,925	17,284	40,999	-	152,097
Reclassification	-	-	(429)	-	429	-	-	-
Effect of foreign currency exchange differences	-	-	(775)	(121)	(968)	(2,268)	-	(4,132)
Balance at September 30, 2021	\$ -	\$ 655,355	\$ 546,204	\$ 52,251	\$ 231,271	\$ 269,808	\$ -	\$ 1,754,889
Balance at September 30, 2021	\$ 781,970	\$ 1,250,675	\$ 317,469	\$ 27,379	\$ 55,079	\$ 136,784	\$ 21,974	\$ 2,591,330
<u>Cost</u>								
Balance at January 1, 2020	\$ 781,970	\$ 1,898,849	\$ 809,120	\$ 78,739	\$ 280,283	\$ 373,783	\$ 91,330	\$ 4,314,074
Additions	-	6,581	15,395	4,245	3,981	4,002	25,060	59,264
Disposals and scrapped	-	-	(12,693)	(2,371)	(843)	-	-	(15,907)
Reclassification	-	-	10,403	-	108	7,459	(74,598)	(56,628)
Effect of foreign currency exchange differences	-	-	(1,061)	(331)	(2,388)	(4,946)	(149)	(8,875)
Balance at September 30, 2020	\$ 781,970	\$ 1,905,430	\$ 821,164	\$ 80,282	\$ 281,141	\$ 380,298	\$ 41,643	\$ 4,291,928
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2020	\$ -	\$ 574,367	\$ 459,515	\$ 42,797	\$ 196,897	\$ 186,304	\$ -	\$ 1,459,880
Disposals and scrapped	-	-	(12,084)	(2,084)	(836)	-	-	(15,004)
Depreciation expense	-	34,615	52,345	8,277	17,843	37,895	-	150,975
Reclassification	-	-	88	-	-	(732)	-	(644)
Effect of foreign currency exchange differences	-	-	(841)	(123)	(1,982)	(2,647)	-	(5,593)
Balance at September 30, 2020	\$ -	\$ 608,982	\$ 499,023	\$ 48,867	\$ 211,922	\$ 220,820	\$ -	\$ 1,589,614
Balance at September 30, 2020	\$ 781,970	\$ 1,296,448	\$ 322,141	\$ 31,415	\$ 69,219	\$ 159,478	\$ 41,643	\$ 2,702,314

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	5-55 years
Machinery and computer equipment	3-25 years
Transportation equipment	3-5 years
Office and other equipment	3-15 years
Lease improvement	5-8 years

19. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2021	December 31, 2020	September 30, 2020	
<u>Carrying amounts</u>				
Buildings	\$ 339,987	\$ 418,692	\$ 408,802	
Transportation equipment	18,082	8,369	9,222	
Office equipment	<u>1,803</u>	<u>2,617</u>	<u>2,983</u>	
	<u>\$ 359,872</u>	<u>\$ 429,678</u>	<u>\$ 421,007</u>	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Additions to right-of-use assets			<u>\$ 40,017</u>	<u>\$ 49,976</u>
Depreciation charge for right-of-use assets				
Buildings	\$ 37,478	\$ 35,668	\$ 108,967	\$ 108,591
Transportation equipment	2,951	1,917	7,676	5,621
Office equipment	<u>326</u>	<u>333</u>	<u>972</u>	<u>839</u>
	<u>\$ 40,755</u>	<u>\$ 37,918</u>	<u>\$ 117,615</u>	<u>\$ 115,051</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2021 and 2020.

b. Lease liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Carrying amounts	<u>\$ 377,523</u>	<u>\$ 444,659</u>	<u>\$ 433,009</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Buildings	0.44%-5.70%	0.44%-5.70%	0.44%-5.70%
Transportation equipment	2.04%-6.00%	2.28%-6.00%	2.28%-6.00%
Office equipment	1.71%-2.76%	1.71%-2.76%	1.71%-2.76%

c. Material lease-in activities

Due to the rental of buildings, the Group had entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 2028.

As of September 30, 2021, December 31, 2020 and September 30, 2020, refundable deposits paid under operating lease amounted to \$35,010 thousand, \$37,809 thousand and \$29,985 thousand, respectively.

d. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Expenses relating to short-term leases	\$ 109	\$ 8,006	\$ 10,674	\$ 14,530
Expenses relating to low-value asset leases	\$ 703	\$ 877	\$ 1,940	\$ 2,297
Total cash outflow for leases			\$ (151,109)	\$ (153,173)

20. INTANGIBLE ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Carrying amounts of each class of</u>			
Computer software	\$ 942,276	\$ 1,124,681	\$ 1,117,112
Goodwill	1,058,384	1,082,563	1,105,816
Others	-	-	11
	\$ 2,000,660	\$ 2,207,244	\$ 2,222,939

The changes in of intangible assets for the nine months ended September 30, 2021 and 2020 are summarized as follows:

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 2,376,821	\$ 1,082,563	\$ 6,960	\$ 3,466,344
Additions	20,122	-	-	20,122
Disposals	(222)	-	-	(222)
Reclassification	11,373	-	-	11,373
Effect of foreign currency exchange differences	(2,179)	(24,179)	(157)	(26,515)
Balance at September 30, 2021	\$ 2,405,915	\$ 1,058,384	\$ 6,803	\$ 3,471,102
<u>Accumulated amortization and impairment loss</u>				
Balance at January 1, 2021	\$ 1,252,140	\$ -	\$ 6,960	\$ 1,259,100
Amortization	212,576	-	-	212,576
Disposals	(222)	-	-	(222)
Reclassification	649	-	-	649
Effect of foreign currency exchange differences	(1,504)	-	(157)	(1,661)
Balance at September 30, 2021	\$ 1,463,639	\$ -	\$ 6,803	\$ 1,470,442

(Continued)

	Computer Software	Goodwill	Others	Total
<u>Carrying amounts</u>				
Balance at September 30, 2021	<u>\$ 942,276</u>	<u>\$ 1,058,384</u>	<u>\$ -</u>	<u>\$ 2,000,660</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 2,157,522	\$ 1,142,865	\$ 7,351	\$ 3,307,738
Additions	86,188	-	-	86,188
Disposals	(182)	-	-	(182)
Reclassification	57,618	-	-	57,618
Effect of foreign currency exchange differences	<u>(1,432)</u>	<u>(37,049)</u>	<u>(240)</u>	<u>(38,721)</u>
Balance at September 30, 2020	<u>\$ 2,299,714</u>	<u>\$ 1,105,816</u>	<u>\$ 7,111</u>	<u>\$ 3,412,641</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2020	\$ 981,402	\$ -	\$ 6,789	\$ 988,191
Amortization	202,584	-	546	203,130
Disposals	(182)	-	-	(182)
Effect of foreign currency exchange differences	<u>(1,202)</u>	<u>-</u>	<u>(235)</u>	<u>(1,437)</u>
Balance at September 30, 2020	<u>\$ 1,182,602</u>	<u>\$ -</u>	<u>\$ 7,100</u>	<u>\$ 1,189,702</u>
<u>Carrying amounts</u>				
Balance at September 30, 2020	<u>\$ 1,117,112</u>	<u>\$ 1,105,816</u>	<u>\$ 11</u>	<u>\$ 2,222,939</u> (Concluded)

The goodwill was recognized from IBT Holding Corp.'s purchase of 100% of the stocks of Ever Trust Bank on March 30, 2007. The investment cost exceeded the fair value of net identifiable assets.

When the Group executes the goodwill impairment test, Ever Trust Bank was used as a cash-generating unit, and the recoverable amount is assessed by the value in use of the cash-generating unit. The key assumptions base the expected future cash flows on the actual profit conditions of the cash-generating units. On the assumption of sustainable operations, the Group discounts the net cash flows from those of the operations of the cash-generating units in the next five years in order to calculate the value in use. Under the estimation of the Group, there is no occurrence of impairment.

The computer software and other intangible assets are amortized on a straight-line basis of 3 and 15 years, respectively.

21. OTHER ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
Refundable deposits	\$ 731,094	\$ 462,289	\$ 305,474
Life insurance cash surrender value	321,227	327,517	333,579
Prepayments	132,216	84,754	141,785
Others	<u>208,671</u>	<u>175,638</u>	<u>175,873</u>
	<u>\$ 1,393,208</u>	<u>\$ 1,050,198</u>	<u>\$ 956,711</u>

22. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	September 30, 2021	December 31, 2020	September 30, 2020
Call loans from banks	\$ 35,786,628	\$ 18,628,924	\$ 36,525,997
Deposits from Chunghwa Post Co., Ltd.	-	7,000,000	7,000,000
Call loans from the Central Bank	<u>2,786,582</u>	<u>2,850,831</u>	<u>2,912,622</u>
	<u>\$ 38,573,210</u>	<u>\$ 28,479,755</u>	<u>\$ 46,438,619</u>

23. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Bills	\$ 82,868,402	\$ 73,092,529	\$ 72,933,487
Government bonds	22,952,756	24,707,835	27,926,347
Corporate bonds	59,780,791	62,377,074	58,078,755
Bank debentures	<u>20,943,787</u>	<u>20,988,388</u>	<u>20,969,929</u>
	<u>\$ 186,545,736</u>	<u>\$ 181,165,826</u>	<u>\$ 179,908,518</u>
Date of agreements to repurchase	Before August 2022	Before December 2021	Before August 2021
Amount of agreements to repurchase	\$ 186,602,202	\$ 181,233,857	\$ 179,985,197

24. PAYABLES

	September 30, 2021	December 31, 2020	September 30, 2020
Investment settlements payable	\$ 442,899	\$ 202,014	\$ 337,769
Settlement accounts payable - trusteeship	60,664	82,226	83,267
Acceptances	55,916	43,447	221,774
Accrued interest	380,545	545,613	633,322
Accrued expenses	1,109,231	1,020,850	827,136
Collections payable	85,378	95,555	95,690

(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
Factored payables	\$ 331,214	\$ 79,059	\$ 63,806
Checks for clearing	54,860	451,158	27,931
Others	<u>229,449</u>	<u>220,720</u>	<u>160,776</u>
	<u>\$ 2,750,156</u>	<u>\$ 2,740,642</u>	<u>\$ 2,451,471</u> (Concluded)

25. DEPOSITS AND REMITTANCES

	September 30, 2021	December 31, 2020	September 30, 2020
Deposits			
Checking	\$ 8,241,727	\$ 6,534,134	\$ 6,701,058
Demand	61,198,963	51,119,498	51,413,258
Time	176,549,449	193,289,924	197,769,168
Savings deposits	19,534,141	16,729,084	16,915,973
Export remittances	<u>125,282</u>	<u>47,032</u>	<u>12,831</u>
	<u>\$ 265,649,562</u>	<u>\$ 267,719,672</u>	<u>\$ 272,812,288</u>

26. BANK DEBENTURES PAYABLE

	September 30, 2021	December 31, 2020	September 30, 2020
Subordinate bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repayment of the principal at maturity	\$ -	\$ 1,300,000	\$ 1,300,000
Subordinate bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repayment of the principal at maturity	-	1,000,000	1,000,000
Subordinate bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repayment of the principal at maturity	-	600,000	600,000
Subordinate bonds fourth issued in 2014; fixed 2.20% interest rate; maturity: May 5, 2022; interest paid annually and repayment of the principal at maturity	1,500,000	1,500,000	1,500,000
Subordinate bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repayment of the principal at maturity	1,000,000	1,000,000	1,000,000
			(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
Subordinate bonds type A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repayment of the principal at maturity	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Subordinate bonds type B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repayment of the principal at maturity	1,500,000	1,500,000	1,500,000
Subordinate bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repayment of the principal at maturity	2,000,000	2,000,000	2,000,000
Subordinate bonds type A second issued in 2017; fixed 4.00% interest rate; no maturity, interest paid annually	750,000	750,000	750,000
Subordinate bonds type B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repayment of the principal at maturity	1,000,000	1,000,000	1,000,000
Subordinate bonds type A first issued in 2018; fixed 4.00% interest rate; no maturity, interest paid annually	700,000	700,000	700,000
Subordinate bonds type B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repayment of the principal at maturity	1,050,000	1,050,000	1,050,000
Subordinate bonds first issued in 2019; fixed 1.50% interest rate; maturity: June 6, 2026; interest paid annually and repayment of the principal at maturity	2,500,000	2,500,000	2,500,000
Subordinate bonds first issued in 2021; fixed 0.90% interest rate; maturity: June 25, 2028; interest paid annually and repayment of the principal at maturity	<u>1,000,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 14,500,000</u>	<u>\$ 16,400,000</u>	<u>\$ 16,400,000</u> (Concluded)

27. OTHER FINANCIAL LIABILITIES

	September 30, 2021	December 31, 2020	September 30, 2020
Bank borrowings	\$ 12,866,927	\$ 9,993,528	\$ 9,378,071
Commercial papers payable	5,599,170	5,261,227	4,960,756
Principal of structured products	129,500	25,939	83,918
Funds obtained from the government - intended for specific types of loans	<u>2,396,244</u>	<u>2,822,069</u>	<u>2,807,491</u>
	<u>\$ 20,991,841</u>	<u>\$ 18,102,763</u>	<u>\$ 17,230,236</u>

a. Bank borrowings

	September 30, 2021	December 31, 2020	September 30, 2020
Short-term borrowings	\$ 5,198,576	\$ 4,971,524	\$ 5,537,868
Long-term borrowings	<u>7,668,351</u>	<u>5,022,004</u>	<u>3,840,203</u>
	<u>\$ 12,866,927</u>	<u>\$ 9,993,528</u>	<u>\$ 9,378,071</u>
Interest rate interval			
New Taiwan dollars	1.00%-1.60%	1.00%-1.60%	1.00%-1.35%
U.S. dollars	0.95%-1.69%	0.95%-1.93%	0.95%-1.76%
Renminbi	4.60%-5.50%	4.69%-5.50%	4.69%-5.70%

b. Commercial papers payable

	September 30, 2021	December 31, 2020	September 30, 2020
Commercial papers payable	\$ 5,600,000	\$ 5,262,000	\$ 4,962,000
Less: Unamortized discount	<u>(830)</u>	<u>(773)</u>	<u>(1,244)</u>
	<u>\$ 5,599,170</u>	<u>\$ 5,261,227</u>	<u>\$ 4,960,756</u>
Interest rate interval	0.20%-1.14%	0.27%-1.14%	0.37%-1.2%

c. Funds obtained from the government - intended for specific types of loans

	September 30, 2021	December 31, 2020	September 30, 2020
Funds obtained from the government - intended for specific types of loans	<u>\$ 2,396,244</u>	<u>\$ 2,822,069</u>	<u>\$ 2,807,491</u>

The Lending Fund is a development fund established by the Executive Yuan to promote the development of the financial market economy. The Bank applied for the quota and appointed Export-Import Bank of the Republic of China, China Trust Commercial Bank, and Taiwan Enterprise Bank to act as the managing bank wherein the loan quota is available for use.

28. PROVISIONS

	September 30, 2021	December 31, 2020	September 30, 2020
Provisions for employee benefits	\$ 247,693	\$ 262,735	\$ 265,040
Provisions for losses on guarantees contracts	1,754,929	1,747,556	1,666,433
Provisions for losses on financing commitment	<u>91,721</u>	<u>91,721</u>	<u>91,721</u>
	<u>\$ 2,094,343</u>	<u>\$ 2,102,012</u>	<u>\$ 2,023,194</u>

Refer to Note 13 for the details and changes in the provision for losses on guarantees and financing commitment.

29. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

The pension system under the “Labor Pensions Ordinance” applicable to the Bank and its subsidiaries is the required retirement plan stipulated by the government, except that of Ever Trust Bank which is not more than 10% of the annual salary of the respective employees. A pension of 6% of an employee’s monthly salary is paid to the Labor Insurance Bureau under each individual’s account.

The amount to be paid in accordance with the percentage specified in the proposed plan for the three months ended September 30, 2021 and 2020 and the nine months ended September 30, 2021 and 2020 was recognized in the consolidated statements of comprehensive income in the total amounts of \$17,504 thousand, \$19,201 thousand, \$51,877 thousand, and \$56,227 thousand, respectively.

Defined Benefit Plan

The retirement expense recognized under defined benefit plans for the three months ended September 30, 2021 and 2020 and the nine months ended September 30, 2021 and 2020 were calculated using the respective 2020 and 2019 annually determined discount rates as of December 31, 2020 and 2019 and amounted to \$2,505 thousand, \$1,799 thousand, \$8,179 thousand, and \$5,566 thousand, respectively.

30. OTHER LIABILITIES

	September 30, 2021	December 31, 2020	September 30, 2020
Guarantee deposits received	\$ 2,086,100	\$ 1,929,469	\$ 1,802,278
Advance receipts	45,669	47,999	30,824
Payable for custody	28,479	39,403	24,623
Others	<u>387,295</u>	<u>232,684</u>	<u>484,204</u>
	<u>\$ 2,547,543</u>	<u>\$ 2,249,555</u>	<u>\$ 2,341,929</u>

31. EQUITY

a. Capital stock

	September 30, 2021	December 31, 2020	September 30, 2020
Number of stock authorized (in thousands)	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>
Amount of capital stock authorized	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>
Number of stocks issued and fully paid (in thousands)			
Common stock	<u>2,733,006</u>	<u>2,733,006</u>	<u>2,413,006</u>
Preferred stock	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Amount of stocks issued	<u>\$ 30,330,063</u>	<u>\$ 30,330,063</u>	<u>\$ 27,130,063</u>

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

On June 27, 2018, the Bank's board of directors resolved to issue 300,000 thousand Series A preferred stock, with a par value of \$10. The subscription date was November 29, 2018, and finished the registration on December 21, 2018. The rights and obligations of Series A preferred stockholders are as follows:

- 1) The interest rate of Series A preferred stock shall be based on the 5-year Interest Rate Swap (IRS) rate on the pricing date and the interest shall be calculated on the issue price per share; the interest rate is initially set at 0.94375% plus 3.30625% (total 4.25%) per annum. The interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years thereafter. Dividends for the Series A preferred stock shall be declared once every year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the board of directors may set a record date for the distribution of dividends declared from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.
- 2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.
- 3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but will be capped at the value of issuance.
- 4) Series A preferred stockholders have no voting rights at the annual stockholders' meeting and cannot elect directors. However, the preferred stockholders should have voting rights at the preferred stockholders' meeting and also at the stockholders' meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders' meeting.
- 5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1:1). After the convertible preferred stock are converted into common stock, their rights and obligations are the same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the distribution in that year but may participate in the distribution of common stock surplus and additional paid in capital.
- 6) When the Bank issues new shares for cash, Series A preferred stockholders have the same subscription rights as the common stockholders

On July 7, 2020, the Bank's board of directors resolved to issue 320,000 thousand common shares with a par value of \$10, for a consideration of \$6.35 per share, which increased the share capital issued and fully paid to \$30,330,063 thousand. The above transaction was approved by the FSC and the Ministry of Economic Affairs (MOEA).

b. Capital surplus

	September 30, 2021	December 31, 2020	September 30, 2020
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)			
Treasury share transactions	\$ 3,193	\$ 3,193	\$ 3,193
Stock-based payments	-	-	4,537
Must be used to offset a deficit			
Unclaimed dividends	1,349	978	985
May not be used for any purpose			
Share of changes in capital surplus of associates or joint ventures	<u>2,200</u>	<u>1,795</u>	<u>1,795</u>
	<u>\$ 6,742</u>	<u>\$ 5,966</u>	<u>\$ 10,510</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital stock (limited to a certain percentage of the Bank's capital surplus and once a year)

c. Special reserves

	September 30, 2021	December 31, 2020	September 30, 2020
Trading loss and default loss reserve	\$ 133,955	\$ 133,955	\$ 133,955
Employee transfer or placement expenditure arising from financial technology development	15,902	17,181	17,181
Other equity deductions special reserves	-	67,477	67,477
According to the Bank's policy	<u>647,926</u>	<u>1,177,740</u>	<u>1,177,740</u>
	<u>\$ 797,783</u>	<u>\$ 1,396,353</u>	<u>\$ 1,396,353</u>

The Bank reclassified reserve for trading loss and default losses as of December 31, 2010 to a special reserve account, which is part of equity, in accordance with Order No. 10010000440 issued by the FSC.

In addition, according to Rule No. 10510001510 issued by the FSC on May 25, 2016, a public bank shall appropriate to special reserve an amount in the range of 0.5% to 1% of net profit after tax from 2016 to 2018; from 2017, the same amount of employee transfer or placement expenditure arising from financial technology development shall be reversed from the balance of the special reserve. The above order was repealed by the FSC Rule No. 10802714560 on May 15, 2019, which stipulates that in 2019, a public bank shall no longer continue to provide a special reserve for the purpose of protecting the interests of domestic bank practitioners in the development of financial technology. The Bank is allowed to reverse the special reserve appropriated in 2016 to 2018 at the amounts of the following expenses.

- 1) Expenses for staff transfer or placement, including the related expenses for assisting employees to transfer between departments or groups, and the payment of retirement and severance benefits to employees that are superior to labor-related laws and regulations.

- 2) Expenses for financial technology or banking business development, i.e., expenditure for education and training to enhance or develop employee functions.

Under related regulations, the Bank should appropriate or reverse to a special reserve according to the net debit balance. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

d. Retained earnings and dividends policy

- 1) The Bank's dividend policy approved by the stockholders' meeting of the Bank on June 19, 2020 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders.

In principle, common stock dividends shall not be less than 20% of the available for distribution retained earnings minus the amount for preferred stock dividends. Cash dividend shall not be less than 20% of the total dividend for the current year. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

The Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the stockholders' meeting.

- 2) The dividend policy before June 19, 2020 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

In addition, according to the provisions of the Bank's articles of incorporation, the Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. In principle, cash dividend shall not be less than 20% of the total dividend for the current year. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the shareholders' meeting.

For the policies on distribution of employees' compensation and remuneration of directors, please refer to Note 36.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital.

The appropriations of earnings for 2020 and 2019 have been proposed by the Bank's board of directors and approved in the stockholders' meetings on July 20, 2021 and June 19, 2020, respectively. The appropriations and dividends per share were as follows:

	<u>2020</u>	<u>2019</u>
	Appropriation of Earnings	Appropriation of Earnings
Legal reserve	\$ 31,879	\$ 330,130
Special reserve appropriated (reversed)	(598,570)	(234,982)
Cash dividends - common stock	545,454	965,203
Preferred stock dividends	127,500	127,500

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Nine Months Ended September 30	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ (697,554)	\$ (307,473)
Exchange differences arising on translating the financial statements of foreign operations	(243,941)	(309,372)
Income tax related to gains arising on translating the financial statements of foreign operations	<u>25,862</u>	<u>35,348</u>
Balance at September 30	<u>\$ (915,633)</u>	<u>\$ (581,497)</u>

2) Unrealized gains (losses) on financial assets at FVTOCI

	For the Nine Months Ended September 30	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 755,298	\$ 239,996
Recognized during the period		
Unrealized gain (loss) - debt instruments	(479,361)	209,312
Unrealized gain - equity instruments	293,277	37,738
Loss allowance of debt instruments	<u>2,621</u>	<u>2,375</u>
Other comprehensive income recognized in the period	<u>(183,463)</u>	<u>249,425</u>
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>(151,539)</u>	<u>(59,695)</u>
Balance at September 30	<u>\$ 420,296</u>	<u>\$ 429,726</u>

f. Non-controlling interests

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	\$ 18,696,870	\$ 17,557,074
Attribute to non-controlling interests		
Shares of profit for the period	1,056,887	871,324
Capital surplus	1,023	1,071
Exchange differences arising on translation of foreign entities	(10,689)	(15,712)
Unrealized gains and losses on FVTOCI	(226,753)	426,170
Actuarial profit and loss of defined benefit plans	(85)	64
Cash dividends distributed by subsidiary	<u>(836,921)</u>	<u>(692,624)</u>
Balance at September 30	<u>\$ 18,680,332</u>	<u>\$ 18,147,367</u>

g. Treasury stock

	Unit: In Thousands of Shares	
	For the Nine Months Ended September 30	
	2021	2020
Number of shares at January 1	5,737	-
Increase during the period	<u>-</u>	<u>5,737</u>
Number of shares at September 30	<u>5,737</u>	<u>5,737</u>

On March 19, 2020, the Bank's board of directors proposed to acquire treasury stocks transfer to employees. The acquiring period is from March 20, 2020 to May 19, 2020. As of May 19, 2021, the Bank had acquired 5,737 thousand shares of treasury stocks for \$38,304 thousand.

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

32. NET INTEREST

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Interest revenue</u>				
Discounts and loans	\$ 970,190	\$ 1,081,176	\$ 2,951,763	\$ 3,710,763
Investments in securities	405,044	426,007	1,231,566	1,399,605
Installment sales and leases	291,860	234,224	799,101	676,325
Due from the Central Bank and call loans to banks	10,384	10,252	33,103	95,384
Others	<u>30,771</u>	<u>21,181</u>	<u>75,551</u>	<u>64,158</u>
	<u>1,708,249</u>	<u>1,772,840</u>	<u>5,091,084</u>	<u>5,946,235</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Interest expense</u>				
Deposits	\$ 238,481	\$ 429,187	\$ 801,825	\$ 1,777,928
Due to the Central Bank and other banks	11,530	33,629	35,564	199,789
Bank debentures	74,492	83,341	231,871	266,357
Bills and bonds sold under repurchase agreements	101,874	147,483	309,975	598,475
Others	<u>97,775</u>	<u>58,153</u>	<u>248,114</u>	<u>218,611</u>
	<u>524,152</u>	<u>751,793</u>	<u>1,627,349</u>	<u>3,061,160</u>
	<u>\$ 1,184,097</u>	<u>\$ 1,021,047</u>	<u>\$ 3,463,735</u>	<u>\$ 2,885,075</u>
				(Concluded)

33. SERVICE FEE INCOME, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Service fee income				
Guarantee business	\$ 279,186	\$ 260,184	\$ 862,637	\$ 732,355
Loan business	28,033	60,454	168,085	104,597
Underwrite business	124,280	118,599	410,054	341,782
Trust business	14,227	11,370	44,888	25,970
Lease business	85,684	69,458	245,435	160,594
Credit examining business	25,154	33,975	99,787	125,034
Import and export business	4,081	3,088	10,557	8,866
Factoring business	6,502	2,518	18,038	13,118
Insurance agent business	8,809	10,622	27,500	62,992
Others	<u>46,963</u>	<u>17,477</u>	<u>83,945</u>	<u>45,237</u>
	622,919	587,745	1,970,926	1,620,545
Service charge				
Others	<u>52,332</u>	<u>28,191</u>	<u>102,382</u>	<u>84,339</u>
	<u>\$ 570,587</u>	<u>\$ 559,554</u>	<u>\$ 1,868,544</u>	<u>\$ 1,536,206</u>

34. GAINS (LOSSES) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Realized gains or losses				
Bills	\$ 31,381	\$ 37,030	\$ 113,980	\$ 79,549
Stocks and beneficiary certificates	70,960	52,681	397,369	86,203
Bonds	7,618	2,530	52,584	5,437
Derivatives	<u>(63,851)</u>	<u>(323,912)</u>	<u>(780,268)</u>	<u>(687,785)</u>
	<u>46,108</u>	<u>(231,671)</u>	<u>(216,335)</u>	<u>(516,596)</u>
Gains (losses) on valuation				
Bills	(12,167)	(16,309)	(12,129)	30,877
Stocks and beneficiary certificates	(109,262)	(23,911)	(68,541)	(26,898)
Bonds	(2,443)	2,803	3,164	6,718
Derivatives	<u>193,916</u>	<u>(204,281)</u>	<u>499,256</u>	<u>39,855</u>
	<u>70,044</u>	<u>(241,698)</u>	<u>421,750</u>	<u>50,552</u>
Interest revenue	<u>152,966</u>	<u>207,046</u>	<u>461,661</u>	<u>729,985</u>
	<u>\$ 269,118</u>	<u>\$ (266,323)</u>	<u>\$ 667,076</u>	<u>\$ 263,941</u>

35. REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Realized income - debt instruments	\$ 34,258	\$ 62,194	\$ 162,229	\$ 216,828
Dividend revenue	<u>213,972</u>	<u>154,787</u>	<u>237,878</u>	<u>176,856</u>
	<u>\$ 248,230</u>	<u>\$ 216,981</u>	<u>\$ 400,107</u>	<u>\$ 393,684</u>

36. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits				
Salaries and wages	\$ 571,690	\$ 579,526	\$ 1,729,956	\$ 1,695,073
Labor insurance and national health insurance	39,318	36,989	114,254	105,122
Others	51,453	33,808	189,880	111,844
Post-employment benefits				
Pension expenses	20,009	21,000	60,056	61,793
Pension benefits	<u>268</u>	<u>752</u>	<u>268</u>	<u>1,336</u>
	<u>\$ 682,738</u>	<u>\$ 672,075</u>	<u>\$ 2,094,414</u>	<u>\$ 1,975,168</u>

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-2.5% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The amounts and accrual rates of employees' compensation and remuneration of directors for the nine months ended September 30, 2021 and 2020 were as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2021	2020
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Employees' compensation	<u>\$ 6,390</u>	<u>\$ 5,875</u>	<u>\$ 21,000</u>	<u>\$ 12,125</u>
Remuneration of directors	<u>\$ 12,780</u>	<u>\$ 11,750</u>	<u>\$ 42,000</u>	<u>\$ 24,250</u>

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

The employees' compensation and remuneration of directors for 2020 and 2019, which were approved by the Bank's board of director on March 22, 2021 and March 25, 2020, respectively, were as follows:

	2020		2019	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 16,056	\$ -	\$ 15,715	\$ -
Remuneration of directors	32,111	-	31,430	-

There are no differences between the 2020 and 2019 actual amounts of employees' compensation and remuneration of directors paid and the amount recognized in the annual consolidated financial statements for the years ended December 31, 2020 and 2019.

Information for the employee' compensation and remuneration of directors proposed by the Board is available at the Market Observation Post System website of the Taiwan Stock Exchange.

37. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Property and equipment	\$ 51,598	\$ 49,868	\$ 151,631	\$ 150,530
Right-of-use assets	38,727	37,918	115,587	115,051
Intangible assets	<u>69,521</u>	<u>69,551</u>	<u>212,576</u>	<u>203,130</u>
	<u>\$ 159,846</u>	<u>\$ 157,337</u>	<u>\$ 479,794</u>	<u>\$ 468,711</u>

38. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Taxation	\$ 52,944	\$ 57,040	\$ 170,668	\$ 175,477
Rental fees	2,994	7,926	10,898	13,919
Management fees	9,565	7,395	30,227	31,946
Computer operating and consulting fees	74,160	93,273	221,660	238,379
Entertainment fees	7,512	11,336	22,594	32,665
Professional services fees	30,898	39,948	75,763	83,312
Advertisement fees	14,483	11,908	42,523	29,762
Others fees	<u>107,552</u>	<u>51,914</u>	<u>265,860</u>	<u>204,673</u>
	<u>\$ 300,108</u>	<u>\$ 280,740</u>	<u>\$ 840,193</u>	<u>\$ 810,133</u>

39. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 217,955	\$ 228,449	\$ 698,000	\$ 488,117
Income tax on unappropriated earnings	-	-	139	-
Adjustment of prior periods	<u>-</u>	<u>-</u>	<u>(19,506)</u>	<u>(18,827)</u>
	<u>217,955</u>	<u>228,449</u>	<u>678,633</u>	<u>469,290</u>
Deferred tax				
In respect of the current period	<u>42,831</u>	<u>(20,192)</u>	<u>138,046</u>	<u>41,140</u>
Income tax expense recognized in profit or loss	<u>\$ 260,786</u>	<u>\$ 208,257</u>	<u>\$ 816,679</u>	<u>\$ 510,430</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Deferred tax</u>				
Translation of foreign operations	\$ (265)	\$ (9,860)	\$ (32,215)	\$ (40,308)
Gains (losses) on remeasurements of defined benefit plans	-	-	(30)	22
Unrealized gains on financial assets at FVTOCI	<u>(24,056)</u>	<u>27,327</u>	<u>(96,226)</u>	<u>81,120</u>
Income tax expense (benefit) recognized in other comprehensive income	<u>\$ (24,321)</u>	<u>\$ 17,467</u>	<u>\$ (128,471)</u>	<u>\$ 40,834</u>

c. Assessment of the income tax returns

The income tax returns of the Bank through 2018 have been assessed by the tax authorities. The income tax returns of the Bank's subsidiary IBT Leasing Co., Ltd., IBTM and IBT VII Venture Capital Co., Ltd. through 2019 have been assessed. The income tax returns of other subsidiaries through 2017 have been assessed by the tax authorities.

40. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Basic earnings per share				
From continuing operations	\$ 0.18	\$ 0.18	\$ 0.49	\$ 0.32
From discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total basic earnings per share	<u>\$ 0.18</u>	<u>\$ 0.18</u>	<u>\$ 0.49</u>	<u>\$ 0.32</u>
Diluted earnings per share				
From continuing operations	\$ 0.16	\$ 0.16	\$ 0.44	\$ 0.28
From discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total diluted earnings per share	<u>\$ 0.16</u>	<u>\$ 0.16</u>	<u>\$ 0.44</u>	<u>\$ 0.28</u>

Earnings used in calculating earnings per share and weighted average number of common stocks are as above are as follows:

Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Profit for the period attributable to owners of the Bank	\$ 481,840	\$ 441,424	\$ 1,454,678	\$ 895,622
Less: Declared preferred stock dividend	<u>-</u>	<u>-</u>	<u>127,500</u>	<u>127,500</u>
Earnings used in the computation of basic earnings per share	481,840	441,424	1,327,178	768,122
Less: Loss for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	<u>(1,505)</u>	<u>(1,327)</u>	<u>(4,498)</u>	<u>(11,692)</u>
Earnings used in the computation of basic and diluted earnings per share from continuing operations	<u>\$ 483,345</u>	<u>\$ 442,751</u>	<u>\$ 1,331,676</u>	<u>\$ 779,814</u>

Stock (In Thousand Shares)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Weighted average number of common stocks in computation of basic earnings per share	2,727,269	2,407,269	2,727,269	2,409,376
Effect of potentially dilutive common stocks:				
Employees' compensation issued to employees	2,760	1,804	3,443	2,564
Convertible preferred stock	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Weighted average number of common stocks in the computation of diluted earnings per share	<u>3,030,029</u>	<u>2,709,073</u>	<u>3,030,712</u>	<u>2,711,940</u>

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

41. RELATED PARTY TRANSACTIONS

The transactions, account balances, income and loss of the Bank and its subsidiaries (which are the related parties of the Bank) are all eliminated upon consolidation, so they are not disclosed in this note. Except for other transactions disclosed in other notes, the transactions between the Group and other related parties are as follows:

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

<u>Related Party</u>	<u>Relationship with the Bank</u>
IBT II Venture Capital Co., Ltd. (IBT II Venture) (dissolved March 31, 2017) (company in liquidation)	Associates
Beijing Sunshine Consumer Finance Co., Ltd.	Associates
IBT Education Foundation (IBTEF)	The Group is the major donor of the foundation
Taiwan Cement Corporation	The Bank's legal director
Yi Chang Investment Co., Ltd.	The Bank's legal director
Ming Shan Investment Co., Ltd.	The Group's legal director
TCC Chemical Corporation (TCC)	Other relatives
Others	The Group's management and their other related party

- b. The significant transactions and balances with the related parties are summarized as follows:

- 1) Deposits (part of deposits and remittances)

	Ending Balance	Interest Expense	Rate (%)
<u>For the nine months ended September 30, 2021</u>			
Associates	\$ 261	\$ -	0.03-0.04
Others	<u>6,627,011</u>	<u>26,399</u>	0.00-6.29
	<u>\$ 6,627,272</u>	<u>\$ 26,399</u>	
<u>For the nine months ended September 30, 2020</u>			
Associates	\$ 2,076	\$ 1	0.05
Others	<u>5,049,735</u>	<u>38,330</u>	0.00-6.56
	<u>\$ 5,051,811</u>	<u>\$ 38,331</u>	

2) Loan

	Maximum Balance	Ending Balance	Interest Income	Rate (%)
<u>For the nine months ended September 30, 2021</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 3,374</u>	1.18
<u>For the nine months ended September 30, 2020</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 3,960</u>	1.18

September 30, 2021

Category	Name	Maximum Balance (Note 1)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

December 31, 2020

Category	Name	Maximum Balance (Note 1)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

September 30, 2020

Category	Name	Maximum Balance (Note 1)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

Note: The maximum balance of daily totals for each category of loan.

3) Service fee income (part of service fee income, net)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Others	<u>\$ 2</u>	<u>\$ 6</u>	<u>\$ 12</u>	<u>\$ 30</u>

Service fee income is earned by providing authentication, custody and fund purchase services.

4) Other expenses (part of other general and administrative expense)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Others	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,650</u>	\$ <u>5,720</u>

Other expenses are donations.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the three months and the nine months ended September 30, 2021 and 2020 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 60,777	\$ 59,119	\$ 186,630	\$ 179,425
Post-employment benefits	<u>2,516</u>	<u>2,190</u>	<u>11,790</u>	<u>6,700</u>
	<u>\$ 63,293</u>	<u>\$ 61,309</u>	<u>\$ 198,420</u>	<u>\$ 186,125</u>

The remuneration of directors and other key management personnel is determined by the remuneration committee.

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law Article 32 and 33, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

42. PLEDGED ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets at FVTPL	\$ 10,401,252	\$ 9,100,504	\$ 12,303,300
Financial assets at FVTOCI	12,247,552	8,470,589	9,781,809
Discounts and loans	7,138,083	6,065,517	5,610,981
Pledged time deposits	215,634	744,108	738,978
Compensation account for payment	<u>18,000</u>	<u>15,500</u>	<u>15,500</u>
	<u>\$ 30,020,521</u>	<u>\$ 24,396,218</u>	<u>\$ 28,450,568</u>

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of other financial assets) and negotiable certificates of deposits (part of financial assets at FVTPL and financial assets at FVTOCI) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above financial assets were debt and equity investments and were mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the United States. Besides, the

above loans were provided as collateral for EverTrust Bank to apply for credit limits with Federal Home Loan Bank of San Francisco. Pledged time deposits and compensation account for payment (both were parts of other financial assets) have been provided as collaterals or short-term loans.

43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In addition to those mentioned in other notes, as of September 30, 2021, December 31, 2020 and September 30, 2020, the Group had commitments as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Office decorating and contracts of computer software			
Amount of contracts	\$ 36,376	\$ 31,836	\$ 70,602
Payments for construction in progress and prepayments for equipment	21,974	21,209	41,643

- b. HIGHLITE INDUSTRIES, INC. allegedly applied to the Bank for loan receivables factoring through false transactions, causing damage to the Bank. The Bank filed a criminal complaint against HIGHLITE INDUSTRIES, INC. and the relevant persons. The case was pronounced sentence in the criminal court of Taiwan Taipei District Court and Taiwan High Court. HIGHLITE INDUSTRIES, INC. filed an appeal in the Supreme Court. The Bank also filed a lawsuit in the civil court of the Taiwan Taipei District Court in January 2020 in accordance with the law and banks involved in negligence in handling the remittance related to this case also sued for compensation in May 2021. Both cases are under trial in the civil court.

44. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	September 30, 2021	December 31, 2020	September 30, 2020
Trust assets			
Petty cash	\$ 100	\$ 100	\$ 100
Bank deposits	1,905,573	2,404,446	1,733,164
Financial assets	4,450,659	3,285,615	3,199,026
Receivables	165	18	35
Prepayments	1,975	1,374	2,200
Real estate	6,121,444	8,544,916	8,033,802
Structured products	94,427	-	-
Other assets	<u>29</u>	<u>21,329</u>	<u>22,189</u>
Total trust assets	<u>\$ 12,574,372</u>	<u>\$ 14,257,798</u>	<u>\$ 12,990,516</u>
Trust capital and liabilities			
Payables	\$ 47,547	\$ 1,188	\$ 46,295
Unearned receipts	1,418	1,201	1,452
Taxes payable	6,549	4,256	6,566
Guarantee deposits received	42,057	51,530	54,736
Other liabilities	455	955	521
Trust capital	12,344,744	14,022,448	12,727,173
Provisions and accumulated profit and loss	<u>131,602</u>	<u>176,220</u>	<u>153,773</u>
Total trust capital and liabilities	<u>\$ 12,574,372</u>	<u>\$ 14,257,798</u>	<u>\$ 12,990,516</u>

Income Statements of Trust Accounts

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Trust revenue				
Interest revenue	\$ 292	\$ 269	\$ 823	\$ 2,896
Rent revenue	24,314	26,105	81,459	84,211
Other revenue	<u>1,051</u>	<u>367</u>	<u>2,738</u>	<u>1,092</u>
	<u>25,657</u>	<u>26,741</u>	<u>85,020</u>	<u>88,199</u>
Trust expenses				
Management fees	(1,049)	(1,014)	(2,961)	(2,395)
Service charge	(3,836)	(1,638)	(11,265)	(4,155)
Other expenses	(3,060)	(3,390)	(9,579)	(10,059)
Tax	(3,484)	(3,618)	(10,514)	(10,712)
Income tax expense	<u>(11)</u>	<u>-</u>	<u>(15)</u>	<u>(210)</u>
	<u>(11,440)</u>	<u>(9,660)</u>	<u>(34,334)</u>	<u>(27,531)</u>
	<u>\$ 14,217</u>	<u>\$ 17,081</u>	<u>\$ 50,686</u>	<u>\$ 60,668</u>

Note: The above income accounts of the trust business were not included in the Group's income statement.

Trust Property List

	September 30, 2021	December 31, 2020	September 30, 2020
Petty cash	\$ 100	\$ 100	\$ 100
Bank deposits	1,905,573	2,404,446	1,733,164
Bonds	563,959	218,089	170,406
Stocks	228,378	228,378	228,378
Funds	3,658,322	2,839,148	2,800,242
Land	5,302,344	7,704,221	7,200,810
Buildings	819,100	840,695	832,992
Receivables	165	18	35
Prepayments	1,975	1,374	2,200
Structured products	94,427	-	-
Other	<u>29</u>	<u>21,329</u>	<u>22,189</u>
	<u>\$ 12,574,372</u>	<u>\$ 14,257,798</u>	<u>\$ 12,990,516</u>

45. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values.

	September 30, 2021		December 31, 2020		September 30, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bank debentures payable	\$ 14,500,000	\$ 14,659,186	\$ 16,400,000	\$ 16,574,644	\$ 16,400,000	\$ 16,444,944

2) The fair value hierarchy

Financial Instrument Items at Fair Value	September 30, 2021			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	\$ 14,659,186	\$ -	\$ 14,659,186	\$ -

Financial Instrument Items at Fair Value	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	\$ 16,574,644	\$ -	\$ 16,574,644	\$ -

Financial Instrument Items at Fair Value	September 30, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	\$ 16,444,944	\$ -	\$ 16,444,944	\$ -

Refer to quoted market prices for fair value if there are public quotation on bank debentures payable with active market. If quoted market prices are not available, the fair value is determined by using a valuation technique or counterparty quotation.

b. Fair value information - financial instruments measured at fair value on a recurring basis

1) The fair value hierarchy of the financial instruments as of September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

Item	September 30, 2021			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 1,114,580	\$ 456,857	\$ 502,718	\$ 155,005
Bills	119,830,860	-	119,830,860	-
Hybrid financial assets	11,210,610	240,879	1,198,771	9,770,960
Negotiable certificates of deposit	39,787,650	-	39,787,650	-
Financial assets at FVTOCI				
Equity instruments	6,645,487	5,654,905	120,135	870,447
Debt instruments	140,489,504	36,309,079	104,180,425	-
Bills	6,589,884	-	6,589,884	-
Negotiable certificates of deposit	25,996,566	-	25,996,566	-
Liabilities				
Financial liabilities at FVTPL	1,055	-	1,055	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	377,774	-	377,774	-
Liabilities				
Financial liabilities at FVTPL	342,151	-	342,151	-
Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 1,232,626	\$ 596,870	\$ 503,298	\$ 132,458
Bills	106,494,789	-	106,494,789	-
Hybrid financial assets	10,370,392	176,050	1,097,692	9,096,650
Negotiable certificates of deposit	44,080,443	-	44,080,443	-
Financial assets at FVTOCI				
Equity instruments	6,118,890	5,175,647	118,719	824,524
Debt instruments	136,606,357	-	136,606,357	-
Negotiable certificates of deposit	29,783,988	-	29,783,988	-
Liabilities				
Financial liabilities at FVTPL	1,960	-	1,960	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	316,446	-	316,446	-
Liabilities				
Financial liabilities at FVTPL	788,338	-	788,338	-

Item	September 30, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 800,308	\$ 171,064	\$ 502,911	\$ 126,333
Bills	114,956,454	-	114,956,454	-
Hybrid financial assets	11,672,155	154,837	1,392,519	10,124,799
Negotiable certificates of deposit	44,098,826	-	44,098,826	-
Financial assets at FVTOCI				
Equity instruments	5,019,495	4,243,646	119,807	656,042
Debt instruments	164,772,597	-	164,772,597	-
Liabilities				
Financial liabilities at FVTPL	98	-	98	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	211,873	-	211,873	-
Liabilities				
Financial liabilities at FVTPL	535,833	-	535,833	-

2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to achieve by the two sides in exchange of assets or settle of liabilities, fair value is the amount settled. Financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

- i. Ensure the consistency and completeness of market data.
- ii. The source of market data should be transparent, easy to access, and should come from independent resources.
- iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.
- iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with acquirable information generally used by other market participants to price financial instruments.

Fair values of forward contracts used by the Group are estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation, using the Murex⁺ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

- i. Level 1 - quoted prices in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.
- ii. Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).
- iii. Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Reconciliation of the financial instruments classified in Level 3

For the nine months ended September 30, 2021

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Hybrid Financial Assets	Equity Instruments		
Beginning balance	\$ 9,096,650	\$ 132,458	\$ 824,524	\$ 10,053,632
Recognition in profit or loss - financial assets at fair value through profit or loss	(10,290)	23,226	-	12,936
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	39,923	39,923
Purchases	11,775,200	-	6,000	11,781,200
Disposals	(11,090,600)	(203)	-	(11,090,803)
Other	-	(476)	-	(476)
Ending balance	<u>\$ 9,770,960</u>	<u>\$ 155,005</u>	<u>\$ 870,447</u>	<u>\$ 10,796,412</u>

For the nine months ended September 30, 2020

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Hybrid Financial Assets	Equity Instruments		
Beginning balance	\$ 8,623,449	\$ 203,543	\$ 854,704	\$ 9,681,696
Recognition in profit or loss - financial assets at fair value through profit or loss	21,550	(36,291)	-	(14,741)
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	33,866	33,866
Purchases	7,506,600	89,352	-	7,595,952
Disposals	(6,026,800)	(2,403)	(232,528)	(6,261,731)
Other	-	(127,868)	-	(127,868)
Ending balance	<u>\$ 10,124,799</u>	<u>\$ 126,333</u>	<u>\$ 656,042</u>	<u>\$ 10,907,174</u>

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses on September 30, 2021 and 2020, were consisted of \$16,044 thousand and \$44,849 thousand in profit, respectively.

The Group had no significant transfers Level 3 for the nine months period ended September 30, 2021 and 2020.

4) Transfers between Level 1 and Level 2

The Group had no significant transfers between Level 1 and Level 2 for the nine months ended September 30, 2021 and 2020.

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different evaluation results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. Were there to be a 10% or 1 basis point change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income for the nine months ended September 30, 2021 and 2020 periods would be as follows:

For the nine months ended September 30, 2021

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 1,572	\$ (1,572)	\$ -	\$ -
Equity instruments	10%	15,500	(15,500)	96,304	(96,304)

For the nine months ended September 30, 2020

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 1,358	\$ (1,358)	\$ -	\$ -
Equity instruments	10%	12,633	(12,633)	74,259	(74,259)

c. Transfer of financial assets

Transferred financial assets not derecognized

Most of the transferred financial assets of the Group that were not fully derecognized were securities sold under repurchase agreements. Under the terms of these transfers, the right to the cash flows of the transferred financial assets would be transferred to other entities, and the associated liabilities of the Group's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. Since the Group is restricted from using, selling, or pledging the transferred financial assets within the transaction period, and is still exposed to interest rate risks and credit risks on these assets, the transferred financial assets were not fully derecognized.

September 30, 2021

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at fair value through gain or loss		
Bills sold under repurchase agreements	\$ 82,822,402	\$ 82,868,402
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	95,076,510	97,539,035
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	6,155,319	6,138,299

December 31, 2020

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at fair value through gain or loss		
Bills sold under repurchase agreements	\$ 73,059,276	\$ 73,092,529
Bonds sold under repurchase agreements	245,568	245,180
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	100,837,056	102,892,974
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	4,732,882	4,935,143

September 30, 2020

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at fair value through gain or loss		
Bills sold under repurchase agreements	\$ 72,898,541	\$ 72,933,487
Bonds sold under repurchase agreements	947,288	945,161
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	96,419,021	98,481,300
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	7,322,042	7,548,570

d. Offsetting financial assets and financial liabilities

Certain transactions of the Bank and its subsidiaries are covered by enforceable master netting agreements or similar agreements, or under similar repurchase agreements may not meet all offsetting criteria under IFRSs. However, in these transactions, financial liabilities are allowed to be offset against financial assets when any of the counterparties specifies to settle at net amounts. If no counterparty specifies to settle at net amounts, the transactions will be settled at gross amounts instead. One of the counterparties can decide to settle at net amounts if the other party of the transaction defaults.

The tables below present the quantitative information of financial assets and financial liabilities on the balance sheets that had been offset or are covered by enforceable master netting arrangements or similar agreements.

September 30, 2021

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	<u>\$ 377,774</u>	<u>\$ -</u>	<u>\$ 377,774</u>	<u>\$ (98,890)</u>	<u>\$ (15,834)</u>	<u>\$ 263,050</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 311,775	\$ -	\$ 311,775	\$ (98,890)	\$ (5,769)	\$ 207,116
Repurchase agreements	<u>186,545,736</u>	<u>-</u>	<u>186,545,736</u>	<u>(183,976,775)</u>	<u>-</u>	<u>2,568,961</u>
	<u>\$ 186,857,511</u>	<u>\$ -</u>	<u>\$ 186,857,511</u>	<u>\$ (184,075,665)</u>	<u>\$ (5,769)</u>	<u>\$ 2,776,077</u>

December 31, 2020

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	<u>\$ 316,446</u>	<u>\$ -</u>	<u>\$ 316,446</u>	<u>\$ (108,045)</u>	<u>\$ (2,851)</u>	<u>\$ 205,550</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 751,316	\$ -	\$ 751,316	\$ (108,045)	\$ (206,660)	\$ 436,611
Repurchase agreements	<u>181,165,826</u>	<u>-</u>	<u>181,165,826</u>	<u>(178,827,335)</u>	<u>-</u>	<u>2,338,491</u>
	<u>\$ 181,917,142</u>	<u>\$ -</u>	<u>\$ 181,917,142</u>	<u>\$ (178,935,380)</u>	<u>\$ (206,660)</u>	<u>\$ 2,775,102</u>

September 30, 2020

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 211,873	\$ -	\$ 211,873	\$ (52,237)	\$ -	\$ 159,636

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivatives	\$ 523,613	\$ -	\$ 523,613	\$ (52,237)	\$ (88,093)	\$ 383,283
Repurchase agreements	179,908,518	-	179,908,518	(177,521,825)	-	2,386,693
	<u>\$ 180,432,131</u>	<u>\$ -</u>	<u>\$ 180,432,131</u>	<u>\$ (177,574,062)</u>	<u>\$ (88,093)</u>	<u>\$ 2,769,976</u>

Note: Included non-cash financial collaterals.

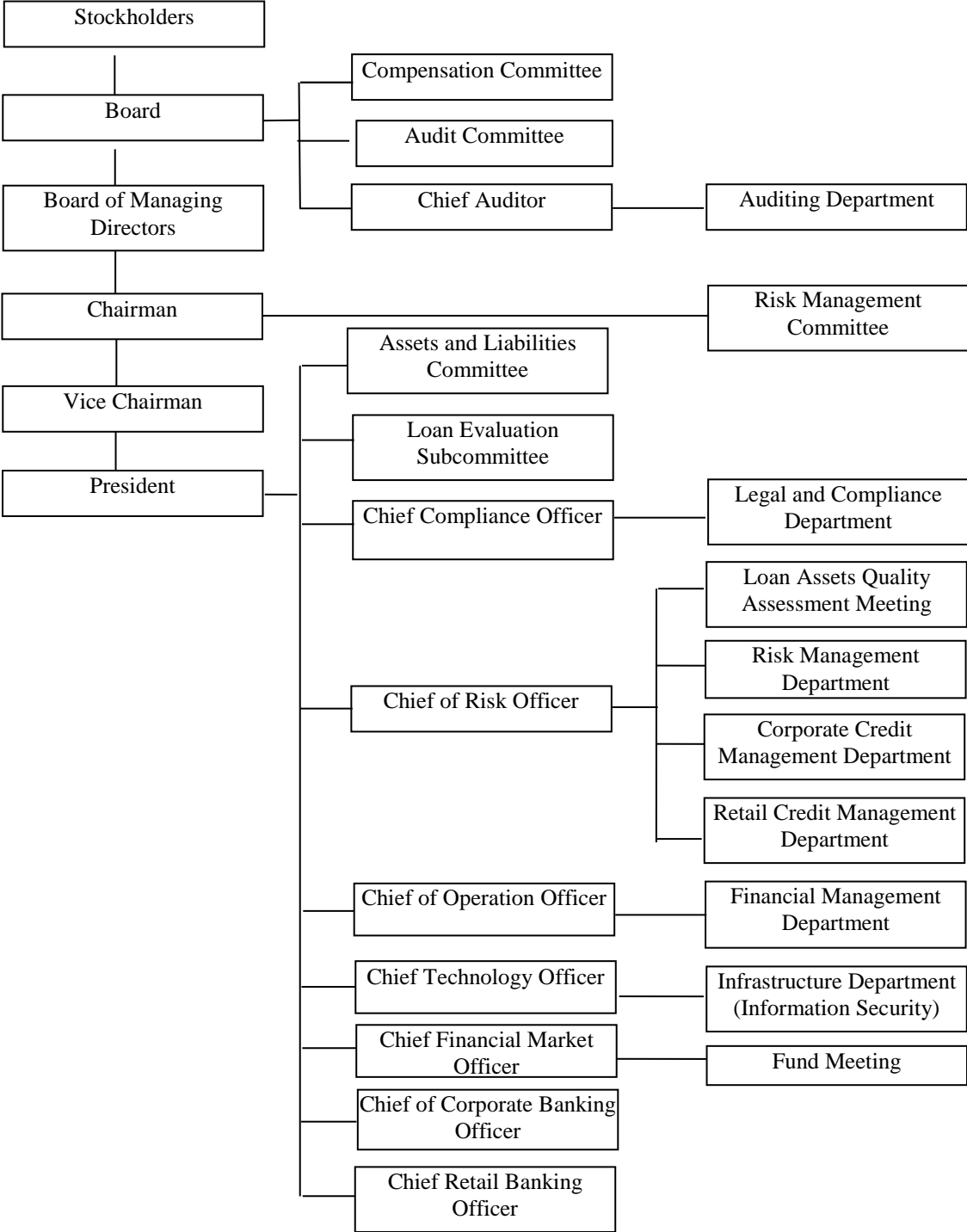
46. FINANCIAL RISK MANAGEMENT

a. Overview

For the potential expected and unexpected risk, the Group establishes a comprehensive risk management system to distribute resource effectively and enhance competitiveness by ensuring that all operating risks are controlled to an acceptable extent. The Group continues to engage actively in the capital adequacy ratio with in the accordance to the regulator's requirements and monitors to meet the international requirement of the Basel Commission.

b. Risk management framework

Ultimate responsibility for setting the Bank’s risk appetite rests with the board of director. The Auditing Department, Audit Committee, Investment Committee and Compensation Committee report to the board of director. Assets and Liabilities Committee, Investment Evaluation Subcommittee, and Loan Evaluation Subcommittee, which are under the President, hold Capital Meetings and Quality Evaluation of Assets Meetings for discussing and considering risk management proposals regularly. The Risk Management Department is responsible for establishing a total scheme of risk management and monitoring the execution of such management.



- 1) Assets and Liabilities Committee: Responsible for overseeing and reviewing of significant issues and policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk, as well as review the allocation of asset and liability and capital adequacy. It holds assets and liabilities management meeting once a month.
- 2) Loan Evaluation Subcommittee: The subcommittee reviews the loan cases rendered by the Corporate Credit Management Department and Retail Credit Management Department. After passing, the provisions should still be submitted to the level of competence review.
- 3) Loan assets quality assessment meeting
 - a) Assess the status of credit asset quality and decide/review the strategy and course of action to be taken.
 - b) Assess the probable loss of loan assets and discuss the adequacy of allowance for credit losses, assurance of responsibility to prepare and its recognition.
 - c) Pass cases of credit assets, provision of allowances for bad debts and guarantee liability shall be reported after the approval of the president.

China Bills Finance Corporation's (CBF) board of directors has the ultimate responsibility for risk framework decision making and oversees the implementation of risk management. Business risk management which is headed by the President is comprised of Financial Assets and Liabilities Management Committee, Business Committee and the Investment Commission for the joint implementation of market risk, credit risk, operational risk control, and other set of business and oversight of the audit office, and the business risk control management unit case. To effectively manage the overall risk and risks associated with integration of information, CBF has defined risk assessment methods and has summarized risk positions for the risk management group responsible for implementing the risk management operations.

c. Credit risk

1) Sources and definition of credit risk

Credit risk is the potential loss due to the failure of counterparty to meet its obligations to pay the Group in accordance with agreed terms. The source of credit risks includes the subjects in the balance sheet and off-balance sheet items.

2) Strategy/objectives/policies and procedures

- a) Credit risk management strategy: The Bank implements the relevant provisions of the principles of credit risk management requirement and establish the Bank's credit risk management mechanism to ensure that credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank credit risk, and achieve operational and management objectives.
- b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank's credit risk management, to minimize potential financial losses and pursue optimal rewards.

Sound risk management systems and control processes, strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations, the Bank's standards, as serve to maintaining high credit standards and asset quality.

c) Credit risk management policy: To establish risk management system and to ensure the integrity of business risk management and compliance, the Bank stipulated its “Risk Management Policy” which is in accordance with the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” issued by the FSC. The Bank keeps its capital adequately, achieves the goal of credit risk strategy and creates risk adjusted return maximization plan under the Bank’s acceptable range of credit risk.

d) Credit risk management process:

i. Risk identification

Credit risk management process begins with the identification of existing and potential risks, including all the transactions in banking book and trading book, balance sheet and off-balance sheet transactions. With financial innovation, as new credit businesses become increasingly complex; business executives in order do existing and new credit businesses, should be fully aware of the complexity involved in the business of re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

ii. Risk measurement

i) The Bank manages asset portfolios by the risk rating scale.

The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk ratings must actually be scaled when the individual credit and investment accounts are approved. The continual change of the market gives rise to the change in credit or investment household. Therefore, risk ratings must be reevaluated and updated often to adjust the risk rating scale when it is verified.

ii) Portfolio management:

- It is used to ensure the risk of loan is within the tolerable scope.
- “Concentrative risks” are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.
- It achieves the optimal profits.

iii. Risk communication

i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include asset quality, portfolio rating classification status, and all kinds of exception reports.

ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank’s quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

- i) The Bank shall establish monitoring system to assess the changes in credit risk of borrower or counterparty or issuer (e.g., bonds issuer and guarantor of issuers of equity related products, derivatives counterparties' credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.
- ii) Besides monitoring the individual credit risk, the Bank also deal with credit portfolio monitoring and management.
- iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.
- iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.
- v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

- a) Board of Directors: Responsible for authorizing and reviewing the credit risk management strategies and approving the credit risk management framework. The strategy reflects the level of risk that the Bank can tolerate and the level of profitability that the Bank expects to achieve under various credit risks.
- b) Audit Committee: Responsible for the stipulation and amendment on issues relating to internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.
- c) Risk Management Committee: Responsible for the risk management policies, various risk management regulations, annual risk appetites, limits, risk management proposals for the board of directors' approval levels and various risk management mechanisms, supervising and reviewing credit, market, operations, liquidity, information security, AML, personal data protection, emergencies and other risk management, improving the Bank's risk management mechanism to ensure the effective implementation of the Bank's risk management procedures.
- d) Assets and Liabilities Committee: Holds asset/liability management meeting to inspect asset/liability management, liquidity risk, interest rate sensitivity risk management, market risk, BIS management and in charge of making decisions on policies.
- e) Loan Evaluation Subcommittee: Reviews the loan cases rendered by the corporate credit management department and retail credit management department. After passing the provisions, they are still need to be submitted to the competent level for review.
- f) Loan Assets Quality Evaluation Meeting: In charge of making policies and strategies for identifying the possibilities of loss on credit assets. The Bank evaluates the adequacy of the allowance for credit assets.

- g) The Risk Management Department: Independent risk management unit which is in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Bank follows the BASEL regulations. It is also responsible for the preparation of risk management reports presented to appropriate management, and plans to establish monitoring tools for credit risk measurement.
 - h) Corporate Credit Management Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed for credit and guarantee amount control, proper release and other release matters.
 - i) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors the allowance for bad debts, and prepares for bad debts presentation, loss assessment and post-loan management.
- 4) The scope and characteristics of credit risk reports and measurement system

For the credit risks implicated in all products and business activities, new products and business, the Bank regularly monitors the credit risk management and is authorized by the board of directors or appropriate committee.

Credit risk measurement and control procedures include credit review, rating scoring, credit control, post-loan management and collection operations. The risk management units regularly provide analysis reports of various types of credit risk and asset quality in addition to the above operational procedures for management indicators. In addition, the Bank also actively controls and periodically reports the monitoring results to the board of directors to grasp the risk situations faced by the state, the group, the industry, the same related parties and the related enterprise risks.

In order to understand the risk appetite and its changes in the financial environment and the impact on capital adequacy, the Bank handles its credit according to the “Regulation on Stress Test Operation for Banks” and “Bank Credit Risk Stress Test Guidelines” issued by the FSC, as an important basis for credit risk management, and continues to adjust the direction of business development, credit policy and credit evaluation procedures.

- 5) Mitigation of risks or hedging of credit risk and monitoring the risk avoidance

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty’s bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Bank has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Bank uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

The maximum credit risk exposure amount of financial assets is the book value of the specific asset on the balance sheet date. The analysis of the maximum credit exposure amount (excluding the fair value of collateral) of each off-balance sheet financial instrument held by the Bank and its subsidiaries is as follows:

Off-balance Sheet Item	Maximum Exposure Amount		
	September 30, 2021	December 31, 2020	September 30, 2020
Financial guarantees and irrevocable documentary letter of credit			
Contract amounts	\$ 145,825,368	\$ 145,888,269	\$ 140,707,382
Maximum exposure amounts	145,825,368	145,888,269	140,707,382
Loan commitments	44,018,642	42,770,934	43,067,579

7) Concentrations of credit risk exposure

Concentration of credit risk exist when the counterparty includes only one specific person or include many people who engage in similar business which are similar in economic characteristics. The emergence of concentrations of credit risk includes the operating activities property of the debtor. The Group does not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business (including loan commitments and guarantees and commercial bond issuing commitments).

On September 30, 2021, December 31, 2020 and September 30, 2020, the Group's significant concentration of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%
Financial and insurance	\$ 74,179,490	26	\$ 78,116,172	26	\$ 77,566,942	26
Real estate	54,166,278	19	56,497,428	19	59,864,911	20
Manufacturing	60,113,393	21	63,281,714	21	64,440,096	21

b) By counterparty

Credit Risk Profile by Counterparty Sector	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%
Private sector	\$ 138,610,750	79	\$ 150,712,058	81	\$ 159,764,832	82
Natural person	35,854,258	21	35,461,639	19	34,273,847	18

c) By geographical area

Credit Risk Profile by Geographical Sector	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 116,276,503	67	\$ 122,417,279	66	\$ 124,673,575	64
America	29,491,281	17	31,854,819	17	34,729,667	18
Other Asia area	24,935,778	14	25,203,739	14	26,468,561	14

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to other banks, financial asset at fair value through profit or loss, bills and bonds purchased under resell agreements, refundable deposits, operating deposits and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

On each reporting date, the Group assesses the change in the default risk of financial assets and considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situations, credit investigation results, announcements of dishonored checks and negotiations of the debts from other financial institutions, or information that the debtor has reorganized or is likely to reorganize, to determine whether the credit risk has increased significantly.

The Group adopts the 12-month ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has not increased significantly since initial recognition and adopts the lifetime ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or which are credit-impaired.

The Group considers both the 12-month and lifetime probability of default (“PD”) of the borrower together with the loss given default (“LGD”), multiplied by the exposure at default (“EAD”), and considers the impact of the time value of money in order to calculate the 12-month ECLs and lifetime ECLs, respectively.

The PD refers to the borrower’s probability to default, and the LGD refers to losses caused by such default. The Group applies the PD and LGD for the impairment assessment of the credit business according to each group entity’s historical information (such as credit loss experience) from internal statistical data and adjusts such historical data based on the current observable and forward-looking macroeconomic information. It then calculates the respective impairment by applying the progressive one factor model (ASRF).

Considering the impact of COVID-19 to the overall economy which caused obvious changes in macroeconomic information, the Bank has adjusted the weights of the assessment forward-looking factors to reflect the estimated influence of the economic indicator changes in the default rate.

The Group estimates the balance of each account based on the method of amortization and considers the possible survival rate in order to calculate the EAD. In addition, the Group estimates the 12-month ECLs and lifetime ECLs of loan commitments based on the guidelines issued by the Bank’s Association and Basel Accords. The Group calculates the EAD of expected credit losses by considering the portion of the loan commitments expected to be used within 12 months after the reporting date as compared with the expected lifetime of the loan commitments.

The Group uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 90 days or the credit investigation appears to be abnormal, then the Group determines that the financial assets have defaulted and are credit-impaired.

Credit assets are classified into five categories. In addition to the first category of credit assets, which are normal credit assets classified as sound assets, the remaining credit assets are classified as unsound assets and assessed according to the respective collateral and the length of time in which the respective payments become overdue. Such unsound credit assets are then categorized within the second category if they should only be noted; within the third category if they have substandard expected recovery; within the fourth category if their collectability is highly doubtful; and within the fifth category if they are considered uncollectable. The Group also sets up policies for the management of provisions for doubtful credit assets and the collection and settlement of overdue debts in order to deal with collection problems.

b) Credit risk management for investments in debt instruments

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 Bank and its subsidiaries' exposure and the external credit ratings are continuously monitored. The Bank and its subsidiaries review changes in bond yields and other public information and make an assessment as to whether there has been a significant increase in credit risk since the last period to the current reporting date.

In order to minimize credit risk, the Group has tasked its credit management committee with developing and maintaining a credit risk grading framework for categorizing exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses.

The Group's current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs
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

The Group's gross carrying amounts of investments in debt instruments by credit category was as follows:

Category	September 30, 2021	December 31, 2020	September 30, 2020
Performing	\$ 171,221,242	\$ 163,611,133	\$ 162,301,512
Doubtful	1,000,013	1,000,025	1,000,028
In default	-	-	-

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost is reconciled are summarized as follows:

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Total
Balance at January 1, 2021	\$ 42,548	\$ 8,821	\$ 51,369
New financial assets purchased or originated	13,640	-	13,640
Derecognition of financial assets	(11,722)	-	(11,722)
Change in model or risk parameters	(2,093)	(148)	(2,241)
Exchange rates or others	(436)	-	(436)
Balance at September 30, 2021	<u>\$ 41,937</u>	<u>\$ 8,673</u>	<u>\$ 50,610</u>

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Total
Balance at January 1, 2020	\$ 38,272	\$ 8,136	\$ 46,408
Transfers			
From doubtful to performing	914	(914)	-
New financial assets purchased or originated	9,089	-	9,089
Derecognition of financial assets	(8,398)	-	(8,398)
Change in model or risk parameters	94	4,848	4,942
Exchange rates or others	(425)	-	(425)
Balance at September 30, 2020	<u>\$ 39,546</u>	<u>\$ 12,070</u>	<u>\$ 51,616</u>

In addition to the above, the credit quality analysis of the remaining financial assets of the Bank and its subsidiaries is as follows:

a) Credit analysis for receivables and discounts and loans

September 30, 2021

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Of Impairment Loss Under Regulations	Total
Receivables	\$ 19,600,556	\$ 206,085	\$ 220,984	\$ -	\$ 20,027,625
Allowance for credit losses	(261,344)	(16,217)	(176,716)	-	(454,277)
Difference between IFRS9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	(17,375)	(17,375)
Net total	<u>\$ 19,339,212</u>	<u>\$ 189,868</u>	<u>\$ 44,268</u>	<u>\$ (17,375)</u>	<u>\$ 19,555,973</u>

	Stage 1	Stage 2	Stage 3	Difference Of	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	Impairment Loss	
				Under	Total
				Regulations	
Discounts and loans	\$ 157,349,135	\$ 14,993,842	\$ 2,122,031	\$ -	\$ 174,465,008
Allowance for credit losses	(376,067)	(126,465)	(417,941)	-	(920,473)
Difference between IFRS9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	(1,612,184)	(1,612,184)
Net total	<u>\$ 156,973,068</u>	<u>\$ 14,867,377</u>	<u>\$ 1,704,090</u>	<u>\$ (1,612,184)</u>	<u>\$ 171,932,351</u>

December 31, 2020

	Stage 1	Stage 2	Stage 3	Difference Of	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	Impairment Loss	
				Under	Total
				Regulations	
Receivables	\$ 15,070,846	\$ 86,938	\$ 226,280	\$ -	\$ 15,384,064
Allowance for credit losses	(220,734)	(25,785)	(175,691)	-	(422,210)
Difference between IFRS9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	(8,995)	(8,995)
Net total	<u>\$ 14,850,112</u>	<u>\$ 61,153</u>	<u>\$ 50,589</u>	<u>\$ (8,995)</u>	<u>\$ 14,952,859</u>

	Stage 1	Stage 2	Stage 3	Difference Of	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	Impairment Loss	
				Under	Total
				Regulations	
Discounts and loans	\$ 167,034,025	\$ 17,442,689	\$ 1,696,982	\$ -	\$ 186,173,696
Allowance for credit losses	(530,975)	(194,967)	(352,887)	-	(1,078,829)
Difference between IFRS9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	(1,383,894)	(1,383,894)
Net total	<u>\$ 166,503,050</u>	<u>\$ 17,247,722</u>	<u>\$ 1,344,095</u>	<u>\$ (1,383,894)</u>	<u>\$ 183,710,973</u>

September 30, 2020

	Stage 1	Stage 2	Stage 3	Difference Of	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	Impairment Loss	
				Under	Total
				Regulations	
Receivables	\$ 14,511,188	\$ 142,779	\$ 216,072	\$ -	\$ 14,870,039
Allowance for credit losses	(193,530)	(33,675)	(190,117)	-	(417,322)
Difference between IFRS9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	(11,345)	(11,345)
Net total	<u>\$ 14,317,658</u>	<u>\$ 109,104</u>	<u>\$ 25,955</u>	<u>\$ (11,345)</u>	<u>\$ 14,441,372</u>

	Stage 1	Stage 2	Stage 3	Difference Of	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	Impairment Loss	
				Under	Total
				Regulations	
Discounts and loans	\$ 174,628,752	\$ 16,408,875	\$ 3,001,053	\$ -	\$ 194,038,680
Allowance for credit losses	(635,702)	(141,204)	(505,114)	-	(1,282,020)
Difference between IFRS9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	(1,423,166)	(1,423,166)
Net total	<u>\$ 173,993,050</u>	<u>\$ 16,267,671</u>	<u>\$ 2,495,939</u>	<u>\$ (1,423,166)</u>	<u>\$ 191,333,494</u>

b) Credit analysis for marketable securities

September 30, 2021

	At FVTOCI Debt Instruments
Gross carrying amount	\$ 172,221,255
Allowance for impairment loss	<u>(50,610)</u>
Amortized cost	172,170,645
Fair value adjustment	<u>905,309</u>
	<u>\$ 173,075,954</u>

December 31, 2020

	At FVTOCI Debt Instruments
Gross carrying amount	\$ 164,611,158
Allowance for impairment loss	<u>(51,369)</u>
Amortized cost	164,559,789
Fair value adjustment	<u>1,830,557</u>
	<u>\$ 166,390,346</u>

September 30, 2020

	At FVTOCI Debt Instruments
Gross carrying amount	\$ 163,301,540
Allowance for impairment loss	<u>(51,616)</u>
Amortized cost	163,249,924
Fair value adjustment	<u>1,522,673</u>
	<u>\$ 164,772,597</u>

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets which are overdue but not yet impaired.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Group's capacity to realize assets, obtain financing or funds to meet obligations at maturity, including deposits and off-balance sheet guarantees.

Liquidity risk is the risk that the Group is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles of liquidity risk

- a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Group's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.
- b) Manage current assets to ensure that the Group have enough instantly-realized assets to deal with currency risks.
- c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure that the Group's liquidity.
- d) To establish an appropriate information system to measure, monitor and report liquidity risk.
- e) The setting of the measurement systems or models should include important factors which affect the currency risks of the Bank fund (including the introduction of new products or services) for managing current risks to help the Bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.
- f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.
- g) In addition to the monitoring of the capital requirements, under normal business conditions, the Group should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.
- h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the Bank's operating environment and conditions, and can continue to play its role effectively.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the liquidity reserve ratio was 43.21%, 46.39% and 48.32%, respectively.

3) The analysis of cash inflow and outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

September 30, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to the Central Bank and other banks	\$ 38,573,210	\$ -	\$ -	\$ -	\$ -	\$ 38,573,210
Financial liabilities at fair value through profit or loss	-	-	-	-	1,055	1,055
Bills and bonds sold under repurchase agreements	145,114,528	39,075,409	2,289,364	122,901	-	186,602,202
Payables	1,132,281	126,463	639,215	708,012	113,710	2,719,681
Deposits and remittances	41,720,638	83,423,758	56,858,354	36,825,702	46,821,110	265,649,562
Bank debentures payable	-	-	-	1,500,000	13,000,000	14,500,000
Other financial liabilities	6,416,868	2,420,429	539,439	2,312,949	9,302,156	20,991,841
Lease liabilities	11,766	27,755	39,551	70,595	232,932	382,599
	<u>\$ 232,969,291</u>	<u>\$ 125,073,814</u>	<u>\$ 60,365,923</u>	<u>\$ 41,540,159</u>	<u>\$ 69,470,963</u>	<u>\$ 529,420,150</u>

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to the Central Bank and other banks	\$ 21,479,755	\$ -	\$ -	\$ -	\$ 7,000,000	\$ 28,479,755
Financial liabilities at fair value through profit or loss	-	-	-	-	1,960	1,960
Bills and bonds sold under repurchase agreements	139,138,761	39,633,058	2,450,172	11,866	-	181,233,857
Payables	1,350,419	296,256	224,223	680,370	151,903	2,703,171
Deposits and remittances	51,209,846	84,746,765	37,206,852	50,379,624	44,176,585	267,719,672
Bank debentures payable	-	1,300,000	1,000,000	600,000	13,500,000	16,400,000
Other financial liabilities	5,591,440	2,023,964	1,371,701	1,868,192	7,247,466	18,102,763
Lease liabilities	12,336	29,097	39,871	75,686	315,950	472,940
	<u>\$ 218,782,557</u>	<u>\$ 128,029,140</u>	<u>\$ 42,292,819</u>	<u>\$ 53,615,738</u>	<u>\$ 72,393,864</u>	<u>\$ 515,114,118</u>

September 30, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to the Central Bank and other banks	\$ 39,438,619	\$ -	\$ -	\$ -	\$ 7,000,000	\$ 46,438,619
Financial liabilities at fair value through profit or loss	-	-	-	-	98	98
Bills and bonds sold under repurchase agreements	143,855,185	31,477,103	4,516,868	136,041	-	179,985,197
Payables	1,005,230	132,758	502,300	637,253	173,930	2,451,471
Deposits and remittances	47,628,984	78,161,292	67,321,697	39,662,641	40,037,674	272,812,288
Bank debentures payable	-	-	1,300,000	1,600,000	13,500,000	16,400,000
Other financial liabilities	6,537,594	2,378,657	819,215	2,217,546	5,277,224	17,230,236
Lease liabilities	12,097	25,904	38,928	73,862	330,669	481,460
	<u>\$ 238,477,709</u>	<u>\$ 112,175,714</u>	<u>\$ 74,499,008</u>	<u>\$ 44,327,343</u>	<u>\$ 66,319,595</u>	<u>\$ 535,799,369</u>

- 4) The Group assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity consolidated analysis of derivative financial liabilities was as follows:

September 30, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 14,343	\$ 6,205	\$ 4,882	\$ 2,429	\$ -	\$ 27,859
Currency swap contracts	141,524	45,788	29,470	29,094	-	245,876
Others	14,179	10,129	1,186	-	30,376	55,870
	170,046	62,122	35,538	31,523	30,376	329,605
Non-deliverable						
Interest rate swap contracts	-	367	-	3,511	8,668	12,546
	<u>\$ 170,046</u>	<u>\$ 62,489</u>	<u>\$ 35,538</u>	<u>\$ 35,034</u>	<u>\$ 39,044</u>	<u>\$ 342,151</u>

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 12,252	\$ 21,126	\$ 5,384	\$ 3,957	\$ -	\$ 42,719
Currency swap contracts	211,140	268,534	114,314	88,245	-	682,233
Others	3,658	2,511	342	2,031	36,510	45,052
	227,050	292,171	120,040	94,233	36,510	770,004
Non-deliverable						
Interest rate swap contracts	-	-	2,992	1,158	14,184	18,334
	<u>\$ 227,050</u>	<u>\$ 292,171</u>	<u>\$ 123,032</u>	<u>\$ 95,391</u>	<u>\$ 50,694</u>	<u>\$ 788,338</u>

September 30, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 10,112	\$ 5,963	\$ 3,931	\$ 736	\$ -	\$ 20,742
Currency swap contracts	103,414	222,129	85,164	53,045	-	463,752
Others	7,140	5,952	3,176	466	11,846	28,580
	120,666	234,044	92,271	54,247	11,846	513,074
Non-deliverable						
Interest rate swap contracts	-	341	-	4,654	17,764	22,759
	<u>\$ 120,666</u>	<u>\$ 234,385</u>	<u>\$ 92,271</u>	<u>\$ 58,901</u>	<u>\$ 29,610</u>	<u>\$ 535,833</u>

- 5) The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the consolidated balance sheet.

September 30, 2021	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 542,430	\$ 568,383	\$ 135,384	\$ -	\$ -	\$ 1,246,197
Other guarantees	53,866,655	74,717,618	12,727,058	3,248,263	19,577	144,579,171
Loan commitments	<u>3,720,456</u>	<u>7,440,911</u>	<u>11,161,367</u>	<u>21,695,908</u>	<u>-</u>	<u>44,018,642</u>
	<u>\$ 58,129,541</u>	<u>\$ 82,726,912</u>	<u>\$ 24,023,809</u>	<u>\$ 24,944,171</u>	<u>\$ 19,577</u>	<u>\$ 189,844,010</u>

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 500,885	\$ 309,705	\$ 99,347	\$ -	\$ -	\$ 909,937
Other guarantees	50,971,514	78,156,967	11,193,704	4,626,849	29,298	144,978,332
Loan commitments	<u>3,614,999</u>	<u>7,229,999</u>	<u>10,844,998</u>	<u>21,080,938</u>	<u>-</u>	<u>42,770,934</u>
	<u>\$ 55,087,398</u>	<u>\$ 85,696,671</u>	<u>\$ 22,138,049</u>	<u>\$ 25,707,787</u>	<u>\$ 29,298</u>	<u>\$ 188,659,203</u>

September 30, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 546,517	\$ 313,636	\$ 115,446	\$ -	\$ -	\$ 975,599
Other guarantees	55,726,928	70,178,416	9,558,059	4,243,615	24,765	139,731,783
Loan commitments	<u>3,640,072</u>	<u>7,280,144</u>	<u>10,920,215</u>	<u>21,227,148</u>	<u>-</u>	<u>43,067,579</u>
	<u>\$ 59,913,517</u>	<u>\$ 77,772,196</u>	<u>\$ 20,593,720</u>	<u>\$ 25,470,763</u>	<u>\$ 24,765</u>	<u>\$ 183,774,961</u>

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and process

The Bank manage the market risk with active, careful attitude.

The Bank makes the profit majorly by doing trading business through knowing well correctly how market risk of factors fluctuate. (e.g., market price, exchange rate, interest rate). More violent the market risk factors fluctuate, the bigger the opportunity of the implicit profit is. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussed to the full and stipulated by the president, the trading department and the market risk management department, it is submitted to the Assets and Liabilities Committee and the board of directors with the plan of stop-loss quotas and product parts quotas to avoid setting up the goal in an impracticable way that leads the dealer to take more risk on operating.

The Bank sets up definite management rules and risk management indicators for different trading business and its risk attribute, and stipulates exposure amount, submission of expiration, authorizing management and ways of disposure. Implement certainly and ensure the trading department to abide by the discipline to control the market risk exposure extent in a safe range.

3) Market risk management organization and framework

- a) The Board of Directors: It is the top market risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank, approved by the board of directors, are the top stipulation in market risk management.

- b) Risk Management Committee: It is the supervisory agency which responsible for setting risk management limits and supervising market risk management operations. In principle, a risk management committee meeting is held monthly to deliberate the revision of market risk limits and regulations, reporting various market risk limit control situations and market risk related matters.
- c) Risk Management Department: In charge of market risk management. According to the Bank's regulation, the department is in charge of every operation related to market risk management, including planning of market risk limit, statistics, reporting and monitoring.

4) Market risk report and evaluation system

The Bank setup the risk index, exposure amount and authority levels by products' type (e.g. equity, interest rate, currency exchange rate).

The Bank setup the limit amount of trading and loss, and other index including VaR, MAT limit, 20-Day average liquidity and FS sensitivity limit to enhance the risk control system.

The Bank calculates the risk exposure amount of the trade department and traders based on authorized amount, and submits risk report, monitors the limits and executes the following measures.

The Bank sets up the index of stop loss to control the risk of transaction including bonds, Forex, securities and derivative by building the risk evaluation module, and monitor the loss caused by the fluctuation of stock market, exchange rate and interest rates.

5) Value at Risk

The Bank adopts Value at Risk to evaluate trading book products such as rate financial instruments, TWD interest products and market risks of trading assets IPO stocks. When market factors happen negative changes, Value at Risk reveals the potential losses of holding financial instruments during a certain period and in a confidence interval. The bank adopts Monte Carlo method to estimate Value at Risk, the confidence interval is 99%, the sample interval of rate and stock products is the past year, the sample interval of interest products is the past three years, simulation times is 5,000 times, simulation path is GBM.

The following table illustrates the Value at Risk of the Bank, this risk value is based on confidence interval, estimated in one day potential losses and assumed unfavorable interest and rate changes can cover all possible fluctuation in one day. Based on this assumption, the Value at Risk of financial assets and liabilities in the table have one in hundred days possibility more than the amount in the table due to the fluctuation of interest, rate and stock prices. Annual average value, maximum value and minimum value are calculated based on daily Value at Risk. The total market risk value of the bank is less than the sum of the fair value risk value, rate risk value and price risk value of interest changes.

O-Bank

	September 30, 2021			December 31, 2020			September 30, 2020		
	Average	High	Low	Average	High	Low	Average	High	Low
Currency exchange rate risk	\$ 1,784	\$ 3,651	\$ 522	\$ 2,701	\$ 5,282	\$ 352	\$ 2,605	\$ 5,126	\$ 352
Fair value risk resulting from interest rate	2,671	4,162	1,643	4,043	6,925	1,243	4,078	6,925	1,243
Fair value resulting from stock price	16,853	31,270	5,183	9,019	16,652	1,526	8,825	16,177	1,526

6) Effect of interest rate benchmark reform

The Group is exposed to USD LIBOR and HKD HIBOR which are subject to interest rate benchmark reform. The exposures arise on non-derivative financial assets. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. HONIA (Hong Kong Dollar Overnight Index Average) is expected to replace HKD HIBOR. There are key differences among these benchmarks. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. To transition existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

The Group established USD LIBOR and HKD HIBOR transition project plans for each benchmark. These transition projects are considering changes to risk management policies, internal processes, IT systems and valuation models, as well as managing any related tax and accounting implications. As at September 30, 2021, the bank has identified all the information systems and internal processes that need to be updated, and planned the update schedule. The bank has completed the identification of the affected contracts, and expects to gradually switch to alternative interest rate indicators in the fourth quarter of 2021, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with the Group’s counterparties are not successfully concluded before the cessation of HKD HIBOR and USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

The following table contains details of all of the financial instruments held by the Group at September 30, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Book Value Not Transitioned to Alternative Benchmark Rates	Transition Progress
<u>USD LIBOR financial assets</u>		
Financial assets at fair value through other comprehensive income	\$ 4,970,464	The Group will pay close attention to the regulations of the competent authority, market development, and processing methods among other banks, and will cooperate with the issuer and counterparty to negotiate the contract revision. It is expected that the contract revision will be sold or completed in the first half of 2023.
Discounts and loans	<u>1,756,103</u>	It is expected to gradually switch to alternative interest rate indicators in the fourth quarter of 2021, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks.
	<u>6,726,567</u>	
<u>HKD HIBOR financial asset</u>		
Discounts and loans	<u>491,698</u>	It is expected to gradually switch to alternative interest rate indicators in the fourth quarter of 2021, and pay close attention to the regulations of the competent authority, market development, and processing methods among other banks.
	<u>\$ 7,218,265</u>	

7) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

Unit: Foreign Currencies (Thousands)/NT\$ (Thousands)

	September 30, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,379,268	27.8658	\$ 94,166,072
JPY	2,061,766	0.2490	513,417
HKD	5,859,787	3.5782	20,967,550
EUR	22,454	32.3359	720,066
AUD	193,106	20.0728	3,876,178
RMB	3,360,660	4.3127/4.3155	14,493,418
Investment accounted for using equity method			
RMB	185,394	4.3155	800,064
<u>Financial liabilities</u>			
Monetary item			
USD	3,963,662	27.8658	110,450,703
JPY	1,967,818	0.2490	490,022
HKD	4,644,413	3.5782	16,618,685
EUR	16,190	32.3359	523,518
AUD	48,099	20.0728	965,482
RMB	2,532,544	4.3127/4.3155	10,922,026
December 31, 2020			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 2,488,873	28.5083	\$ 70,953,550
JPY	1,535,130	0.2763	424,210
HKD	6,380,651	3.6774	23,464,080
EUR	20,543	35.0416	719,868
AUD	204,922	21.9686	4,501,838
RMB	2,755,208	4.3665/4.3822	12,036,006
Investment accounted for using equity method			
RMB	180,891	4.3665	789,863

(Continued)

	December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary item			
USD	\$ 2,994,593	28.5083	\$ 85,370,790
JPY	2,569,136	0.2763	709,943
HKD	4,719,183	3.6774	17,354,229
EUR	9,831	35.0416	344,494
AUD	8,597	21.9686	188,874
RMB	1,954,158	4.3665/4.3822	8,563,414
			(Concluded)

	September 30, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,187,175	29.1262	\$ 92,830,365
JPY	1,478,945	0.2757	407,729
HKD	7,157,935	3.7583	26,901,379
EUR	16,918	34.1522	577,784
AUD	103,875	20.7509	2,155,498
RMB	2,518,327	4.2796/4.2805	10,777,304
Investment accounted for using equity method			
RMB	200,736	4.2805	863,564

<u>Financial liabilities</u>			
Monetary item			
USD	3,041,615	29.1262	88,573,170
JPY	1,993,851	0.2757	549,683
HKD	4,617,032	3.7583	17,352,007
EUR	12,225	34.1522	417,511
AUD	9,199	20.7509	190,887
RMB	1,592,490	4.2796/4.2805	6,815,142

f. Banking book interest rate risk

1) Source and definition of interest rate risk of banking book

Banking book's interest rate risk means the probably loss of non-trading book's position within balance sheet and off-balance sheet arise from interest change.

2) Management strategy and process of interest rate risk of banking book

The Bank controls this interest rate risk with a positive and strict attitude. The Bank hopes to pursue the stability and growth of surplus without liquidity flaws.

The Bank set the clear management methods and risk management indicators with different trading, investment and risk, and set the report of risk amount and over limit, approved level and reaction plan. The Bank executes the procedures clearly, establishes a trading discipline that upholds the discipline of investment, and controls the interest rate risk of banking book within the limit.

3) Management organization and framework of interest rate risk of banking book

- a) The Board of Directors: It is the top organization to supervise interest rate risk of banking book. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank and approved by the board of director are the top stipulation in bank book interest risk.
- b) Risk Management Committee: In charge of stipulating risk management policy of interest rate risk of banking book and monitoring the risk management operating of interest rate risk of banking book. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the risk management conditions of interest rate risk of banking book and the result of interest rate pressure test once a month.
- c) Risk Management Department: In charge of risk management of interest rate risk of banking book. According to the Bank's regulation, the department is in charge of every operation related to management of interest rate risk of banking book, including planning limits, statistics, reporting and monitoring.

4) The extent and characteristics of interest rate risk report and evaluation system of banking book

The Risk Management Department set the regulation with interest rate risk of banking book as follow, limit of position, annual stop buying maximum loss limit, FS sensitivity limit, duration limit, Individual Investment Target Warning Limits, Individual Investment Target stop buying limit, Tier I Capital Interest Rate Sensitivity Warning Limit-Rising/falling interest rates by 1bp, net income interest rate sensitivity warning limit: Interest rate rise/fall 25bps, 50bps, 75bps, 100bps.

In summary, it is intended to enhance the risk control framework of interest rate risk of banking book.

Besides, the Risk Management Department executes the following tests to assess the impact to the Bank's net income in each quarter, including the interest rate pressure test and special situation pressure test, and reports the result to the Risk Management Committee.

The Risk Management Department calculates the exposure amount of each trading departments and traders, and it also reports the risk reports, monitors over-limits, and performs follow-up actions under the regulations.

g. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Interest rate fluctuations affect the earning assets and interest-bearing liabilities, and current average interest rates are as follows:

Average balance was calculated at the daily average balances of interest-earning assets and interest-bearing liabilities.

O-Bank

	For the Nine Months Ended September 30			
	2021		2020	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks (part of cash and cash equivalents and other financial assets)	\$ 843,168	1.14	\$ 943,773	1.30
Call loans to other banks	10,582,456	0.18	9,279,159	0.92
Due from the Central Bank	5,386,761	0.39	5,258,671	0.47
Financial assets at FVTPL	44,445,399	0.30	70,052,169	0.56
Bills and bonds purchased under resell agreements	13,684	0.09	-	-
Discounts and loans	157,558,219	1.90	175,008,557	2.23
Financial assets at FVTOCI	67,485,651	0.62	48,356,374	1.04
Receivables	957,787	1.32	1,365,239	1.64
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	17,982,742	0.40	35,370,752	0.74
Demand deposits	63,012,102	0.20	48,072,611	0.37
Time deposits	175,118,391	0.45	194,544,881	0.97
Bills and bonds sold under repurchase agreements	2,036,059	0.19	2,385,331	0.34
Bank debentures payable	15,516,484	1.99	17,675,912	2.01

China Bills Finance Corporation (CBF)

	For the Nine Months Ended September 30			
	2021		2020	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents (including certificate of deposit)	\$ 374,109	0.03	\$ 771,733	0.06
Call loans to banks	153,670	0.11	62,478	0.23
Financial assets at fair value through profit or loss - bonds and bills	96,849,811	0.38	87,170,200	0.51
FVTOCI-debt instruments	99,486,186	1.20	98,632,299	1.34
Financial assets at fair value through profit or loss - hybrid financial assets	8,595,327	1.47	9,742,011	1.47
Securities purchased under resell agreements	6,676,983	0.17	3,635,554	0.23

(Continued)

	For the Nine Months Ended September 30			
	2021		2020	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-bearing liabilities</u>				
Due to other banks	\$ 7,562,652	0.21	\$ 14,894,256	0.45
Bank overdrafts	480	1.50	1,662	1.59
Securities sold under repurchase agreement	175,849,794	0.23	160,083,985	0.49
Commercial paper payable	4,500,000	0.31	1,012,774	0.48
				(Concluded)

47. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Groups' common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis is subject to the competent authorities. The calculation of the ratio mentioned above by competent authority regulations.

b. Capital assessment program

Measures are taken when capital ratio and leverage ratio deteriorates such as regular calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets and regularly tracking the target achievement rate in the capital.

48. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND DISCLOSURE OF RELATED INFORMATION OF INDUSTRY REGULATIONS OF MATURITY ANALYSIS OF ASSETS AND LIABILITIES

O-Bank

a. Credit risk

1) Asset quality of loans: See Table 4.

2) Concentration of credit extensions

September 30, 2021

Rank	Industry of Group Enterprise	Credit Extensions Balance	% of Net Asset Value
1	A Company (real estate development)	\$ 6,256,678	17.41
2	B Company (real estate development)	3,973,750	11.06
3	C Company (real estate development)	3,404,716	9.47
4	D Company (glass and glass made products manufacturing)	3,311,005	9.21
5	E Company (real estate lease industry)	3,180,000	8.85
6	F Company (unclassified other financial service)	2,940,000	8.18
7	G Company (non-hazardous waste treatment industry)	2,432,955	6.77
8	H Company (manufacture of ready-mix concrete)	2,226,820	6.20
9	I Company (real estate development)	2,195,533	6.11
10	J Company (unclassified other financial service)	2,070,000	5.76

September 30, 2020

Rank	Industry of Group Enterprise	Credit Extensions Balance	% of Net Asset Value
1	A Company (real estate development)	\$ 6,342,811	19.22
2	F Company (unclassified other financial service)	5,000,000	15.15
3	C Company (real estate development)	3,537,369	10.72
4	D Company (glass and glass made products manufacturing)	3,466,625	10.50
5	K Company (ocean transportation)	3,105,534	9.41
6	L Company (unclassified other financial service)	2,840,096	8.61
7	M Company (retail sale of other food, beverages and tobacco in specialized stores)	2,822,525	8.55
8	G Company (non-hazardous waste treatment industry)	2,597,912	7.87
9	N Company (short-term accommodation activities)	2,426,806	7.35
10	B Company (real estate development)	2,282,700	6.92

Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate - General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings"

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

b. Market risk

**Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
September 30, 2021**

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 157,132,511	\$ 10,752,071	\$ 27,836,421	\$ 17,793,074	\$ 213,514,077
Interest rate-sensitive liabilities	66,686,099	69,132,889	35,128,267	35,427,699	206,374,954
Interest rate-sensitive gap	90,446,412	(58,380,818)	(7,291,846)	(17,634,625)	7,139,123
Net worth					31,841,813
Ratio of interest rate-sensitive assets to liabilities					103.46%
Ratio of interest rate sensitivity gap to net worth					22.42%

September 30, 2020

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 177,142,963	\$ 14,413,438	\$ 32,640,845	\$ 11,838,301	\$ 236,035,547
Interest rate-sensitive liabilities	78,817,877	80,725,627	38,145,895	32,393,266	230,082,665
Interest rate-sensitive gap	98,325,086	(66,312,189)	(5,505,050)	(20,554,965)	5,952,882
Net worth					29,198,765
Ratio of interest rate-sensitive assets to liabilities					102.59%
Ratio of interest rate sensitivity gap to net worth					20.39%

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank and excluded contingent assets and contingent liabilities items.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues 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).

**Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
September 30, 2021**

(In Thousands of U.S. Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,403,364	\$ 13,851	-	\$ 1,105,548	\$ 2,522,763
Interest rate-sensitive liabilities	1,034,595	1,214,557	109,712	-	2,358,864
Interest rate-sensitive gap	368,769	(1,200,706)	(109,712)	1,105,548	163,899
Net worth					131,494
Ratio of interest rate-sensitive assets to liabilities					106.95%
Ratio of interest rate sensitivity gap to net worth					124.64%

September 30, 2020

(In Thousands of U.S. Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,469,641	\$ 3,334	\$ 10,471	\$ 991,103	\$ 2,474,549
Interest rate-sensitive liabilities	1,296,799	962,047	88,724	-	2,347,570
Interest rate-sensitive gap	172,842	(958,713)	(78,253)	991,103	126,979
Net worth					118,473
Ratio of interest rate-sensitive assets to liabilities					105.41%
Ratio of interest rate sensitivity gap to net worth					107.18%

Note 1: The above amounts included only U.S. dollar amounts held by the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues 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).

c. Liquidity risk

1) Profitability

(In %)

Items		For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
Return on total assets	Before income tax	0.50	0.28
	After income tax	0.45	0.26
Return on equity	Before income tax	4.52	2.84
	After income tax	4.07	2.70
Net income ratio		34.92	25.16

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets.

Note 2: Return on equity = Income before (after) income tax ÷ Average equity.

Note 3: Net income ratio = Income after income tax ÷ Total net revenue.

Note 4: Income before (after) income tax represents income for the nine months ended September 30, 2021 and 2020.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
September 30, 2021

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 248,379,026	\$ 48,287,464	\$ 13,761,407	\$ 25,635,257	\$ 20,311,925	\$ 37,012,754	\$ 103,370,219
Main capital outflow on maturity	283,751,068	16,854,810	22,113,180	64,975,384	51,618,259	57,609,237	70,580,198
Gap	(35,372,042)	31,432,654	(8,351,773)	(39,340,127)	(31,306,334)	(20,596,483)	32,790,021

September 30, 2020

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 270,960,726	\$ 71,282,663	\$ 20,295,118	\$ 25,931,820	\$ 14,735,319	\$ 41,079,323	\$ 97,636,483
Main capital outflow on maturity	303,975,156	18,406,267	24,126,470	66,390,942	61,873,788	57,676,684	75,501,005
Gap	(33,014,430)	52,876,396	(3,831,352)	(40,459,122)	(47,138,469)	(16,597,361)	22,135,478

Note: The above amounts included only New Taiwan dollar amounts held by the Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
September 30, 2021

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,912,978	\$ 1,709,929	\$ 586,513	\$ 498,513	\$ 344,444	\$ 773,579
Main capital outflow on maturity	3,973,321	1,583,275	945,776	636,241	283,406	524,623
Gap	(60,343)	126,654	(359,263)	(137,728)	61,038	248,956

September 30, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,435,721	\$ 1,191,027	\$ 767,625	\$ 243,325	\$ 202,201	\$ 1,031,543
Main capital outflow on maturity	3,502,726	1,344,687	1,013,254	491,146	207,063	446,576
Gap	(67,005)	(153,660)	(245,629)	(247,821)	(4,862)	584,967

Note 1: The above amounts included only U.S. dollar amounts held by the Bank.

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

Maturity Analysis of Overseas Branch's Assets and Liabilities (U.S. Dollars)
September 30, 2021

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,574,007	\$ 1,119,576	\$ 102,888	\$ 48,785	\$ 92,715	\$ 210,043
Main capital outflow on maturity	1,539,044	644,763	393,861	206,077	80,204	214,139
Gap	34,963	474,813	(290,973)	(157,292)	12,511	(4,096)

September 30, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,238,095	\$ 640,488	\$ 183,986	\$ 16,661	\$ 58,882	\$ 338,078
Main capital outflow on maturity	1,203,111	392,135	431,903	119,442	50,077	209,554
Gap	34,984	248,353	(247,917)	(102,781)	8,805	128,524

China Bills Finance Corporation

a. Asset quality

Item	Period	September 30, 2021	September 30, 2020
Balance of guarantees and endorsement credits overdue within 3 months		\$ -	\$ -
Nonperforming debts (include overdue receivables)		-	-
Credits under observation		-	-
Overdue receivables		-	-
Ratio of non-performing debts		0.00%	0.00%
Ratio of non-performing debts and credits under observation		0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees		1,178,588	1,177,200
Actual provision for credit losses and reserve for losses on guarantees		1,375,077	1,325,077

b. The principal operation

Item	Period	September 30, 2021	September 30, 2020
Balance of guarantees and endorsement securities		\$ 107,805,000	\$ 107,201,500
Multiple of guarantees and endorsement securities to net worth		4.51	4.76
Short-term bills and bonds sold under repurchase agreement		\$ 184,752,745	\$ 177,788,030
Multiple of short-term bills and bonds sold under repurchase agreement to net worth		7.73	7.89

c. The provision policy and allowance for doubtful accounts, refer to Note 13.

d. Concentrations of credit extensions

(In %)

Item	September 30, 2021		September 30, 2020	
	Credit of the common interested party	\$ -		\$ -
Ratio of credit extensions to common interest parties	-		-	
Ratio of credit extensions secured by pledged share	18.41		21.26	
Loan concentration by industry (ratio of top three industries to which credit line issued to credit extension balance)	Type of Industry	%	Type of Industry	%
	Finance and insurance industry	29.26	Finance and insurance industry	32.06
	Manufacturing industry	22.87	Manufacturing industry	22.38
	Real estate industry	25.63	Real estate industry	27.27

Note 1: Ratio of credit extensions to common interest related parties: Credit to common interest related party ÷ Total credit.

Note 2: Ratio of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.

Note 3: Total credit included guarantees, endorsement notes and overdue credit (including overdue receivables, accounts receivable, and notes receivable).

e. Interest rate sensitivity information of the balance sheet

September 30, 2021

(In Millions of New Taiwan Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 121,523	\$ 12,112	\$ 11,360	\$ 93,640	\$ 238,635
Interest rate-sensitive liabilities	211,663	2,286	123	-	214,072
Interest rate-sensitive gap	(90,140)	9,826	11,237	93,640	24,563
Net worth					25,412
Ratio of interest rate-sensitive assets to liabilities (%)					111.47
Ratio of interest rate sensitivity gap to net worth (%)					96.66

September 30, 2020

(In Millions of New Taiwan Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 103,305	\$ 11,968	\$ 7,121	\$ 98,778	\$ 221,172
Interest rate-sensitive liabilities	192,518	4,509	135	-	197,162
Interest rate-sensitive gap	(89,213)	7,459	6,986	98,778	24,010
Net worth					24,678
Ratio of interest rate-sensitive assets to liabilities (%)					112.18
Ratio of interest rate sensitivity gap to net worth (%)					97.29

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

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

f. The use of funding sources table

September 30, 2021

(In Millions of New Taiwan Dollars)

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	\$ 53,812	\$ 58,124	\$ 7,723	\$ 97	\$ -
	Bonds	450	2,639	4,389	11,263	93,640
	Due from banks	343	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	5,655	500	-	-	-
	Total	60,260	61,263	12,112	11,360	93,640
Cash provided by	Borrowing	27,376	1,999	-	-	-
	Securities sold under repurchase agreements	143,500	38,788	2,286	123	-
	Eligible capital	-	-	-	-	25,412
	Total	170,876	40,787	2,286	123	25,412
Net cash flows	(110,616)	20,476	9,826	11,237	68,228	
Accumulated cash flows	(110,616)	(90,140)	(80,314)	(69,077)	(849)	

September 30, 2020

(In Millions of New Taiwan Dollars)

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	\$ 47,806	\$ 45,280	\$ 7,225	\$ 100	\$ -
	Bonds	356	2,301	4,743	7,021	98,778
	Due from banks	240	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	6,251	1,071	-	-	-
	Total	54,653	48,652	11,968	7,121	98,778
Cash provided by	Borrowing	17,451	1,999	-	-	-
	Securities sold under repurchase agreements	141,616	31,452	4,509	135	-
	Eligible capital	-	-	-	-	24,678
	Total	159,067	33,451	4,509	135	24,678
Net cash flows		(104,414)	15,201	7,459	6,986	74,100
Accumulated cash flows		(104,414)	(89,213)	(81,754)	(74,768)	(668)

g. Matters requiring special notation

Causes	September 30, 2021	September 30, 2020
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on for violations of the Act Governing Bills Finance Business and the other laws	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT\$50 million dollars	None	None
Other	None	None

Note: The term "within the past year" means one year before the balance sheet date.

49. CASH FLOWS INFORMATION.

Changes in Liabilities from Financing Activities

For the nine months ended September 30, 2021

	January 1, 2021	Cash Inflow (Outflow)	None-cash Change		September 30, 2021
			Add Leasing	Other	
Bank debentures payable	\$ 16,400,000	\$ (1,900,000)	\$ -	\$ -	\$ 14,500,000
Lease liabilities	444,659	(138,495)	40,117	31,242	377,523
Other financial liabilities	18,102,763	2,993,891	-	(104,813)	20,991,841
Other liabilities	<u>2,249,555</u>	<u>297,869</u>	<u>-</u>	<u>119</u>	<u>2,547,543</u>
	<u>\$ 37,196,977</u>	<u>\$ 1,253,265</u>	<u>\$ 40,117</u>	<u>\$ (73,452)</u>	<u>\$ 38,416,907</u>

For the nine months ended September 30, 2020

	January 1, 2020	Cash Inflow (Outflow)	None-cash Change		September 30, 2020
			Add Leasing	Other	
Bank debentures payable	\$ 18,700,000	\$ (2,300,000)	\$ -	\$ -	\$ 16,400,000
Lease liabilities	498,832	(136,346)	49,976	20,547	433,009
Other financial liabilities	12,909,259	4,322,221	-	(1,244)	17,230,236
Other liabilities	<u>2,416,851</u>	<u>(74,833)</u>	<u>-</u>	<u>(89)</u>	<u>2,341,929</u>
	<u>\$ 34,524,942</u>	<u>\$ 1,811,042</u>	<u>\$ 49,976</u>	<u>\$ 19,214</u>	<u>\$ 36,405,174</u>

50. OTHERS

The Bank has evaluated the economic impact of the COVID-19. Until the issue date of the consolidated financial statements, the Bank found no significant impact on its financial condition and operations through its relevant risk management and control procedures.

51. ADDITIONAL DISCLOSURES

- a. Related information of significant transactions and investees and b. Names, locations, and other information of investees over which the Bank exercises significant influence
- 1) Financing provided: The Group - not applicable; investees - Table 1 (attached)
 - 2) Endorsement/guarantee provided: The Group - not applicable; investees - Table 2 (attached)
 - 3) Marketable securities held: The Group - not applicable; investees - Table 3 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT \$300 million or 10% of the paid-in capital: None
 - 5) Acquisition of individual real estate at costs of at least NT \$300 million or 10% of the paid-in capital: None
 - 6) Disposal of individual real estate at costs of at least NT \$300 million or 10% of the paid-in capital: None
 - 7) Allowance of service fees to related parties amounting to at least NT \$5 million: None
 - 8) Receivables from related parties amounting to at least NT \$300 million or 10% of the paid-in capital: None
 - 9) Sale of non-performing loans: None
 - 10) Information of applying for authorization of securitized product type according to the “Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization”: None
 - 11) Other significant transactions which may affect the decisions of users of individual financial reports: None

12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Group exercises significant influence.” Exempt from disclosure.

13) Derivative instrument transactions: Note 8

- c. Investment in mainland China: Table 5 (attached)
- d. Business relationships and significant transactions among the Group: Table 6 (attached)
- e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 7 (attached)

52. OPERATING SEGMENT FINANCIAL INFORMATION

The Group provides CODM to assess segment performance, focusing on the nature of business operations, assets and profit and loss. The accounting policies of each operating segment are described in Note 4. the same significant accounting policies. The Group shall be reported to the operating divisions are as follows:

- a. Bank: Business ruled by Banking Law Article 71.
- b. Overseas: Overseas banking business.
- c. Leasing: Leasing business.
- d. Bills: Bills-related business approved by the competent authority.
- e. Others: Other non-core businesses.

The following was an analysis of the Group’s revenue and results by reportable segment.

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the nine months ended September 30, 2021							
Net interest							
From unaffiliated segment	\$ 1,627,098	\$ 641,068	\$ 612,957	\$ 582,531	\$ (164)	\$ 245	\$ 3,463,735
From other segment	(382)	-	51	-	3	328	-
	<u>\$ 1,626,716</u>	<u>\$ 641,068</u>	<u>\$ 613,008</u>	<u>\$ 582,531</u>	<u>\$ (161)</u>	<u>\$ 573</u>	<u>\$ 3,463,735</u>
Net revenue other than interest							
From unaffiliated segment	\$ 2,505,893	\$ 61,574	\$ 416,932	\$ 1,639,227	\$ 31,849	\$ -	\$ 4,655,475
From other segment	32,873	-	(5,702)	(26,574)	(580)	(1,079,960)	(1,079,943)
	<u>\$ 2,538,766</u>	<u>\$ 61,574</u>	<u>\$ 411,230</u>	<u>\$ 1,612,653</u>	<u>\$ 31,269</u>	<u>\$ (1,079,960)</u>	<u>\$ 3,575,532</u>
Income from continuing operation	<u>\$ 1,454,678</u>	<u>\$ 272,623</u>	<u>\$ 367,263</u>	<u>\$ 1,444,139</u>	<u>\$ 19,474</u>	<u>\$ (1,042,103)</u>	<u>\$ 2,516,074</u>
Identifiable assets	<u>\$ 300,182,583</u>	<u>\$ 28,716,402</u>	<u>\$ 18,936,649</u>	<u>\$ 241,868,024</u>	<u>\$ 253,191</u>	<u>\$ 16,115</u>	<u>\$ 589,972,964</u>
Depreciation and amortization	<u>\$ 396,127</u>	<u>\$ 35,867</u>	<u>\$ 43,432</u>	<u>\$ 9,910</u>	<u>\$ 615</u>	<u>\$ (6,157)</u>	<u>\$ 479,794</u>
Capital expenditures	<u>\$ 49,260</u>	<u>\$ 449</u>	<u>\$ 32,548</u>	<u>\$ 4,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,389</u>

(Continued)

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the nine months ended September 30, 2020							
Net interest							
From unaffiliated segment	\$ 1,388,446	\$ 642,597	\$ 497,210	\$ 356,555	\$ (35)	\$ 323	\$ 2,885,096
From other segment	<u>(1,080)</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>5</u>	<u>1,052</u>	<u>(21)</u>
	<u>\$ 1,387,366</u>	<u>\$ 642,597</u>	<u>\$ 497,212</u>	<u>\$ 356,555</u>	<u>\$ (30)</u>	<u>\$ 1,375</u>	<u>\$ 2,885,075</u>
Net revenue other than interest							
From unaffiliated segment	\$ 2,142,384	\$ 70,772	\$ 191,193	\$ 1,528,568	\$ (2,874)	\$ -	\$ 3,930,043
From other segment	<u>29,409</u>	<u>-</u>	<u>(5,664)</u>	<u>(23,148)</u>	<u>(576)</u>	<u>(807,553)</u>	<u>(807,532)</u>
	<u>\$ 2,171,793</u>	<u>\$ 70,772</u>	<u>\$ 185,529</u>	<u>\$ 1,505,420</u>	<u>\$ (3,450)</u>	<u>\$ (807,553)</u>	<u>\$ 3,122,511</u>
Income from continuing operation	<u>\$ 895,622</u>	<u>\$ 195,325</u>	<u>\$ 280,437</u>	<u>\$ 1,193,993</u>	<u>\$ (14,350)</u>	<u>\$ (772,359)</u>	<u>\$ 1,778,668</u>
Identifiable assets	<u>\$ 325,398,180</u>	<u>\$ 28,807,118</u>	<u>\$ 13,363,182</u>	<u>\$ 224,527,242</u>	<u>\$ 231,909</u>	<u>\$ 149,658</u>	<u>\$ 592,477,289</u>
Depreciation and amortization	<u>\$ 393,086</u>	<u>\$ 39,833</u>	<u>\$ 31,476</u>	<u>\$ 9,723</u>	<u>\$ 715</u>	<u>\$ (6,122)</u>	<u>\$ 468,711</u>
Capital expenditures	<u>\$ 46,494</u>	<u>\$ 284</u>	<u>\$ 7,039</u>	<u>\$ 5,443</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 59,264</u>

(Concluded)

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Note 4)	Note
													Item	Value			
1	IBT Leasing	Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	\$ 50,000	\$ 44,052	\$ 44,052	2-8	2	\$ -	Working capital turnover	\$ 613	Margin	\$ 10,000	\$ 309,277	\$ 1,237,110	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	29,679	5,541	5,541	2-8	2	-	Working capital turnover	-	Margin	6,000	309,277	1,237,110	
		Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	135,000	118,800	118,800	2-8	2	-	Working capital turnover	1,544	Stock	64,680	309,277	1,237,110	
		Taroko Recreation Management Co., Ltd.	Account receivable - short-term accommodations	No	38,907	-	-	2-8	2	-	Working capital turnover	-	Stock	-	309,277	1,237,110	
		Priority International Finance	Account receivable - short-term accommodations	No	24,000	1,118	1,118	2-8	2	-	Working capital turnover	20	Certificate of deposit	1,200	309,277	1,237,110	
		Qiaoding Investment Co., Ltd.	Account receivable - short-term accommodations	No	96,000	87,000	87,000	2-8	2	-	Working capital turnover	1,566	Stock/real estate	51,830	309,277	1,237,110	
		Taiwan Star Telecom Corporation Limited	Account receivable - short-term accommodations	No	150,000	75,721	75,721	2-8	1	150,000	-	984	Equipment	33,152	309,277	3,092,774	
		Teamphon Energy Co., Ltd	Account receivable - short-term accommodations	No	120,000	91,597	91,597	2-8	2	-	Working capital turnover	1,191	-	-	309,277	1,237,110	
		Home Credit Vietnam Finance Company Limited	Account receivable - short-term accommodations	No	41,799	41,799	-	2-8	2	-	Working capital turnover	-	-	-	309,277	1,237,110	
VPBank Finance Company Limited	Account receivable - short-term accommodations	No	111,463	111,463	-	2-8	2	-	Working capital turnover	-	-	-	309,277	1,237,110			
2	IBT International Leasing Corp.	Suzhou Leading Car Service Co., Ltd.	Entrusted loans	No	14,951	-	-	6-16	2	-	Working capital turnover	-	-	-	297,458	1,189,831	
		Nanjing Forland Automobile Leasing Co., Ltd.	Entrusted loans	No	14,951	-	-	6-16	2	-	Working capital turnover	-	-	-	297,458	1,189,831	

Note 1: Explanation:

- a. Issuing entity: 0.
- b. Invested companies were sequentially numbered from No. 1.

Note 2: Loan type: Business "1"; short-term financial intermediation "2".

Note 3: IBT Leasing and IBT International Leasing Corp. loaned to individual company were limited by 10% net assets.

Note 4: Each issuing entity's total amount of loans was limited to 40% of IBT Leasing Corp.'s and IBT International Leasing Corp.'s net assets. The loan mentioned formerly which belongs to business transactions is limited to 100% of the Corporation net assets.

O-BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
1	IBT Leasing	IBT International Leasing Corp. IBT VII Venture Capital Co., Ltd.	b b	\$ 24,742,189 24,742,189	\$ 10,220,376 80,000	\$ 10,186,052 80,000	\$ 6,150,131 -	\$ - -	329.35 2.59	\$ 37,113,283 37,113,283	No No	No No	Yes No

Note 1: Explanation:

- Issuing entity: 0.
- Invested companies were sequentially numbered from 1.

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:

- Trading partner.
- Directly and indirectly owns over 50% of the common stocks of the subsidiary.
- Companies that directly and indirectly hold more than 50% of the voting rights of the company.
- The company directly or indirectly holds more than 90% of the voting shares.
- Guaranteed by the Bank according to the construction contract.
- An investee company, for which the guarantees were provided based on the Bank's proportionate share in the investee company.
- The inter-industry is engaged in joint and several guarantees for the performance of the pre-sale house sales contract in accordance with the Consumer Protection Law.

Note 3: Based on the IBT International Leasing Corp's guidelines, the maximum amount of guarantee to its subsidiary. is up to eight times of the IBT International Leasing Corp's net value under direct and indirect holding voting right of stockholders; the maximum amount of guarantee to the IBT International Leasing Corp is up to twelve times of the Bank's net value.

Note 4: The endorsement belongs to the grandson company from IBT International Leasing Corp.

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2021				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
IBT Holdings	<u>Stocks</u> EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US\$ 191,923	91.78	US\$ 191,923	
IBT Management Corp.	<u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at FVTOCI	3,059	27,592	1.02	27,592	
	<u>Stocks</u> Thunder Tiger Biotechnology Co., Ltd.	-	Financial asset at FVTPL	1,773	42,911	7.38	42,911	Note 2
	TaiRx Co., Ltd.	-	Financial asset at FVTPL	511	15,770	0.57	15,770	Note 2
	Beauty Essentials International Ltd. (Samoa)	-	Financial asset at FVTPL	25,974	27,855	2.41	27,855	Note 2
	Houdou Pinshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	14,036	2.17	14,036	Note 2
	Shihlien China Holdings Corp.	-	Financial asset at FVTPL	19,682	92,841	0.46	92,841	Notes 1 and 2
	Shin Kong Financial Holding Co., Ltd. Preferred Shares B	-	Financial asset at FVTOCI	400	16,540	0.18	16,540	
IBT Leasing Co., Ltd.	<u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at FVTOCI	12,260	110,585	4.09	110,585	
	<u>Stocks</u> IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	2,825,849	95	2,825,849	
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	619,668	100	619,668	
	Shihlien China Holdings Corp.	-	Financial asset at FVTOCI	32,500	153,304	0.75	153,304	Note 1
	Shin Kong Financial Holding Co., Ltd. Preferred Shares B	-	Financial asset at FVTOCI	1,700	70,295	0.77	70,295	
IBT VII Venture Capital Co., Ltd.	<u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at FVTOCI	14,000	126,280	4.67	126,280	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2021				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	<u>Stocks</u>							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	\$ 148,729	5.00	\$ 148,729	Note 3
	TAIRX Corp.	-	Financial asset at FVTPL	3,800	117,312	6.22	117,312	Note 2
	Meridigen Corp.	-	Financial asset at FVTPL	500	10,447	0.55	10,447	
	Femcosteel Tech Co., Ltd.	-	Financial asset at FVTPL	1,298	35,111	3.10	35,111	
	Shihlien China Holdings Corp.	-	Financial asset at FVTPL	9,135	43,092	0.21	43,092	Notes 1 and 2
	New Applied Materials Co., Ltd.	-	Financial asset at FVTPL	600	42,543	0.80	42,543	Note 2
	BioResource International, Inc.	-	Financial asset at FVTPL	1,105	106,355	5.84	106,355	Note 2
	Chipwell tech corporation	-	Financial asset at FVTPL	391	13,981	2.61	13,981	Note 2
	Biocontrol Gene Vaccine Co., Ltd.	-	Financial asset at FVTPL	1,008	455	0.98	455	Note 2
	Reber Genetics Co., Ltd.	-	Financial asset at FVTPL	461	6,872	1.49	6,872	Note 2
	Kaohsiung Rapid Transit Corporation All Rights Reserved.	-	Financial asset at FVTPL	3,845	47,435	1.38	47,435	
	Evergreen Steel Corp.	-	Financial asset at FVTPL	247	12,399	0.06	12,399	
	Wendell Industrial Co., Ltd.	-	Financial asset at FVTPL	4	656	0.02	656	
	Shinfox Energy Co., Ltd.	-	Financial asset at FVTPL	1	144	-	144	
	Brightek Optoelectronic Co., Ltd.	-	Financial asset at FVTPL	10	510	0.02	510	
	Yi Shin Textile Industrial Co., Ltd	-	Financial asset at FVTPL	1	53	-	53	
	Unictron Technologies, Co.	-	Financial asset at FVTPL	1	152	-	152	
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	125	5,169	0.06	5,169	
	Mesh Cooperative Ventures LP.	-	Financial asset at FVTOCI	-	6,000	-	6,000	

Note 1: The holding company is registered in Hong Kong. The registered capital stock and number of stocks are in Hong Kong dollars and Hong Kong stocks.

Note 2: The securities are transferred within the group and are listed in the financial asset at FVTOCI when they are combined.

Note 3: On April 22, 2021, the board of directors of IBT Leasing Co., Ltd. approved the proposed transfer of 5% of the shares of IBT International Leasing Corp. from IBT VII Venture Capital Co., Ltd., and the acceptance was processed after the completion of the necessary procedures of relevant cross-strait authorities.

(Concluded)

O-BANK AND SUBSIDIARIES

NONPERFORMING LOANS AND ACCOUNTS RECEIVABLE
SEPTEMBER 30, 2021 AND 2020
(In Thousands of New Taiwan Dollars or in %)

Period		September 30, 2021					September 30, 2020					
Items		Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	
Corporate banking	Secured	\$ 404,581	\$ 69,877,032	0.58%	\$ 942,431	233.94%	\$ 632,452	\$ 77,279,915	0.82%	\$ 990,057	156.54%	
	Unsecured	409,427	59,348,117	0.69%	906,218	221.34%	342,991	68,827,864	0.50%	1,048,430	305.67%	
Consumer banking	Housing mortgage (Note 4)	-	13,867,505	-	208,372	-	-	15,710,594	-	235,898	-	
	Cash card	-	-	-	-	-	-	-	-	-	-	
	Small-scale credit loans (Note 5)	-	1,853,418	-	26,544	-	2,425	1,586,432	0.15%	16,894	696.66%	
	Other (Note 6)	Secured	-	5,411,688	-	54,425	-	-	6,046,516	-	60,525	-
		Unsecured	9,883	6,306,092	0.16%	121,667	1,231.07%	5,773	4,477,786	0.13%	80,513	1,394.65%
Total		823,891	156,663,852	0.53%	2,259,657	274.27%	983,641	173,929,107	0.57%	2,432,317	247.28%	
		Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	
Credit cards		-	-	-	-	-	-	-	-	-	-	
Factored accounts receivable without recourse (Note 7)		-	1,685,213	-	18,657	-	-	1,004,450	-	10,651	-	

	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Account Receivable	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Account Receivable
Exempt amount - due to debt negotiation and performance (Note 8)	\$ -	\$ -	\$ -	\$ -
Debt settlement plan and rehabilitative program (Note 9)	93,918	-	67,394	-
Total	93,918	-	67,394	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans." Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of Nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of Nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Small-amount pure credit loans that must be governed by the Bank of China Ref. No. 09440010950 dated December 19, 2005 and are not credit cards or cash cards.

Note 6: "Others" in consumer finance refers to other secured or unsecured consumer loans that are not "residential property mortgage", "cash cards", "small amount pure credit loans", excluding credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), factored accounts receivable without recourse are reported as Nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8: According to the letter of the Bank of China Ref. No. 09510001270 dated April 25, 2006, the letters of credit and the information disclosure requirements as required by the "Unsecured Debt Negotiation Mechanism for Consumer Financial Cases of the Republic of China Banking Association" should include supplemental disclosures of related matters.

Note 9: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 dated September 20, 2016 regarding the "Consumer Debt Clearance Regulations" for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(New Taiwan Dollars and U.S. Dollars in Thousands, Unless Stated Otherwise)

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of September 30, 2021 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of September 30, 2021 (Note 1)	Accumulated Inward Remittance of Earnings as of September 30, 2021
					Outflow	Inflow					
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	\$ 429,106 (US\$ 15,399)	Note 2 c.	\$ 55,732 (US\$ 2,000)	\$ -	\$ -	\$ 55,732 (US\$ 2,000)	2.60	\$ -	\$ 55,732 (US\$ 2,000)	\$ -
Ou Suomiluo Food Co., Ltd.	Coffee retailing	43,155 (RMB 10,000)	Note 2 c.	13,933 (US\$ 500)	-	-	13,933 (US\$ 500)	2.09	-	13,933 (US\$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	234,331 (RMB 54,300)	Note 2 c.	55,732 (US\$ 2,000)	-	-	55,732 (US\$ 2,000)	2.18	-	55,732 (US\$ 2,000)	-
Beijing Sunshine Consumer Finance Co., Ltd.	Financing business	4,315,480 (RMB 1,000,000)	Note 2 d.	863,096 (RMB 200,000)	-	-	863,096 (RMB 200,000)	20.00	19,545	800,064 (RMB 200,000)	-

Accumulated Investment in Mainland China as of September 30, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$125,397 (US\$ 4,500) 863,096 (RMB 200,000)	\$125,397 (US\$ 4,500) 863,096 (RMB 200,000)	Note 4

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of September 30, 2021 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of September 30, 2021 (Note 1)	Accumulated Inward Remittance of Earnings as of September 30, 2021
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,811,278 (US\$ 65,000)	Note 2 d.	\$ 1,471,315 (US\$ 52,800)	\$ -	\$ -	\$ 1,471,315 (US\$ 52,800)	100.00 (Note 6)	\$ 290,870 (Notes 3 and 7)	\$ 2,825,849 (Note 7)	\$ -
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,292,656 (US\$ 800,000)	Note 2 c.	124,198 (US\$ 4,457)	-	-	124,198 (US\$ 4,457)	0.75	-	124,198 (US\$ 4,457)	-
Huaian Shiyuan Cailu Co. Ltd	Production of glass materials	891,706 (US\$ 32,000)	Note 2 c.	10,561 (US\$ 379)	-	-	10,561 (US\$ 379)	0.75	-	10,561 (US\$ 379)	-

Accumulated Investment in Mainland China as of September 30, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$1,606,074 (US\$57,636)	\$1,606,074 (US\$57,636)	Note 5

(Continued)

IBT Management Corp.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of September 30, 2021 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of September 30, 2021 (Note 1)	Accumulated Inward Remittance of Earnings as of September 30, 2021
					Outflow	Inflow					
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	\$ 120,659 (US\$ 4,330)	Note 2 c.	\$ 2,006 (US\$ 72)	\$ -	\$ -	\$ 2,006 (US\$ 72)	2.17	\$ -	\$ 2,006 (US\$ 72)	\$ -
Topping Cuisine International Holding, Ltd.	Food retailing	144,902 (US\$ 5,200)	Note 2 c.	11,815 (US\$ 424)	-	-	11,815 (US\$ 424)	2.17	-	11,815 (US\$ 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	5,573 (US\$ 200)	Note 2 c.	195 (US\$ 7)	-	-	195 (US\$ 7)	2.17	-	195 (US\$ 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	83,597 (US\$ 3,000)	Note 2 c.	19,172 (US\$ 688)	-	-	19,172 (US\$ 688)	2.41	-	19,172 (US\$ 688)	-
Meike information technology	Cosmetic retailing information technology	47,372 (US\$ 1,700)	Note 2 c.	808 (US\$ 29)	-	-	808 (US\$ 29)	0.93	-	808 (US\$ 29)	-
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,292,656 (US\$ 800,000)	Note 2 c.	75,210 (US\$ 2,699)	-	-	75,210 (US\$ 2,699)	0.46	-	75,210 (US\$ 2,699)	-
Huaian Shiyuan Cailu Co. Ltd	Production of glass materials	891,706 (US\$ 32,000)	Note 2 c.	6,381 (US\$ 229)	-	-	6,381 (US\$ 229)	0.46	-	6,381 (US\$ 229)	-

Accumulated Investment in Mainland China as of September 30, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$115,587 (US\$4,148)	\$115,587 (US\$4,148)	\$149,333 (Note 8)

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of September 30, 2021 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of September 30, 2021 (Note 1)	Accumulated Inward Remittance of Earnings as of September 30, 2021
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,811,278 (US\$ 65,000)	Note 2 d.	\$ 339,963 (US\$ 12,200)	\$ -	\$ -	\$ 339,963 (US\$ 12,200)	5.00	\$ 15,309 (Notes 3 and 7)	\$ 148,729 (Note 7)	\$ -

Accumulated Investment in Mainland China as of September 30, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$339,963 (US\$12,200)	\$339,963 (US\$12,200)	\$371,801 (Note 8)

(Continued)

Note 1: The amount is after the exchange rate adjustment for the year ended September 30, 2021.

Note 2: There were five investment approaches stated as follows.

- a. Investment in mainland China by remittance via a third country.
- b. Indirect investment in mainland China via setting a company in a third country.
- c. Indirect investment in mainland China via investing in a current company in a third country. (Via investing Dio Investment, Ltd., Shengzhuang Holding, Ltd., Shihlien China Holding Co., Limited, Topping Cuisine International Holding, Ltd., and Beauty Essential International, Ltd.)
- d. Direct investment in mainland China.
- e. Others.

Note 3: From financial statements audited by other CPA.

Note 4: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2020, so the Bank is not under “the regulation of investing or technology-cooperation in China”.

Note 5: IBT Leasing Co., Ltd. obtained the documents issued by the Industrial Bureau of the Ministry of Economic Affairs in line with the operational headquarters in September 2021, so it is not under “the regulation of investing or technology-cooperation in China”.

Note 6: IBT Tianjin International Leasing Corp. was merged by IBT Leasing Co., Ltd. on January 1, 2019. IBT Leasing Co., Ltd. holds 95% stock of IBT International Leasing Corp. directly and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 7: The accumulated investment amount of IBT Tianjin International Leasing Corp., which recognized the investment profit and loss and the book value of the investment at the end of the period, is expressed as 95% directly held by IBT Leasing Co., Ltd. and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 8: The original investment is within the limit.

Note 9: IBT Management Corp. has obtained the verification letter of part of investment from the Investment Review Committee of the Ministry of Economic Affairs, and the remittance amount is mainly based on the verification letter.

(Concluded)

TABLE 6

O-BANK AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing, IBTVC7 and IBTS	a	Deposits	\$ 273,432	Note 3	0.05
0	The Bank	Chun Teng New Century, IBTM, IBTS Asia (HK) Limited, IBT Leasing and IBTS Financial (HK) Limited and IBTS	a	Interest expense	382	Note 3	0.01
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTS	a	Payables	80	Note 3	-
0	The Bank	CBF, IBTM and IBT Leasing	a	Other net revenue other than interest	32,873	Note 3	0.47
1	Chun Teng New Century	The Bank	b	Cash and cash equivalents	51,048	Note 3	0.01
1	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	58	Note 3	-
1	Chun Teng New Century	The Bank	b	Accounts receivable	18	Note 3	-
1	Chun Teng New Century	IBT Leasing	c	Discontinued operations - Other operating and administrative expenses	514	Note 3	0.01
2	IBTM	The Bank	b	Cash and cash equivalents	9,079	Note 3	-
2	IBTM	The Bank	b	Other operating and administrative expenses	582	Note 3	0.01
2	IBTM	The Bank	b	Lease interest expense	11	Note 3	-
2	IBTM	The Bank	b	Interest revenue	2	Note 3	-
2	IBTM	IBTVC7	c	Consultancy service income	4,542	Note 3	0.06
3	CBF	The Bank	b	Other operating and administrative expenses	26,574	Note 3	0.38
4	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	48,799	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	64	Note 3	-

(Continued)

No. (Note 1)	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
4	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	\$ 15	Note 3	-
5	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	53,573	Note 3	0.01
5	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	43	Note 3	-
5	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	5	Note 3	-
6	IBTL	The Bank	b	Cash and cash equivalents	1,600	Note 3	-
6	IBTL	The Bank	b	Interest revenue	51	Note 3	-
6	IBTL	The Bank	b	Lease interest expense	234	Note 3	-
6	IBTL	The Bank	b	Other operating and administrative expenses	5,585	Note 3	0.08
6	IBTL	The Bank	b	Other net revenue other than interest	5	Note 3	-
6	IBTL	The Bank	b	Accounts receivable	7	Note 3	-
6	IBTL	Chun Teng New Century	c	Other net revenue other than interest	514	Note 3	0.01
7	IBTVC7	The Bank	b	Cash and cash equivalents	804	Note 3	-
7	IBTVC7	IBTM	c	Other operating and administrative expenses	4,542	Note 3	0.06
8	IBTS	The Bank	b	Cash and cash equivalents	108,529	Note 3	0.02
8	IBTS	The Bank	b	Accounts receivable	35	Note 3	-
8	IBTS	The Bank	b	Discontinued operations - interest revenue	164	Note 3	-

Note 1: Information about the business transactions between the Bank and its subsidiaries were classified as follows:

- a. 0 for the Bank.
- b. Subsidiaries are numbered sequentially starting from the number 1.

Note 2: The types of transactions with related parties were classified as follows:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Note 3: The terms for the transactions between the Bank and related parties are similar to those with unrelated parties.

(Concluded)

TABLE 7**O-BANK AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2021**

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Ming Shan Investment Co., Ltd.	386,271,5544	12.74
Yi Chang Investment Co., Ltd.	289,007,9977	9.53
Taixuan Investment Co., Ltd.	287,135,5011	9.47

Note 1: The major shareholder's information on this table is on the last business day at the end of the quarter from the Taiwan Central Depository and Clearing Co., Ltd. The shareholding included shares that the company has completed the delivery of the common stock and preferred stock without physical registration (including treasury shares) of more than 5%. The share capital recorded in the Bank's consolidated financial report and the actual number of shares has been actually delivered without physical registration. Differences, if any, may be due to the basis of preparation and calculation.

Note 2: If shareholders transfer the shareholding to a trust, the trustee will open the trust account to separate the account. Shareholders' handling of insider shareholdings with more than 10% of their shares shall be in accordance with the Securities Exchange Act. However, their shareholdings include their own shares plus their delivery to the trust and the use of decision-making shares in the trust property. Information on insider equity declaration refers to the Public Information Observatory.

Note 3: The number of shares are the total number of common stocks and preferred stocks.

Note 4: Shareholding ratio (%) = The total number of shares held by the shareholder ÷ The total number of shares that have been delivered without physical registration. It is calculated to the second decimal place and rounded off after the third decimal place.