

China Bills Finance Corporation

**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
China Bills Finance Corporation

Introduction

We have reviewed the accompanying financial statements of China Bills Finance Corporation (the "Company") which comprise the balance sheets as of September 30, 2021 and 2020, the 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, as well as the statements of changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, and the related notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by 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 financial statements based on our reviews.

Scope of Review

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 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.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as of September 30, 2021 and 2020, its financial performance for the three months ended September 30, 2021 and 2020 and its financial performance and its cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the 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

October 26, 2021

Notice to Readers

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

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

CHINA BILLS FINANCE CORPORATION

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 (Notes 4 and 6)	\$ 343,142	-	\$ 264,720	-	\$ 240,646	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 7 and 33)	130,428,150	54	106,155,540	49	111,285,730	50
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 8, 9 and 33)	103,232,334	43	105,237,279	48	103,633,938	46
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 10 and 34)	6,155,319	3	4,732,882	2	7,322,042	3
RECEIVABLES, NET (Notes 4 and 11)	721,021	-	782,861	1	925,082	1
CURRENT TAX ASSETS (Note 4)	141,516	-	268,510	-	268,510	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 12 and 33)	41,202	-	566,011	-	566,664	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 13)	151,095	-	153,086	-	154,205	-
RIGHT-OF-USE ASSETS, NET (Notes 4 and 14)	3,779	-	2,659	-	3,666	-
DEFERRED TAX ASSETS (Note 4)	74,285	-	73,816	-	67,734	-
OTHER ASSETS, NET (Notes 15 and 33)	<u>576,181</u>	<u>-</u>	<u>46,637</u>	<u>-</u>	<u>59,025</u>	<u>-</u>
TOTAL	<u>\$ 241,868,024</u>	<u>100</u>	<u>\$ 218,284,001</u>	<u>100</u>	<u>\$ 224,527,242</u>	<u>100</u>
LIABILITIES AND EQUITY						
CALL LOANS FROM BANKS AND OVERDRAFTS ON BANKS (Note 16)	\$ 24,875,856	10	\$ 6,140,000	3	\$ 14,951,101	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 7)	31,431	-	39,252	-	12,593	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 17, 32 and 34)	184,696,662	76	179,726,810	82	177,712,119	79
ACCOUNTS PAYABLE (Note 18)	399,594	-	425,800	-	616,567	-
CURRENT TAX LIABILITIES (Note 4)	62,533	-	139,115	-	62,729	-
COMMERCIAL PAPERS ISSUED, NET (Note 19)	4,499,170	2	4,499,227	2	4,498,756	2
PROVISIONS (Notes 4, 5, 20 and 21)	1,428,932	1	1,440,191	1	1,390,141	1
LEASE LIABILITIES (Notes 4 and 14)	3,803	-	2,695	-	3,555	-
DEFERRED TAX LIABILITIES (Note 4)	77,975	-	175,281	-	131,195	-
OTHER LIABILITIES	<u>380,237</u>	<u>-</u>	<u>246,188</u>	<u>-</u>	<u>470,844</u>	<u>-</u>
Total liabilities	<u>216,456,193</u>	<u>89</u>	<u>192,834,559</u>	<u>88</u>	<u>199,849,600</u>	<u>89</u>
EQUITY (Notes 4 and 22)						
Ordinary shares	<u>13,429,600</u>	<u>6</u>	<u>13,429,600</u>	<u>6</u>	<u>13,429,600</u>	<u>6</u>
Capital surplus	<u>10,231</u>	<u>-</u>	<u>8,804</u>	<u>-</u>	<u>8,804</u>	<u>-</u>
Retained earnings						
Legal reserve	8,551,784	4	8,054,883	4	8,054,883	4
Special reserve	769,120	-	769,120	-	769,120	-
Unappropriated earnings	<u>1,589,566</u>	<u>1</u>	<u>1,665,706</u>	<u>1</u>	<u>1,277,585</u>	<u>-</u>
Total retained earnings	<u>10,910,470</u>	<u>5</u>	<u>10,489,709</u>	<u>5</u>	<u>10,101,588</u>	<u>4</u>
Other equity	<u>1,061,530</u>	<u>-</u>	<u>1,521,329</u>	<u>1</u>	<u>1,137,650</u>	<u>1</u>
Total equity	<u>25,411,831</u>	<u>11</u>	<u>25,449,442</u>	<u>12</u>	<u>24,677,642</u>	<u>11</u>
TOTAL	<u>\$ 241,868,024</u>	<u>100</u>	<u>\$ 218,284,001</u>	<u>100</u>	<u>\$ 224,527,242</u>	<u>100</u>

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

CHINA BILLS FINANCE CORPORATION

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	%
NET INTEREST								
Interest revenue (Notes 4 and 23)	\$ 424,199	61	\$ 459,520	67	\$ 1,276,527	58	\$ 1,446,511	78
Deduct: Interest expense (Notes 4, 23 and 32)	(109,261)	(16)	(158,398)	(23)	(328,492)	(15)	(645,978)	(35)
Net interest	314,938	45	301,122	44	948,035	43	800,533	43
NET REVENUES OTHER THAN INTEREST								
Service fee income, net (Notes 4 and 24)	314,694	45	308,674	45	1,011,535	46	899,032	48
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 7 and 25)	22,063	3	16,205	2	120,182	6	94,941	5
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 26)	51,876	8	67,903	10	119,542	5	97,036	5
Foreign exchange losses, net (Notes 4 and 27)	(4,345)	(1)	(6,803)	(1)	(9,070)	-	(24,997)	(1)
(Impairment losses) reversal of impairment losses on financial assets (Notes 4 and 9)	(270)	-	759	-	4,719	-	(3,956)	-
Other non-interest gains (losses), net	172	-	(517)	-	242	-	(613)	-
TOTAL NET REVENUES	699,128	100	687,343	100	2,195,185	100	1,861,976	100
REVERSAL (Notes 4 and 20)	1,141	-	3,237	1	8,042	1	3,686	-
OPERATING EXPENSES (Notes 4, 28, 29 and 32)								
Employee benefit expenses	(96,343)	(14)	(88,839)	(13)	(287,308)	(13)	(260,154)	(14)
Depreciation and amortization	(3,320)	-	(3,191)	(1)	(9,910)	(1)	(9,723)	-
Others	(29,860)	(4)	(30,560)	(4)	(92,208)	(4)	(90,426)	(5)
Total operating expenses	(129,523)	(18)	(122,590)	(18)	(389,426)	(18)	(360,303)	(19)
PROFIT BEFORE INCOME TAX	570,746	82	567,990	83	1,813,801	83	1,505,359	81
INCOME TAX EXPENSE (Notes 4 and 30)	(115,705)	(17)	(111,856)	(16)	(369,662)	(17)	(311,366)	(17)
NET INCOME FOR THE PERIOD	455,041	65	456,134	67	1,444,139	66	1,193,993	64

(Continued)

CHINA BILLS FINANCE CORPORATION

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	%
OTHER COMPREHENSIVE INCOME								
Components of other comprehensive income that will not be reclassified to profit or loss:								
(Losses) gains on remeasurement of defined benefit plans (Note 4)	\$ -	-	\$ -	-	\$ (149)	-	\$ 111	-
Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income (Notes 4 and 22)	(45,981)	(7)	(1,717)	-	174,713	8	(5,203)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 30)	-	-	-	-	30	-	(22)	-
Components of other comprehensive income that will not be reclassified to profit or loss for the period, net of income tax	(45,981)	(7)	(1,717)	-	174,594	8	(5,114)	-
Components of other comprehensive income that will be reclassified to profit or loss:								
(Losses) gains from investments in debt instruments at fair value through other comprehensive income (Notes 4 and 22)	(183,873)	(26)	188,511	27	(576,914)	(27)	672,272	36
Income tax related to components of other comprehensive income reclassified to profit or loss (Notes 4 and 30)	21,705	3	(34,531)	(5)	87,518	4	(73,536)	(4)
Components of other comprehensive income that will be reclassified to profit or loss for the period, net of income tax	(162,168)	(23)	153,980	22	(489,396)	(23)	598,736	32
Other comprehensive (loss) income for the period, net of income tax	(208,149)	(30)	152,263	22	(314,802)	(15)	593,622	32
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 246,892	35	\$ 608,397	89	\$ 1,129,337	51	\$ 1,787,615	96
EARNINGS PER SHARE (Note 31)								
Basic	\$ 0.34		\$ 0.34		\$ 1.08		\$ 0.89	
Diluted	\$ 0.34		\$ 0.34		\$ 1.07		\$ 0.89	

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

(Concluded)

CHINA BILLS FINANCE CORPORATION

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

	Ordinary Share Capital (Notes 4 and 22)	Capital Surplus (Notes 4 and 22)	Retained Earnings (Notes 4 and 22)			Other Equity (Notes 4 and 22) Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2020	\$ 13,429,600	\$ 7,308	\$ 7,681,488	\$ 769,120	\$ 1,349,696	\$ 618,250	\$ 23,855,462
Legal reserve	-	-	373,395	-	(373,395)	-	-
Cash dividends distributed	-	-	-	-	(966,931)	-	(966,931)
Unclaimed dividends	-	1,496	-	-	-	-	1,496
Net income for the nine months ended September 30, 2020	-	-	-	-	1,193,993	-	1,193,993
Other comprehensive income for the nine months ended September 30, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89</u>	<u>593,533</u>	<u>593,622</u>
Total comprehensive income for the nine months ended September 30, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,194,082</u>	<u>593,533</u>	<u>1,787,615</u>
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,133</u>	<u>(74,133)</u>	<u>-</u>
BALANCE AT SEPTEMBER 30, 2020	<u>\$ 13,429,600</u>	<u>\$ 8,804</u>	<u>\$ 8,054,883</u>	<u>\$ 769,120</u>	<u>\$ 1,277,585</u>	<u>\$ 1,137,650</u>	<u>\$ 24,677,642</u>
BALANCE AT JANUARY 1, 2021	\$ 13,429,600	\$ 8,804	\$ 8,054,883	\$ 769,120	\$ 1,665,706	\$ 1,521,329	\$ 25,449,442
Legal reserve	-	-	496,901	-	(496,901)	-	-
Cash dividends distributed	-	-	-	-	(1,168,375)	-	(1,168,375)
Unclaimed dividends	-	1,427	-	-	-	-	1,427
Net income for the nine months ended September 30, 2021	-	-	-	-	1,444,139	-	1,444,139
Other comprehensive loss for the nine months ended September 30, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(119)</u>	<u>(314,683)</u>	<u>(314,802)</u>
Total comprehensive income (loss) for the nine months ended September 30, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,444,020</u>	<u>(314,683)</u>	<u>1,129,337</u>
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,116</u>	<u>(145,116)</u>	<u>-</u>
BALANCE AT SEPTEMBER 30, 2021	<u>\$ 13,429,600</u>	<u>\$ 10,231</u>	<u>\$ 8,551,784</u>	<u>\$ 769,120</u>	<u>\$ 1,589,566</u>	<u>\$ 1,061,530</u>	<u>\$ 25,411,831</u>

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

CHINA BILLS FINANCE CORPORATION

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		
Income before income tax	\$ 1,813,801	\$ 1,505,359
Adjustments for:		
Recognized (reversal of) expected credit impairment loss	(4,719)	3,956
Net loss (gain) on valuation of financial assets and liabilities at fair value through profit or loss	41,985	(28,093)
Depreciation expenses	7,679	7,289
Amortization expenses	2,231	2,434
Interest expense	328,492	645,978
Interest revenue	(1,276,527)	(1,446,511)
Dividend revenues	(46,202)	(36,247)
(Gain) loss on disposal of property and equipment	(159)	423
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(24,322,416)	(19,165,361)
Financial assets at fair value through other comprehensive income	1,607,463	72,865
Securities purchased under resell agreements	(1,422,437)	(7,222,029)
Receivables and non-accrual loans	15,796	(169,995)
Other financial assets	(191)	(16,988)
Other assets	191	(15,003)
Securities sold under repurchase agreements	4,969,852	21,022,282
Payables	(18,678)	(15,398)
Provisions	(11,408)	(7,814)
Other liabilities	134,049	94,988
Interest received	1,331,520	1,547,256
Dividend received	37,253	33,978
Interest paid	(334,595)	(672,156)
Income tax paid	(329,477)	(121,931)
Net cash used in operating activities	<u>(17,476,497)</u>	<u>(3,980,718)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(4,131)	(6,458)
Proceeds from disposal of property and equipment	330	3
Increase in refundable deposits	(5,228)	-
Decrease in refundable deposits	-	3,999
Increase in other assets	<u>(838)</u>	<u>(1,719)</u>
Net cash used in investing activities	<u>(9,867)</u>	<u>(4,175)</u>

(Continued)

CHINA BILLS FINANCE CORPORATION

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 FINANCING ACTIVITIES		
Increase in call loans from banks and overdrafts on banks	\$ 18,735,856	\$ 450,232
Increase in commercial papers issued	-	4,500,000
Repayment of the principal portion of lease liabilities	(2,695)	(2,493)
Cash dividend paid	<u>(1,168,375)</u>	<u>(966,931)</u>
Net cash generated from financing activities	<u>17,564,786</u>	<u>3,980,808</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	78,422	(4,085)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>264,720</u>	<u>244,731</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 343,142</u>	<u>\$ 240,646</u>

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

(Concluded)

CHINA BILLS FINANCE CORPORATION

NOTES TO 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

China Bills Finance Corporation (the “Company”) was incorporated in October 1978 in accordance with the Corporation Law and other related laws. The Company’s shares have been listed on the Taiwan Stock Exchange (“TWSE”). As of September 30, 2021, the Company’s headquarters was located in Taipei, with five branches in Banqiao, Taoyuan, Taichung, Tainan and Kaohsiung.

The Company’s main business scope includes: (a) certifying and underwriting of short-term bills and bank debentures; (b) brokering or undertaking proprietary trading of short-term bills, bank debentures, government and corporate bonds, and foreign bonds; (c) guaranteeing short-term bills; (d) providing financial consulting services to enterprises; (e) processing interbank call loans; (f) equity investments; (g) fixed-income security trading; (h) foreign-currency bills investment; and (i) doing other businesses authorized by relevant authorities.

As of September 30, 2021 and 2020, the Company had a total of 165 and 158 employees, respectively.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on October 26, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS 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 Financial Supervisory Commission of Republic of China (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have significant impact on the Company.

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

New IFRSs	Effective Date Announced by IASB
“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” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the 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.

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

c. New IFRSs issued by IASB 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: The amendments are applicable for recognition of lease and deferred tax occurring after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies and IAS 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC. Disclosure information included in these interim the financial statements is less than those required in a complete set of annual financial statements.

Basis of Preparation

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

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

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

Classification of Current and Non-current Assets and Liabilities

The operating cycle in the bills finance industry cannot be clearly identified; thus, accounts included in the financial statements of the Company were not classified as current or noncurrent. Nevertheless, accounts are properly categorized by the nature of each account and are sequenced by their liquidity.

Foreign Currencies

Monetary transactions in foreign currencies are recognized at the spot exchange rates at the dates of the transactions. On the settlement of the transactions, the gain or loss resulting from the application of exchange rates different from those used on initial recognition are recognized in profit or loss in the settlement period.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and time deposits with original maturities less than three months. In terms of statements of cash flows, cash and cash equivalents include due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7 as endorsed by the FSC.

Securities Purchased/Sold Under Resell/Repurchase Agreements

Securities purchased under resell agreements and securities sold under repurchase agreements are treated as collateralized financing transactions. Interest earned on resell agreements or interest incurred on repurchase agreements is recognized on an accrual basis.

In the case of outright sale of government bonds purchased under resell agreements, the Company recognizes on financial liabilities at fair value through profit or loss of outright sale, and recognizes the realized gain or loss when government bonds purchased under resell agreements are replenished in the settlement period.

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

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

a) Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and remeasurement gains or losses on such financial assets (including any dividends or interest earned) are recognized in profit or loss. Fair value is determined in the manner described in Note 36.

b) Investments in debt instruments at FVTOCI

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

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

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

c) Investments in equity instruments at FVTOCI

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

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

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

d) Financial assets at amortized cost

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

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

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

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

- i. Purchased or originated credit-impaired financial asset, for which interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii. Financial asset that has subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to the amortized cost of the financial asset.

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

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

2) Impairment of financial assets

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

The Company always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- a) Internal or external information show that the debtor is unlikely to pay its creditors.
- b) When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

In addition to valuating impairment loss of receivables and recognizing allowance or bad debts under IFRS 9, the Company will evaluate impairment loss, under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt” issued by the authorities and the Company’s provision procedures, and recognize the higher of allowance of and debts between the above regulations expect.

The Company recognizes an impairment loss and reversal of impairment in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

Credits deemed uncollectible may be written off upon approval by the board of directors.

3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized

in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading are stated at fair value, and remeasurement gains or losses on such financial liabilities (including any dividends or interest paid) are recognized in profit or loss. Fair value is determined in the manner described in Note 36.

b) Financial guarantee contracts

The Company measures financial guarantee contract issued at the higher of:

- i. The amount of the loss allowance determined in accordance with IFRS 9; and
- ii. The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with IFRS 15.

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts, assessment is also performed under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt" issued by the authorities, and the higher adequacy provision between the above regulations is recognized.

Financial guarantee contracts issued by the Company are measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the amount of the expected credit loss allowance or the amount initially recognized less cumulative amortization recognized.

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange swap contracts, interest rate swaps and convertible bond asset swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

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

Non-accrual Loans

Under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt” issued by the Financial Supervisory Commission, receivables and the balances of guaranteed and endorsed credits that are unpaid within six months after maturity are transferred to non-accrual loans.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of Property and Equipment, Right-of-use Assets and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

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

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

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

If the Company is under a contract for which the unavoidable costs of meeting contract obligations exceed the economic benefits expected to be received from the contract, the contract is considered onerous. The present obligations arising under this onerous contract are recognized and related provisions are set made.

Revenue Recognition

Service fee income are recognized when a major part of the earnings process has been completed and cash has been collected. Interest revenues are recorded on an accrual basis.

Dividend income from investments is recognized when the shareholder's right to receive payment has been established and if it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

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

Leases

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

The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Employee and Retirement Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

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.

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.

a. Current tax

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used.

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

Deferred tax liabilities and assets are measured using applicable tax rates and laws that have been enacted or substantially enacted by the end of the reporting period in which the liability is settled or the asset realized. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, but when these taxes relate to items that are recognized in other comprehensive income or directly in equity, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

Estimated Impairment of Financial Guarantee Contracts

In accordance with the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt", the Company's assessment of the adequacy of reserve for guarantee liabilities is focused on whether or not, guarantee liabilities and related cash outflows are likely to occur. Evidences for making such judgement include observable data indicating adverse movement in payment status of the debtor or industry news relevant to the debtor's financial position. The Company periodically reviews judgement factors and assumptions in order to minimize the difference between estimated loss and actual loss.

6. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 650	\$ -	\$ 650
Checking accounts and demand deposits	<u>342,492</u>	<u>264,720</u>	<u>239,996</u>
	<u>\$ 343,142</u>	<u>\$ 264,720</u>	<u>\$ 240,646</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>			
Derivative financial instruments			
Currency swap contracts	\$ 2,809	\$ 17,574	\$ 8,910
Non-derivative financial instruments			
Investment in short-term bills	119,756,194	96,213,716	100,411,540
Bond investments	240,879	176,050	154,837
Domestic quoted shares	86,157	63,139	3,990
Fixed-rate commercial paper	68,433	85,113	78,743
Beneficiary securities	502,718	503,298	502,911
Hybrid financial assets			
Convertible bond asset swap contracts	<u>9,770,960</u>	<u>9,096,650</u>	<u>10,124,799</u>
Financial assets at fair value through profit or loss	<u>\$ 130,428,150</u>	<u>\$ 106,155,540</u>	<u>\$ 111,285,730</u>
<u>Financial liabilities held for trading</u>			
Derivative financial instruments			
Purchase commitment contracts	\$ 30,376	\$ 37,022	\$ 12,220
Currency swap contracts	-	270	275
Non-derivative financial instruments			
Fixed-rate commercial paper	825	-	-
Benchmark interest rate commercial papers	<u>230</u>	<u>1,960</u>	<u>98</u>
Financial liabilities at fair value through profit or loss	<u>\$ 31,431</u>	<u>\$ 39,252</u>	<u>\$ 12,593</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
Convertible bond asset swap contracts	\$ 9,763,100	\$ 9,078,500	\$ 10,097,400
Purchase commitment contracts	12,900,000	12,800,000	12,300,000
Currency swap contracts	613,052	1,910,036	1,252,418

The Company used transactions of derivative financial instruments to acquire fixed returns and reduce the cash flow risk arising from interest rate and exchange rate fluctuations.

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

The profit and loss arising from financial assets and liabilities at fair value through profit and loss during 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
<u>Financial assets at fair value through profit or loss</u>				
Realized profit	\$ 40,804	\$ 42,108	\$ 163,889	\$ 76,838
Valuation (loss) profit	<u>(34,954)</u>	<u>(24,549)</u>	<u>(49,806)</u>	<u>35,564</u>
	<u>\$ 5,850</u>	<u>\$ 17,559</u>	<u>\$ 114,083</u>	<u>\$ 112,402</u>
<u>Financial liabilities at fair value through profit or loss</u>				
Realized loss	\$ (211)	\$ (3,391)	\$ (1,722)	\$ (9,990)
Valuation profit (loss)	<u>16,424</u>	<u>2,037</u>	<u>7,821</u>	<u>(7,471)</u>
	<u>\$ 16,213</u>	<u>\$ (1,354)</u>	<u>\$ 6,099</u>	<u>\$ (17,461)</u>

Note 33 shows the financial assets at FVTPL that were classified as pledged assets.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2021	December 31, 2020	September 30, 2020
Investments in equity instruments	\$ 1,365,991	\$ 1,685,578	\$ 1,217,243
Investments in debt instruments	<u>101,866,343</u>	<u>103,551,701</u>	<u>102,416,695</u>
	<u>\$ 103,232,334</u>	<u>\$ 105,237,279</u>	<u>\$ 103,633,938</u>

a. Investments in equity instruments

	September 30, 2021	December 31, 2020	September 30, 2020
Domestic investments			
Listed shares and emerging market shares	\$ 835,927	\$ 1,163,982	\$ 701,425
Unlisted shares	394,764	376,096	368,968
Beneficiary securities on real estate investment trust	<u>135,300</u>	<u>145,500</u>	<u>146,850</u>
	<u>\$ 1,365,991</u>	<u>\$ 1,685,578</u>	<u>\$ 1,217,243</u>

As of September 30, 2021, December 31, 2020 and September 30, 2020, domestic unlisted shares held by the Company were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Domestic unlisted shares</u>			
Taiwan Depository and Clearing Corporation	\$ 131,097	\$ 118,451	\$ 114,625
Taiwan Futures Exchange Corporation	98,814	94,050	91,731
Taiwan Asset Management Corporation	69,534	69,035	67,970
Core Pacific City Corporation	<u>95,319</u>	<u>94,560</u>	<u>94,642</u>
	<u>\$ 394,764</u>	<u>\$ 376,096</u>	<u>\$ 368,968</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

The Company adjusted the capital adequacy ratio by disposal of shares classified as at FVTOCI. For the nine months ended September 30, 2021 and 2020, the fair value of shares disposed which classified as at FVTOCI were \$753,054 thousand and \$657,415 thousand and the accumulated gain related to the sold assets were \$145,116 thousand and \$74,133 thousand which were transferred from other equity to retained earnings, respectively.

Dividends of \$43,278 thousand and \$35,947 thousand were recognized for the nine months ended September 30, 2021 and 2020, and those related to investments held at September 30, 2021 and 2020 were \$43,278 thousand and \$35,947 thousand, respectively.

b. Investments in debt instruments

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Domestic investments</u>			
Government bonds	\$ 14,764,573	\$ 17,928,945	\$ 18,164,459
Corporate bonds	54,955,560	52,729,932	52,657,242
Bank debentures	9,787,569	10,887,818	10,892,614
<u>Foreign investments</u>			
Overseas government bonds	1,824,714	1,486,924	1,583,206
Overseas corporate bonds	8,919,203	9,853,054	8,255,599
Overseas bank debentures	<u>11,614,724</u>	<u>10,665,028</u>	<u>10,863,575</u>
	<u>\$ 101,866,343</u>	<u>\$ 103,551,701</u>	<u>\$ 102,416,695</u>

Refer to Note 9 for information relating to the credit risk and impairment assessment about these investments in debt instruments at FVTOCI.

Note 33 shows the investments in debt instruments at FVTOCI that were classified as pledged assets.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the face values of financial instruments at FVTOCI under repurchase agreements were \$91,119,433 thousand, \$96,764,689 thousand and \$91,774,096 thousand, respectively.

9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at FVTOCI.

	September 30, 2021	December 31, 2020	September 30, 2020
Gross carrying amount	\$ 100,969,996	\$ 102,083,159	\$ 101,257,877
Adjustment to fair value	<u>896,347</u>	<u>1,468,542</u>	<u>1,158,818</u>
	<u>\$ 101,866,343</u>	<u>\$ 103,551,701</u>	<u>\$ 102,416,695</u>
Allowance for impairment loss	<u>\$ (33,533)</u>	<u>\$ (38,252)</u>	<u>\$ (40,709)</u>

The Company invests only 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 Company's exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In order to minimize credit risk, the Company has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize 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.

In determining the expected credit losses for debt instrument investments, the Company considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast in estimating 12-month or lifetime expected credit losses.

The Company'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	12-month 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 gross carrying amounts of debt instrument investments by credit category were as follows:

Category	September 30, 2021	December 31, 2020	September 30, 2020
Performing	\$ 99,969,983	\$ 101,083,134	\$ 100,257,849
Doubtful	1,000,013	1,000,025	1,000,028
In default	-	-	-

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

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	In default (Lifetime ECLs - Credit- impaired)
Balance at January 1, 2021	\$ 29,431	\$ 8,821	\$ -
New financial assets purchased	2,104	-	-
Derecognition	(4,812)	-	-
Change in model or risk parameters	(1,591)	(148)	-
Change in exchange rates or others	<u>(272)</u>	<u>-</u>	<u>-</u>
Balance at September 30, 2021	<u>\$ 24,860</u>	<u>\$ 8,673</u>	<u>\$ -</u>
Balance at January 1, 2020	\$ 28,617	\$ 8,136	\$ -
Transfers			
From doubtful to performing	914	(914)	-
New financial assets purchased	4,221	-	-
Derecognition	(5,034)	-	-
Change in model or risk parameters	204	4,848	-
Change in exchange rates or others	<u>(283)</u>	<u>-</u>	<u>-</u>
Balance at September 30, 2020	<u>\$ 28,639</u>	<u>\$ 12,070</u>	<u>\$ -</u>

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

As of September 30, 2021, December 31, 2020 and September 30, 2020, bonds and bills purchased were under resell agreements were in the amounts of \$6,156,364 thousand, \$4,734,256 thousand and \$7,324,012 thousand before November 2021, March 2021 and November 2020, respectively.

As of September 30, 2021, December 31, 2020 and September 30, 2020, bonds and bills purchased under resell agreements were sold under repurchase agreements in the face values 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
Interest receivable, net	\$ 626,903	\$ 674,826	\$ 730,395
Receivables on bond sales	3,250	463	145,844
Receivables on settlement of asset swap	26,751	92,039	13,436
Dividend receivable	8,948	-	2,269
Other service fee income receivable	26,201	-	-
Other receivables	<u>28,968</u>	<u>15,533</u>	<u>33,138</u>
	<u>\$ 721,021</u>	<u>\$ 782,861</u>	<u>\$ 925,082</u>

12. OTHER FINANCIAL ASSETS, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Deposits placed with authorities for bank clearing	\$ -	\$ 525,000	\$ 525,000
Repurchase agreement margins	16,946	16,234	16,586
Futures margins	<u>24,256</u>	<u>24,777</u>	<u>25,078</u>
	<u>\$ 41,202</u>	<u>\$ 566,011</u>	<u>\$ 566,664</u>

13. PROPERTY AND EQUIPMENT, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Land	\$ 83,337	\$ 83,337	\$ 83,337
Buildings	41,104	42,351	42,767
Machinery and computer equipment	18,282	19,920	21,359
Transportation equipment	4,778	3,764	3,122
Office and other equipment	2,408	2,515	2,418
Lease improvement	<u>1,186</u>	<u>1,199</u>	<u>1,202</u>
	<u>\$ 151,095</u>	<u>\$ 153,086</u>	<u>\$ 154,205</u>

During the nine months ended September 30, 2021 and 2020, there were no property and equipment which had undergone major addition, disposal, and impairment except for recognizing the depreciation expense.

The above items of property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

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

There were no property and equipment pledged by the Company to secure its borrowings or issued guarantees.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Carrying amounts</u>			
Buildings	\$ -	\$ 1,347	\$ 1,946
Transportation equipment	3,137	366	673
Office equipment	<u>642</u>	<u>946</u>	<u>1,047</u>
	<u>\$ 3,779</u>	<u>\$ 2,659</u>	<u>\$ 3,666</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>\$ 3,748</u>	<u>\$ 1,216</u>
Depreciation charge for right-of-use assets				
Buildings	\$ 449	\$ 300	\$ 1,347	\$ 1,198
Transportation equipment	336	306	977	918
Office equipment	<u>101</u>	<u>101</u>	<u>304</u>	<u>169</u>
	<u>\$ 886</u>	<u>\$ 707</u>	<u>\$ 2,628</u>	<u>\$ 2,285</u>

Except for the aforementioned additions recognized depreciation, the Company 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>\$ 3,803</u>	<u>\$ 2,695</u>	<u>\$ 3,555</u>

Discount rates for lease liabilities were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Buildings	1.626%	1.626%	1.626%
Transportation equipment	2.037%-2.171%	2.283%-2.414%	2.283%-2.414%
Office equipment	2.332%	2.332%	2.332%

c. 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	<u>\$ 3,213</u>	<u>\$ 3,212</u>	<u>\$ 9,637</u>	<u>\$ 9,637</u>
Expenses relating to low-value asset leases	<u>\$ 326</u>	<u>\$ 352</u>	<u>\$ 832</u>	<u>\$ 836</u>
Total cash outflow for leases			<u>\$ (13,164)</u>	<u>\$ (12,966)</u>

15. OTHER ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
Refundable deposits	\$ 566,353	\$ 36,125	\$ 36,125
Long-term prepaid expenses	4,637	5,130	5,926
Prepaid expenses	5,159	5,328	16,915
Others	<u>32</u>	<u>54</u>	<u>59</u>
	<u>\$ 576,181</u>	<u>\$ 46,637</u>	<u>\$ 59,025</u>

As of September 30, 2021, December 31, 2020 and September 30, 2020, the refundable deposits were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Deposits placed with the Over the Counter (OTC) exchange for OTC transactions	\$ 1,000	\$ 1,000	\$ 1,000
Deposits placed with bank overdrafts	525,000	-	-
Others	<u>40,353</u>	<u>35,125</u>	<u>35,125</u>
	<u>\$ 566,353</u>	<u>\$ 36,125</u>	<u>\$ 36,125</u>

The refundable deposits above were deposited in cash and time deposits.

16. CALL LOANS FROM BANKS AND OVERDRAFTS ON BANKS

As of September 30, 2021, December 31, 2020 and September 30, 2020, the balances of call loans from banks and overdrafts on banks amounted to \$24,875,856 thousand, \$6,140,000 thousand and \$14,951,101 thousand, respectively, with interest rate ranges from 0.23%-0.28%, 0.21%-0.26% and 0.26%-0.56%, and the latest due date were October 2021, January 2021 and October 2020, respectively.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the credit lines of call loans from banks and overdrafts on banks were \$151,350,990 thousand, \$152,777,180 thousand and \$152,438,710 thousand, respectively.

17. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

As of September 30, 2021, December 31, 2020 and September 30, 2020, bonds and bills in the amounts of \$184,696,662 thousand, \$179,726,810 thousand and \$177,712,119 thousand, respectively, had been sold under repurchase agreements for \$184,752,745 thousand, \$179,794,171 thousand and \$177,788,030 thousand before their maturities in August 2022, December 2021 and August 2021, respectively.

18. PAYABLES

	September 30, 2021	December 31, 2020	September 30, 2020
Dividend payable	\$ 155	\$ 144	\$ 144
Payable for bonds purchased	88,296	101,800	336,087
Employee awards payable	130,664	139,986	116,655
Withholding tax payable held by prior parties	43,548	51,768	55,046
Interest payable	31,489	37,590	39,311
Compensation to directors and employees	46,508	51,070	38,598
Payable for shares purchased	-	6,453	-
Other service charge payable	26,201	-	-
Others	<u>32,733</u>	<u>36,989</u>	<u>30,726</u>
	<u>\$ 399,594</u>	<u>\$ 425,800</u>	<u>\$ 616,567</u>

19. COMMERCIAL PAPER ISSUED, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Bill issued	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000
Less: Discount on bills issued	<u>(830)</u>	<u>(773)</u>	<u>(1,244)</u>
	<u>\$ 4,499,170</u>	<u>\$ 4,499,227</u>	<u>\$ 4,498,756</u>

As of September 30, 2021, December 31, 2020 and September 30, 2020, the latest due dates of commercial paper issued were November 4, 2021, January 28, 2021 and November 13, 2020 with interest rate of 0.20%-0.29%, 0.27%-0.36% and 0.37%, respectively.

20. PROVISIONS

	September 30, 2021	December 31, 2020	September 30, 2020
Reserve for losses on guarantees	\$ 1,375,077	\$ 1,375,077	\$ 1,325,077
Provision for employee benefits	<u>53,855</u>	<u>65,114</u>	<u>65,064</u>
	<u>\$ 1,428,932</u>	<u>\$ 1,440,191</u>	<u>\$ 1,390,141</u>

Reversal were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Amounts collected from prior years' write-off	<u>\$ 1,141</u>	<u>\$ 3,237</u>	<u>\$ 8,042</u>	<u>\$ 3,686</u>

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

According to the Company’s retirement policies, when the employees meet the criteria stated in the retirement policies, the pension costs payable are calculated based on the total number of years of employment, in accordance with the LPA and Labor Standards Act. The total pension costs recognized for the nine months ended September 30, 2020 amounted to \$532 thousand.

The total expenses recognized in profit or loss for the three months and the nine months ended September 30, 2021 and 2020 amounted to \$2,096 thousand, \$1,971 thousand, \$6,181 thousand and \$5,876 thousand, respectively, were the contributions payable by the Company to the LPA plan at the specified rates.

b. Defined benefit plans

The pension expenses for the defined benefit plans were based on the pension cost rate as of December 31, 2020 and 2019. The pension expenses 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
Operating expenses	\$ 582	\$ 630	\$ 1,746	\$ 1,889

22. EQUITY

a. Ordinary shares

	September 30, 2021	December 31, 2020	September 30, 2020
Number of shares authorized (in thousands)	<u>1,678,700</u>	<u>1,678,700</u>	<u>1,678,700</u>
Shares authorized	<u>\$ 16,787,000</u>	<u>\$ 16,787,000</u>	<u>\$ 16,787,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,342,960</u>	<u>1,342,960</u>	<u>1,342,960</u>
Shares issued	<u>\$ 13,429,600</u>	<u>\$ 13,429,600</u>	<u>\$ 13,429,600</u>

b. Capital surplus

	September 30, 2021	December 31, 2020	September 30, 2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital			
Treasury share transactions	\$ 2,474	\$ 2,474	\$ 2,474
<u>May only be used to offset a deficit</u>			
Unclaimed dividends	<u>7,757</u>	<u>6,330</u>	<u>6,330</u>
	<u>\$ 10,231</u>	<u>\$ 8,804</u>	<u>\$ 8,804</u>

c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that the annual net income, less accumulated losses, should be appropriated as follows:

- 1) Legal reserve, 30%;
- 2) Special reserve, if needed; and
- 3) Dividends.

The Company's dividend policy is as follows:

- 1) The Company distributes a portion of the reserves in accordance with regulations, and the Company cannot distribute dividends if it has no earnings in the current period.
- 2) The Company is in a fiercely competitive financial industry, which its industrial growth has slowed down. As a result, dividends are distributed not only principally in cash, but also in stock. And should be at least 40% of total dividends.
- 3) The Company has the right to adjust its dividend policy in accordance with economic conditions, industry developments, and the Company's demand for funds.

Information on the employees' compensation and remuneration to directors proposed by the Company's board of directors is referred to in Note 28.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under certain rules the Company 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.

The appropriations of earnings for 2020 and 2019 had been approved in the shareholders' meetings on July 26, 2021 and May 28, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2020	2019	2020	2019
Legal reserve	\$ 496,901	\$ 373,395		
Cash dividends	1,168,375	966,931	\$ 0.87	\$ 0.72

d. Other equity items

Unrealized valuation gain/loss on financial assets at FVTOCI

	For the Nine Months Ended	
	September 30	
	2021	2020
Balance at January 1	\$ 1,521,329	\$ 618,250
Recognized for the period		
Unrealized gain or loss		
Debt instruments	(408,413)	655,869
Equity instruments	174,713	(5,203)
Adjustments of expected credit losses in debt instruments	(4,719)	3,956
Reclassification adjustments		
Disposal of investments in debt instruments	(76,264)	(61,089)
Other comprehensive income recognized in the period	(314,683)	593,533
Cumulative unrealized gain or loss on equity instruments transferred to retained earnings due to disposal	(145,116)	(74,133)
Balance at September 30	\$ 1,061,530	\$ 1,137,650

23. NET INTEREST

	For the Three Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
<u>Interest revenue</u>				
Bonds	\$ 299,174	\$ 318,186	\$ 906,090	\$ 999,573
Short-term bills	90,748	100,009	265,722	331,198
Convertible bond asset swap	30,480	36,741	94,848	107,740
Securities purchased under resell agreements	3,251	4,071	8,374	6,240
Others	546	513	1,493	1,760
	<u>424,199</u>	<u>459,520</u>	<u>1,276,527</u>	<u>1,446,511</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Interest expense</u>				
Bonds sold under repurchase agreements	\$ (62,893)	\$ (98,063)	\$ (196,729)	\$ (413,676)
Bills sold under repurchase agreement	(37,948)	(47,243)	(110,210)	(176,421)
Call loans from banks	(5,190)	(10,086)	(12,142)	(50,166)
Convertible bond asset swap	-	(714)	(101)	(2,359)
Lease liabilities	(23)	(17)	(55)	(59)
Others	<u>(3,207)</u>	<u>(2,275)</u>	<u>(9,255)</u>	<u>(3,297)</u>
	<u>(109,261)</u>	<u>(158,398)</u>	<u>(328,492)</u>	<u>(645,978)</u>
	<u>\$ 314,938</u>	<u>\$ 301,122</u>	<u>\$ 948,035</u>	<u>\$ 800,533</u>
				(Concluded)

24. 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	\$ 189,110	\$ 186,865	\$ 591,109	\$ 546,098
Underwriting business	124,281	118,600	410,055	341,782
Others	<u>29,993</u>	<u>4,430</u>	<u>39,183</u>	<u>13,354</u>
	343,384	309,895	1,040,347	901,234
Service charge				
Others	<u>(28,690)</u>	<u>(1,221)</u>	<u>(28,812)</u>	<u>(2,202)</u>
	<u>\$ 314,694</u>	<u>\$ 308,674</u>	<u>\$ 1,011,535</u>	<u>\$ 899,032</u>

25. GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES 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
Short-term bills	\$ 13,668	\$ 27,864	\$ 83,207	\$ 103,864
Bonds	3,909	3,995	53,413	17,798
Stocks and mutual funds	(334)	225	3,381	(26,256)
Derivative financial instruments	<u>4,820</u>	<u>(15,879)</u>	<u>(19,819)</u>	<u>(465)</u>
	<u>\$ 22,063</u>	<u>\$ 16,205</u>	<u>\$ 120,182</u>	<u>\$ 94,941</u>

26. REALIZED GAINS (LOSSES) 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
Government bonds	\$ 2,302	\$ 9,040	\$ 20,856	\$ (12,980)
Corporate bonds	1,467	5,446	19,200	16,145
Bank debentures	10,832	23,634	36,208	57,924
Dividend revenues	<u>37,275</u>	<u>29,783</u>	<u>43,278</u>	<u>35,947</u>
	<u>\$ 51,876</u>	<u>\$ 67,903</u>	<u>\$ 119,542</u>	<u>\$ 97,036</u>

27. FOREIGN EXCHANGE GAINS (LOSSES), NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Gross amount of foreign currency exchange gain	\$ 10,831	\$ 15,764	\$ 71,236	\$ 62,555
Gross amount of foreign currency exchange loss	<u>(15,176)</u>	<u>(22,567)</u>	<u>(80,306)</u>	<u>(87,552)</u>
Net foreign exchange gain or loss	<u>\$ (4,345)</u>	<u>\$ (6,803)</u>	<u>\$ (9,070)</u>	<u>\$ (24,997)</u>

28. EMPLOYEE BENEFIT EXPENSES, DEPRECIATION AND AMORTIZATION

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Employee benefits				
Salaries and wages (include compensation to employees)	\$ 73,977	\$ 67,792	\$ 219,229	\$ 197,534
Labor insurance and national health insurance	3,845	3,427	11,370	10,248
Remuneration to directors	9,575	9,375	29,736	25,727
Pension (Note 21)	2,678	3,133	7,927	8,297
Others	6,268	5,112	19,046	18,348
Depreciation	2,569	2,390	7,679	7,289
Amortization	751	801	2,231	2,434

If the Company has profit in the year, the profit shall be reserved as employees' compensation and remuneration of directors and resolved with the consent of the majority of the directors present at the meeting attended by more than two-thirds of the total directors. However, in case of accumulated losses, profit shall first be reserved to cover the losses.

The Company's compensation policy is as follows:

- a. Employees: 1% to 2.5% of the profit;
- b. Directors: 2.5% of the profit as an upper limit. The independent directors do not participate in assignment of remuneration.

The profit mentioned above is net profit before income tax without employees' compensation and remuneration to directors.

The employees' compensation may be distributed by stocks or cash. The remuneration of directors should only be distributed by cash. The appropriations of earnings for employees' compensation and the remuneration of directors should be approved by the Company's board of directors and reported to the shareholders in their meeting.

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

Accrual rate

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

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Employees' compensation	<u>\$ 7,317</u>	<u>\$ 7,281</u>	<u>\$ 23,254</u>	<u>\$ 19,299</u>
Remuneration of directors	<u>\$ 7,317</u>	<u>\$ 7,281</u>	<u>\$ 23,254</u>	<u>\$ 19,299</u>

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

The employees' compensation and remuneration of directors for 2020 and 2019 resolved by the Company's board of directors on February 25, 2021 and February 25, 2020, respectively, were listed below:

	For the Year Ended December 31	
	2020	2019
Employees' compensation - cash	<u>\$ 25,535</u>	<u>\$ 19,917</u>
Remuneration of directors	<u>\$ 25,535</u>	<u>\$ 19,917</u>

There was no significant difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

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

29. OTHER OPERATING EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Taxation	\$ 10,522	\$ 11,182	\$ 36,574	\$ 33,954
Rental	3,539	3,564	10,469	10,473
Annual fee and allocated	1,255	1,282	3,288	3,230
Donations	-	-	300	750
Stock service fee	1,950	1,389	3,630	3,498
Others	<u>12,594</u>	<u>13,143</u>	<u>37,947</u>	<u>38,521</u>
	<u>\$ 29,860</u>	<u>\$ 30,560</u>	<u>\$ 92,208</u>	<u>\$ 90,426</u>

30. INCOME TAXES

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	\$ 121,914	\$ 116,934	\$ 379,889	\$ 305,445
Deferred tax				
In respect of the current period	<u>(6,209)</u>	<u>(5,078)</u>	<u>(10,227)</u>	<u>5,921</u>
Income tax expense recognized in profit or loss	<u>\$ 115,705</u>	<u>\$ 111,856</u>	<u>\$ 369,662</u>	<u>\$ 311,366</u>

b. Income tax recognized directly 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>				
Current period				
Remeasurement of defined benefit plans	\$ -	\$ -	\$ (30)	\$ 22
Unrealized gains or losses on financial assets at FVTOCI	<u>(21,705)</u>	<u>34,531</u>	<u>(87,518)</u>	<u>73,536</u>
Income tax (benefit) expense recognized in other comprehensive income	<u>\$ (21,705)</u>	<u>\$ 34,531</u>	<u>\$ (87,548)</u>	<u>\$ 73,558</u>

c. Income tax assessments

The tax returns through 2017 have been examined by the tax authorities.

31. EARNINGS PER SHARE

Earnings and weighted average number of ordinary shares used in calculating earnings per share were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Earnings used in the computation of basic earnings per share	<u>\$ 455,041</u>	<u>\$ 456,134</u>	<u>\$ 1,444,139</u>	<u>\$ 1,193,993</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Weighted average number of ordinary shares in the computation of basic earnings per share	1,342,960	1,342,960	1,342,960	1,342,960
Effect of potentially dilutive ordinary shares: Employees' compensation issued to employees	<u>450</u>	<u>500</u>	<u>1,781</u>	<u>1,589</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,343,410</u>	<u>1,343,460</u>	<u>1,344,741</u>	<u>1,344,549</u>

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	<u>\$ 0.34</u>	<u>\$ 0.34</u>	<u>\$ 1.08</u>	<u>\$ 0.89</u>
Diluted earnings per share	<u>\$ 0.34</u>	<u>\$ 0.34</u>	<u>\$ 1.07</u>	<u>\$ 0.89</u>

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

32. RELATED PARTY TRANSACTIONS

- a. The related parties and their relationship with the Company are summarized as follows:

Related Party	Relationship with the Company
O-Bank	Parent of the Company
O-Bank Education Foundation (OBTEF)	O-Bank is the major donor of the foundation
Criminal Investigation and Prevention Association, R.O.C (CIPA)	The Company's director is the director of CIPA.
Others	The Company's chairman of the board is the director of the Company, individuals and close relatives of the Company's key management, related party in substance.

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

1) Security transactions under repurchase agreements

For the three months ended September 30, 2021

Related Party	Security Sold Under Repurchase Agreements	Intervals of Interest Rate	Interest Expense
Others	\$ 1,055,782	0.18%-0.40%	\$ 565

For the three months ended September 30, 2020

Related Party	Security Sold Under Repurchase Agreements	Intervals of Interest Rate	Interest Expense
Others	\$ 3,844,270	0.22%-1.85%	\$ 1,406

For the nine months ended September 30, 2021

Related Party	Security Sold Under Repurchase Agreements	September 30, 2021	Intervals of Interest Rate	Interest Expense
Others	\$ 6,151,135	\$ 708,719	0.15%-0.45%	\$ 2,096

For the nine months ended September 30, 2020

Related Party	Security Sold Under Repurchase Agreements	September 30, 2020	Intervals of Interest Rate	Interest Expense
Others	\$ 7,565,398	\$ 1,530,759	0.22%-2.40%	\$ 4,258

2) Lease arrangements

Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Lease expense (accounted as <u>other operating expenses</u>)				
Parent company:				
O-Bank	\$ 3,304	\$ 3,304	\$ 9,912	\$ 9,912

In January 2021 and 2020, the Company entered into operating lease agreements with O-bank for the use of O-bank's building and parking lots. The lease terms of the contracts were both 1 year. The rentals are based on similar asset's market rental rates and fixed lease payments are paid monthly.

Lease expenses include expenses relating to short-term leases, low-value asset leases and variable lease payments that do not depend on an index or a rate. Future lease payables related to short-term leases and low-value asset leases are as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Total lease payments to be paid in the future	\$ 3,304	\$ 13,216	\$ 3,304

3) Donations

For the nine months ended September 30, 2021, the Company's donation expense (recorded under other operating expense) to Criminal Investigation and Prevention Association, R.O.C for fulfilling corporate social responsibility was \$300 thousand.

c. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 19,465	\$ 18,682	\$ 59,576	\$ 53,646
Post-employment benefits	<u>1,658</u>	<u>1,147</u>	<u>8,470</u>	<u>3,468</u>
	<u>\$ 21,123</u>	<u>\$ 19,829</u>	<u>\$ 68,046</u>	<u>\$ 57,114</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

33. PLEDGED ASSETS

The following assets were provided as collaterals for call loans from banks and overdrafts:

	September 30, 2021	December 31, 2020	September 30, 2020	Purposes
Financial assets at fair value through profit or loss				
Negotiable certificate of deposits	\$ 1,600,755	\$ 1,600,783	\$ 1,600,917	Credit line for loans
Negotiable certificate of deposits	700,098	700,098	700,091	Deposits placed with authorities to carry out bills finance businesses
Negotiable certificate of deposits	1,600,224	1,700,348	1,700,121	Deposits placed with bank overdrafts
Financial assets at fair value through other comprehensive income				
Government bonds	90,270	90,714	90,817	OTC online deposits refund
Government bonds	35,105	35,278	35,318	Deposits placed with authorities to operate as a security dealer
Other financial assets				
Certificate of deposits	-	525,000	525,000	Deposits placed with bank overdrafts
Other assets - refundable deposits				
Demand deposits	525,000	-	-	Deposits placed with bank overdrafts

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of September 30, 2021 were as follows:

Bonds and bills sold under repurchase agreements (at repurchase price)	\$ 184,752,745
Bonds and bills purchased under resell agreements (at resell price)	6,156,364
Guarantees on commercial paper	107,805,000
Fixed-rate commercial paper commitments	22,700,000
Benchmark interest rate commercial paper commitments	48,660,000
Purchase commitment contracts	12,900,000
Revolving insurance on commercial paper commitments	12,421,200

35. CAPITAL RISK MANAGEMENT

a. Overview

The basic goal of the Company's capital risk management is to maintain the regulatory capital and the capital adequacy ratio based on the minimum requirements of the authorities and the Basel Accords framework. For enhanced risk taking and an efficient and effective resource allocation, the Company evaluates its capital requirement in consideration of the nature of its risks and various risk scenarios.

b. Capital management process

The capital adequacy ratio is maintained by risk management department, fixed income products department and administration department based on the requirements of the authorities, which is reported to the Company's president in the assets and liabilities committee monthly and to the authorities quarterly.

c. Capital adequacy rate

(Unit: %)

Items		Year	June 30, 2021	June 30, 2020
Eligible capital	Tier 1 capital		\$ 23,857,859	\$ 22,981,312
	Tier 2 capital		166,458	131,830
	Tier 3 capital		616,722	506,873
	Eligible capital		24,641,039	23,620,015
Risk-weighted assets	Credit risk		124,635,972	124,377,005
	Operational risk		4,062,412	3,807,116
	Market risk		69,856,044	61,408,454
	Total risk-weighted assets		198,554,428	189,592,575
Capital adequacy ratio (Note)			12.41	12.46
Ratio of Tier 1 capital to risk-weighted assets (Note)			12.02	12.12
Ratio of Tier 2 capital to risk-weighted assets (Note)			0.08	0.07
Ratio of Tier 3 capital to risk-weighted assets (Note)			0.31	0.27
Ratio of common shareholders' equity to total assets (Note)			6.30	6.72

Note: Formulas used were as follows:

- 1) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 2) The amount of total assets used in the calculation refers to all assets in the balance sheets.
- 3) The capital adequacy ratios (CARs) should be computed at the end of June and December. The reports of the first-quarter and the third-quarter the CARs disclosed are based on the data of the last preceding period, i.e., the end of December and the end of June, respectively.
- 4) Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Bills Finance Companies" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Bills Finance Companies".

36. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

For financial assets and financial liabilities that are not measured at fair value, e.g., cash and cash equivalents, receivables, other financial assets, net and accounts payable, their carrying amounts as recognized in the financial statements approximate their fair values.

b. Definitions of the fair value hierarchy

- 1) Level 1 - inputs are quoted prices in active markets (for identical assets or liabilities that the Company can assess at the measurement date). Active markets feature all of the following conditions: (i) the products traded in the market are homogeneous, (ii) market participants anytime in the market, and (iii) price information that is available to the public. The investment in listed shares, beneficiary certificates, convertible bonds and derivative instruments with quoted prices in active markets belong to this level.
- 2) Level 2 - inputs are those other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices). The investments in government bonds, corporate bonds, bank debentures and a part of derivative instruments belong to this level.
- 3) Level 3 - inputs are not based on observable market data (i.e., unobservable inputs). The investment in a part of a derivative instrument, a hybrid asset and an equity instrument belong to this level.

c. Valuation techniques and assumptions applied for the purpose of measuring the fair values

Financial instruments 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. 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 those generally used by other market participants to price financial instruments.

If the market price quotation from a stock exchange, brokers, underwriters, Industrial Trade Unions, pricing service agencies or competent authorities can be frequently obtained on time, and the price represents the actual and frequent transactions at arm's length, then a financial instrument is deemed to have an active market. If financial instruments do not satisfy the criteria above, they are regarded as not having active market. In general, significant price variance between the purchase price and selling price, or extremely low trading volume are all indicators of an inactive market.

Except for reference to quoted market prices, the fair value of financial instruments may be estimated also through the use of available valuation technique or counterparties. Fair value measured by a valuation technique is estimated by reference to the fair values of other financial instruments with similar terms and characteristics, or by using cash flows discounting method, or using model calculation based on the market information available on the balance sheet date.

Fair values of derivative financial instruments are based on quoted market prices. If quoted market prices are not available, then the fair values are determined by the discounted cash flow method.

- d. The fair value hierarchy of the financial instruments as of September 30, 2021, December 31, 2020 and September 30, 2020 was as follows:

1) The fair value hierarchy

Item	September 30, 2021			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Shares	\$ 86,157	\$ 86,157	\$ -	\$ -
Bonds	240,879	240,879	-	-
Bills	119,756,194	-	119,756,194	-
Fixed-rate commercial paper	68,433	-	68,433	-
Beneficiary securities	502,718	-	502,718	-
Financial assets at FVTOCI				
Shares	1,230,691	835,927	-	394,764
Bonds	101,866,343	-	101,866,343	-
Beneficiary securities on real estate investment trust	135,300	135,300	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	1,055	-	1,055	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	9,773,769	-	2,809	9,770,960
Liabilities				
Financial liabilities at fair value through profit or loss	30,376	-	30,376	-
Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Shares	\$ 63,139	\$ 63,139	\$ -	\$ -
Bonds	176,050	176,050	-	-
Bills	96,213,716	-	96,213,716	-
Fix-rate commercial paper	85,113	-	85,113	-
Beneficiary securities	503,298	-	503,298	-
Financial assets at FVTOCI				
Shares	1,540,078	1,163,982	-	376,096
Bonds	103,551,701	-	103,551,701	-
Beneficiary securities on real estate investment trust	145,500	145,500	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	1,960	-	1,960	-

(Continued)

Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$ 9,114,224	\$ -	\$ 17,574	\$ 9,096,650
Liabilities				
Financial liabilities at fair value through profit or loss	37,292	-	37,292	-
				(Concluded)

Item	September 30, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Shares	\$ 3,990	\$ 3,990	\$ -	\$ -
Bonds	154,837	154,837	-	-
Bills	100,411,540	-	100,414,540	-
Fixed-rate commercial paper	78,743	-	78,743	-
Beneficiary securities	502,911	-	502,911	-
Financial assets at FVTOCI				
Shares	1,070,393	701,425	-	368,968
Bonds	102,416,695	-	102,416,695	-
Beneficial securities on real estate investment trust	146,850	146,850	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	98	-	98	-

Derivative financial instruments

Assets				
Financial assets at fair value through profit or loss	10,133,709	-	8,910	10,124,799
Liabilities				
Financial liabilities at fair value through profit or loss	12,495	-	12,495	-

- 2) The Company had no significant transfers between Levels 1 and 2 for the nine months ended September 30, 2021 and 2020.

3) Reconciliation of Level 3 items of financial instruments

For the nine months ended September 30, 2021

	Financial Assets at Fair Value Through Profit or Loss	Financial Assets at Fair Value Through Other Comprehensive Income	
	Hybrid	Equity	
Financial Assets	Financial Assets	Instruments	Total
Balance at January 1, 2021	\$ 9,096,650	\$ 376,096	\$ 9,472,746
Recognized in profit or loss	(10,290)	-	(10,290)
Recognized in other comprehensive income (unrealized valuation gain or loss of equity instruments on financial assets at FVTOCI)	-	18,668	18,668
Purchases	11,775,200	-	11,775,200
Sales	<u>(11,090,600)</u>	<u>-</u>	<u>(11,090,600)</u>
Balance at September 30, 2021	<u>\$ 9,770,960</u>	<u>\$ 394,764</u>	<u>\$ 10,165,724</u>

For the nine months ended September 30, 2020

	Financial Assets at Fair Value Through Profit or Loss	Financial Assets at Fair Value Through Other Comprehensive Income	
	Hybrid	Equity	
Financial Assets	Financial Assets	Instruments	Total
Balance at January 1, 2020	\$ 8,623,449	\$ 356,967	\$ 8,980,416
Recognized in profit or loss	21,550	-	21,550
Recognized in other comprehensive income (unrealized valuation gain or loss of equity instruments on financial assets at FVTOCI)	-	12,001	12,001
Purchases	7,506,600	-	7,506,600
Sales	<u>(6,026,800)</u>	<u>-</u>	<u>(6,026,800)</u>
Balance at September 30, 2020	<u>\$ 10,124,799</u>	<u>\$ 368,968</u>	<u>\$ 10,493,767</u>

Unrealized gain and loss recognized in profit or loss for the nine months ended September 30, 2021 and 2020 for the assets held on the balance sheet date amounted to net gain of \$7,860 thousand and gain of \$27,399 thousand, respectively.

4) Quantitative information of Level 3 financial instruments

Level 3 items (those with unobservable inputs) included financial assets at fair value through profit or loss and derivative financial instruments. Level 3 items of the Company contain only one significant unobservable inputs.

The quantitative information of significant unobservable input was as follows:

	Fair Value at September 30, 2021	Valuation Techniques	Significant Unobservable Inputs	Range	Relationship Between Inputs and Fair Value
Financial assets at fair value through profit or loss	\$ 9,770,960	Discounted cash flow method	a) Discount rate b) Liquidity risk premium	0.3099%-0.6735% 39BP-220BP	The higher of discount rate, the lower of fair value. The higher of liquidity risk premium, the lower of fair value.
Hybrid financial assets					
Financial assets at fair value through other comprehensive income	394,764	Asset method	a) Lack of liquidity discount b) Lack of control discount	10% 10%	The higher of liquidity and control discount, the lower of fair value.
Unlisted shares					

	Fair Value at December 31, 2020	Valuation Techniques	Significant Unobservable Inputs	Range	Relationship Between Inputs and Fair Value
Financial assets at fair value through profit or loss	\$ 9,096,650	Discounted cash flow method	a) Discount rate b) Liquidity risk premium	0.2004%-0.6911% 39BP-220BP	The higher of discount rate, the lower of fair value. The higher of liquidity risk premium, the lower of fair value.
Hybrid financial assets					
Financial assets at fair value through other comprehensive income	376,096	Asset method	a) Lack of liquidity discount b) Lack of control discount	10% 10%	The higher of liquidity and control discount, the lower of fair value.
Unlisted shares					

	Fair Value at September 30, 2020	Valuation Techniques	Significant Unobservable Inputs	Range	Relationship Between Inputs and Fair Value
Financial assets at fair value through profit or loss	\$ 10,124,799	Discounted cash flow method	a) Discount rate b) Liquidity risk premium	0.4666%-0.7068% 39BP-220BP	The higher of discount rate, the lower of fair value. The higher of liquidity risk premium, the lower of fair value.
Hybrid financial assets					
Financial assets at fair value through other comprehensive income	368,968	Asset method	a) Lack of liquidity discount b) Lack of control discount	10% 10%	The higher of liquidity and control discount, the lower of fair value.
Unlisted shares					

5) Process for valuation of Level 3 items

The team responsible for financial instrument valuation under the risk management division is responsible for determining fair value based on independent information on the market situation. To confirm the valuation result, the Company periodically reviews the valuation model, conducts back testing, updates valuation model parameters and adjusts each parameter, if necessary.

6) The sensitivity analysis of Level 3 items

The method for measuring the fair value of financial instruments is found to be reasonable. However, measurement parameters are subject to fluctuations or movements. The impact on income and other comprehensive income based on parameter movements was as follows:

Items	Inputs	Discount Rate Movement: Upward/ Downward	Effect on Income		Effect on Other Comprehensive Income	
			Advantages	Disadvantages	Advantages	Disadvantages
<u>September 30, 2021</u>						
Assets						
Hybrid financial assets	Discount rate	Upward 1BP	\$ -	\$ 1,572	\$ -	\$ -
Unlisted shares	Lack of liquidity and control discount	Upward 10%	-	-	-	48,736

Items	Inputs	Discount Rate Movement: Upward/ Downward	Effect on Income		Effect on Other Comprehensive Income	
			Advantages	Disadvantages	Advantages	Disadvantages
<u>December 31, 2020</u>						
Assets						
Hybrid financial assets	Discount rate	Upward 1BP	\$ -	\$ 1,379	\$ -	\$ -
Unlisted shares	Lack of liquidity and control discount	Upward 10%	-	-	-	46,431

Items	Inputs	Discount Rate Movement: Upward/ Downward	Effect on Income		Effect on Other Comprehensive Income	
			Advantages	Disadvantages	Advantages	Disadvantages
<u>September 30, 2020</u>						
Assets						
Hybrid financial assets	Discount rate	Upward 1BP	\$ -	\$ 1,358	\$ -	\$ -
Unlisted shares	Lack of liquidity and control discount	Upward 10%	-	-	-	45,552

Advantages and disadvantages refer to changes in fair value. The fair value was computed by valuation techniques using unobservable parameters in varying degrees. The table above refers to change in fair value as result of a single input. The correlation and variation of inputs were not considered in the table.

e. Transfers of financial assets

Transferred financial assets not derecognized

Most of the transferred financial assets of the Company 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 Company's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. Since the Company 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.

The financial assets that were not fully derecognized and the associated financial liabilities were as follows:

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 profit or loss		
Bills sold under repurchase agreements	\$ 82,822,402	\$ 82,868,402
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	93,149,980	95,689,961
Securities purchased 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 profit 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	99,350,593	101,453,958
Securities purchased 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 profit 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	94,157,555	96,284,901
Securities purchased under resell agreements		
Bonds sold under repurchase agreements	7,322,042	7,548,570

f. Offsetting financial assets and financial liabilities

Certain transactions of the Company 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 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 Received	
Derivative financial instruments	\$ 2,809	\$ -	\$ 2,809	\$ -	\$ -	\$ 2,809

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	
Repurchase agreements	\$ 184,696,662	\$ -	\$ 184,696,662	\$ 182,127,701	\$ -	\$ 2,568,961

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 Received	
Derivative financial instruments	\$ 17,574	\$ -	\$ 17,574	\$ -	\$ -	\$ 17,574

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	
Repurchase agreements	\$ 179,726,810	\$ -	\$ 179,726,810	\$ 177,388,319	\$ -	\$ 2,338,491

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 Received	
Derivative financial instruments	\$ 8,910	\$ -	\$ 8,910	\$ -	\$ -	\$ 8,910

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	
Repurchase agreements	\$ 177,712,119	\$ -	\$ 177,712,119	\$ 175,325,426	\$ -	\$ 2,386,693

Note: Included non-cash financial collaterals.

37. FINANCIAL RISK MANAGEMENT

a. Overview

The main goals of risk management, besides meeting the requirements of authorities, are to manage risk assets and liabilities systematically, avoid financial crisis and pursue sustainable development. To attain these goals, the Company runs various risk management systems and promotes a culture toward risk management, with the approval of the board of directors and management. The Company's risk management process covers various aspects of its operations and involves the efficient disclosure and control of operating risks through the implementation of procedures for risk identification, measurement, reporting, handling, and supervision.

b. Risk management framework and process

The board of directors occupies the highest level in the Company's risk management framework and supervises the implementation of risk management procedures. The general manager leads the business risk management and financial asset and liability management committee; the business evaluation committee and investment evaluation committee, which are under the president, deal with market, credit, and operational risks; and the internal auditing office supervises risk control.

The Company's risk management process involves the formulation of risk management policies and the implementation of risk management procedures, which consist of identifying, valuating, monitoring and reporting of risks. The board of directors determines the Company's risk threshold and sets authorization levels on risk acceptance, and the risk management department identifies and monitors various kinds of risks and reports these risks to the management for decision making.

c. Financial risk management policy

1) Credit risk

The Company manages credit quality of bills, bonds, equity investments and derivatives to maintain possible losses and liquidity risk arising from credit risk. The Company prepares a variety of report forms focusing on credit conditions, statics of business, risk exposure, risk management and reports to the management and the authority regularly.

2) Market risk

The Company evaluates market risk factors affecting bills, bonds, equity investments and derivatives for the impact of these factors on the Company's net worth and profit and loss and takes measures to control market risk. The management division summarizes stop-loss control report forms and makes daily reports to the management for ongoing risk supervision. It also summarizes value at risk, conclusions of interest rate stress tests and status of profit and loss on financial assets and gives related updates to the financial asset and liability management committee.

3) Operational risk

The operating, financial and information technology divisions conduct thorough general self-inspections once every six months and special self-inspection every month. The internal auditing office does a routine audit and a special audit at least annually of the operating, financial and information technology divisions and a special audit at least annually of other management divisions, and monitors the improvement of these divisions on the basis of audit results.

4) Liquidity risk

The fixed return division is in charge of financial gap analysis, and the risk management division is responsible for the daily monitoring of total amounts of liabilities and performing liquidity stress tests regularly to control risk.

d. Resource and definition of risk

1) Credit risk

Credit risk refers to a debtor or a counterparty's failure to meet contract terms or to repay principal and interest. It includes (a) the issuer default risk arising from the Company's guaranteeing of bills and from the brokering and trading of bills and bonds, (b) the counterparty default risk on derivatives, and (c) default risk arising from the Company's own equity investments.

2) Market risk

Market risk pertains to the impact on the Company's net worth and profit and loss of changes in market factors affecting bills, bonds, equity investments and derivatives.

3) Operational risk

Operational risk refers to additional costs or expenses due to operating or internal management negligence or other reasons.

4) Liquidity risk

Liquidity risk pertains to losses the Company may suffer because of failure to finance its operations or to liquidate its assets fast enough to meet matured payment obligations or because of adverse changes in market rates. A liquidity gap occurs when liquid assets are not enough to cover any liabilities incurred by the Company.

e. Hedge policy and supervision

1) Credit risk

The “Loan Review System” is used to monitor debt accounts after the loan approval. In addition, the risk management division and relevant divisions determine the credit limit for each frequent borrower, and this limit is approved by the Company president. These divisions provide credit information periodically on the status of issuers of bonds and shares and guarantors as well as the credit-evaluation of counterparties to commodity derivative transactions so that the Company can measure each credit risk.

2) Market risk

The Company hedges against cash flow risks and adverse fluctuations of fair value through single or multiple portfolio hedge instruments to offset the effects of negative interest rate and price changes on the financial assets held by the Company. It uses interest rate swap contracts as hedging instruments and makes hedge effectiveness tests on an ongoing basis.

3) Operational risk

Mutual authentication of transactions is applied, i.e., the business division is responsible for authorizing and approving transactions, and the operating division is responsible for processing and recording transactions. In addition, through enhanced employee training, automation of operating processes and establishing standard operating procedures, the Company reduces operational risk effectively.

4) Liquidity risk

The Company has a mechanism for monitoring liquidity. It has also set up a financial gap limit per period, and the fixed return division is responsible for observing this limit. Under an authorized personnel’s approval, the Company takes appropriate measures to ensure payment by a counterparty once the financial gap limit is exceeded. For unexpected liquidity risks, the Company has set up an emergency reaction plan.

f. Expected credit losses calculation

In the assessment of impairment and calculation of expected credit losses, the Company considers reasonable and supportable information (that can be obtained without incurring excessive costs or inputs) about past events, current conditions and reasonable and supportable forecasts of future economic conditions. The Company determines at the reporting date whether there has been a significant increase in credit risk since initial recognition or whether credit impairment has occurred, and recognizes expected credit losses according to which stage the asset belongs: No significant increase in credit risk or low credit risk at balance sheet date (Stage 1), significant increase in credit risk (Stage 2), and credit impaired (Stage 3).

The definition of each stage and the recognition of expected credit loss are as follows:

	Stage 1	Stage 2	Stage 3
Definition	Financial asset which has low credit risk at reporting date, or there has not been a significant increase in credit risk since initial recognition.	Credit risk of financial asset has significant increase since initial recognition but not impaired.	The credit of financial asset is impaired at reporting date.
Recognition of expected credit loss	12 months expected credit losses	The lifetime expected credit losses (ECLs)	The lifetime expected credit losses (ECLs)

In calculating expected credit losses under IFRS 9, the Company applies key judgement and assumptions as follows:

1) Determination of a significant increase in credit risk after initial recognition

The Company assesses the changes in default risk over the lifetime of credit assets and investments in debt instruments of financial assets at FVTOCI to determine whether there has been a significant increase in credit risk.

a) Credit business

The main indicators of significant increase in credit risk of the Company's credit business:

- i. The repayment of principal and interest has been 1 to 3 months past due.
- ii. The debtor only pays interest or initiates debt negotiations.
- iii. The debtor was notified as a dishonored account.
- iv. The debtor's loans from other financial institutions have been delayed.
- v. The debtor has other records of bad credit.

b) Bonds and bills investments

Indicators that the Company's bonds and bills investments have significant increase in credit risk are as follows:

- i. The repayment including interests is over 30 days.
- ii. Domestic currency: Credit rating at reporting date compared to initial recognition, the credit rating has decreased from twA to between twA- and twCCC- or from between twA- and twBBB- to between twBB+ and twCCC-.
- iii. Foreign currency: Credit rating at reporting date compared to initial recognition, the credit rating has decreased from Baa3 to between Ba1 and Caa3 or from between Ba1 and Ba3 to between B1 and Caa3.

2) Definition of default and credit-impaired financial assets

a) Credit business

- i. The balance of guarantees and endorsement credits has been 3 months overdue.
- ii. The debtor's loans from other financial institutions have been reclassified as overdue loan or written off as bad debt.
- iii. The debtor has filed for reorganization and bankruptcy.
- iv. The debtor has other records of bad credit.

b) Bonds and bills investments

The Company's bonds and bills investments with any item below are considered as credit-impaired:

- i. The repayment including interests has been 3 months overdue.
- ii. The credit is rated as in default at reporting date.
- iii. The issuer has filed for the bankruptcy, reorganization or other procedure of debt redemptions.

3) Write-off policy

Under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt", the credit shall be written off as bad debt after deduction of the estimated recoverable portion:

- a) All or part of the debt is unrecoverable due to the dissolution, flight, settlement, bankruptcy or other reason of the debtor.
- b) The debt cannot be repaid, or no financial benefit would accrue from execution after deduction of senior mortgages on the collateral and the property of the primary and secondary debtor.
- c) Where there are no buyers for the collateral and the property of the primary and secondary debtor after being auctioned at successively lower prices, and their assumption would bring no financial benefit for the bills finance company.
- d) More than one year have elapsed since the maturity date of the non-performing or non-accrual credit and collection efforts have failed.
- e) Any uncollateralized non-performing or non-accrual credit shall be written off as bad debt within six months after the maturity date, provided that this requirement shall not apply when it can be proven that a claim against the property of the primary or secondary debtor would yield benefit.

4) Measurement of expected credit losses

The model of expected credit losses is composed of probability of default, loss given default, and exposure at default.

a) Credit business

i. Probability of default:

- i) Stage 1: Number of declining client in the current year $\div$ number of client at the beginning of the year. The average of the current evaluation period is the probability of default since 2015.
- ii) Stage 2: Number of default client in the current year $\div$ number of Stage 2 client at the beginning of the year. The average of the current evaluation period is the probability of default since 2015. However, under the conservative principle, the higher rate between Stage 1 and Stage 2 will be used to calculate the expected credit losses.

ii. Loss given default (1 - recovery rate), the way to calculate recovery rate is as follows:

To calculate 5 years recovery rate, the Company uses the effective interest rate (average of issued interest rate in primary market in the current year) to discount the client's recovery amount who defaulted from 2008.

iii. Exposure at default: The amount of self-guarantee, which is off balance sheet and calculated by commercial paper guarantee contracts.

b) Bonds and bills investments

i. Probability of default: Adopt data of external credit ratings.

ii. Loss given default: Basel of credit risk of internal ratings, the loss given default based on foundation approach.

iii. Exposure at default: Total book cost (including interest receivables).

5) Consideration of forward-looking information

a) Credit business

i. Refer to major message of Market Observation Post System and external credit ratings.

ii. The Company's credit contracts are all within a year, which adequately considered the comprehensive forward-looking information of clients' background, financial situation, operation performance, investment performance, repayment ability, peer comparison, and industry development of internal credit process and internal credit rating.

b) Bonds and bills investments

The rating is forward-looking according to rating criteria refer to institution of external rating.

g. Material financial risk

1) Credit risk

The financial instruments held by the Company may give rise to losses if counterparties fail to meet their contract obligations. Thus, when guaranteeing commercial paper, the Company makes a careful credit evaluation, and if necessary, requires issuers to offer adequate collaterals. Collaterals are often cash, realty, securities or other assets. If counterparties default, the Company may compulsorily execute its rights to claim the collaterals to lower its credit risks effectively. However, in the disclosure of the maximum exposure to credit risks, the fair value of collaterals is not included.

For commercial paper, the Company may need to pay the paper holders on maturity if the issuers default. Thus, the contractual amounts do not represent actual future cash flows.

Assuming that a credit is completely used and the collaterals lose their values, the credit risk amount equals the contract amount, and a maximum exposure risk may arise.

- a) The balances of commercial paper guarantee contracts, amounts used of guarantee contracts and ratios of guarantees with collateral, which are considered as off-balance sheet risks of the Company has are as follows:
- i. As for September 30, 2021, December 31, 2020 and September 30, 2020, guarantees with collateral accounted for 57.97%, 61.61% and 61.20%, respectively, of the total guarantees given by the Company.
 - ii. As for September 30, 2021, December 31, 2020 and September 30, 2020, balances of commercial paper guarantee contracts, which were off-balance sheet risks owned by the Company amounted to \$192,061 million, \$189,461 million and \$188,846 million (amounts used of guarantee contracts were \$107,805 million, \$109,165 million and \$107,202 million), respectively.
 - iii. The maximum exposures to credit risks on balance-sheet assets, without consideration of the related guarantees, approximate the assets' carrying amounts. Refer to notes in the financial statements.

iv. The movements in reserve guarantee liabilities

The movements in reserve guarantee liabilities were as follows:

For the nine months ended September 30, 2021

	Stage 1 Performing (12-month ECLs)	Stage 2 Doubtful (Lifetime ECLs- Assessment Collectively)	Stage 3 Doubtful (Lifetime ECLs- Assessment Individually)	Recognition of Impairment under IFRS 9	Recognition of Impairment Difference under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt”	Total
Balance at January 1	\$ 15,461	\$ 16	\$ -	\$ 15,477	\$ 1,359,600	\$ 1,375,077
Changes from credit assets recognized at the beginning of the period						
The impairment allowance for credit assets derecognized in the current period	(2,655)	(1)	-	(2,656)	-	(2,656)
Originated or purchased new credit assets	2,495	-	-	2,495	-	2,495
Recognition of impairment difference under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt”	-	-	-	-	2,745	2,745
Changes of model/risk parameter	(2,582)	(2)	-	(2,584)	-	(2,584)
Balance at September 30	<u>\$ 12,719</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 12,732</u>	<u>\$ 1,362,345</u>	<u>\$ 1,375,077</u>

For the nine months ended September 30, 2020

	Stage 1 Performing (12-month ECLs)	Stage 2 Doubtful (Lifetime ECLs- Assessment Collectively)	Stage 3 Doubtful (Lifetime ECLs- Assessment Individually)	Recognition of Impairment under IFRS 9	Recognition of Impairment Difference under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt”	Total
Balance at January 1	\$ 15,313	\$ 21	\$ -	\$ 15,334	\$ 1,309,743	\$ 1,325,077
Changes from credit assets recognized at the beginning of the period						
The impairment allowance for credit assets derecognized in the current period	(3,438)	(5)	-	(3,443)	-	(3,443)
Originated or purchased new credit assets	3,289	-	-	3,289	-	3,289
Recognition of impairment difference under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt”	-	-	-	-	138	138
Changes of model/risk parameter	16	-	-	16	-	16
Balance at September 30	<u>\$ 15,180</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 15,196</u>	<u>\$ 1,309,881</u>	<u>\$ 1,325,077</u>

v. Exposure to credit risk

The amounts of the Company's maximum exposure to credit risk and impairment allowance were as follows:

September 30, 2021

	On- and off- Balance Sheet Credit Assets				
	Stage 1	Stage 2	Stage 3		Total
	Performing (12-month ECLs)		Doubtful (Lifetime ECLs)	Credit Impairment of Purchase	
Rating level					
Internal rating 1-2	\$ 107,754,062	\$ 106,200	\$ -	\$ -	\$ 107,860,262
Internal rating 3-4	-	-	-	-	-
Defect	-	-	-	-	-
Total book value	<u>\$ 107,754,062</u>	<u>\$ 106,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,860,262</u>
Impairment allowance	\$ 12,719	\$ 13	\$ -	\$ -	\$ 12,732
Recognition of impairment under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt"	1,256,158	106,187	-	-	1,362,345
	<u>\$ 1,268,877</u>	<u>\$ 106,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,375,077</u>

December 31, 2020

	On- and off- Balance Sheet Credit Assets				
	Stage 1	Stage 2	Stage 3		Total
	Performing (12-month ECLs)		Doubtful (Lifetime ECLs)	Credit Impairment of Purchase	
Rating level					
Internal rating 1-2	\$ 109,103,705	\$ 111,200	\$ -	\$ -	\$ 109,214,905
Internal rating 3-4	-	-	-	-	-
Defect	-	-	-	-	-
Total book value	<u>\$ 109,103,705</u>	<u>\$ 111,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,214,905</u>
Impairment allowance	\$ 15,461	\$ 16	\$ -	\$ -	\$ 15,477
Recognition of impairment under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt"	1,248,416	111,184	-	-	1,359,600
	<u>\$ 1,263,877</u>	<u>\$ 111,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,375,077</u>

September 30, 2020

	On- and off- Balance Sheet Credit Assets				
	Stage 1 Performing (12-month ECLs)	Stage 2 Doubtful (Lifetime ECLs)	Stage 3 Doubtful (Lifetime ECLs)		Credit Impairment of Purchase
					Total
Rating level					
Internal rating 1-2	\$ 107,124,781	\$ 111,500	\$ -	\$ -	\$ 107,236,281
Internal rating 3-4	-	-	-	-	-
Defect	-	-	-	-	-
Total book value	<u>\$ 107,124,781</u>	<u>\$ 111,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,236,281</u>
Impairment allowance	\$ 15,180	\$ 16	\$ -	\$ -	\$ 15,196
Recognition of impairment under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt”	<u>1,198,397</u>	<u>111,484</u>	<u>-</u>	<u>-</u>	<u>1,309,881</u>
	<u>\$ 1,213,577</u>	<u>\$ 111,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,325,077</u>

- vi. The amounts of the Company’s maximum exposure to credit risk of financial instruments were not applicable regulations of impairment and as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets at fair value through profit or loss			
Derivative financial instruments			
Currency swap contracts	\$ 2,809	\$ 17,574	\$ 8,910
Non-derivative financial instruments			
Investment in short-term bills	119,756,194	96,213,716	100,411,540
Bond investments	240,879	176,050	154,837
Domestic quoted shares	86,157	63,139	3,990
Fixed-rate commercial paper	68,433	85,113	78,743
Beneficiary securities	502,718	503,298	502,911
Hybrid financial assets			
Convertible bond asset swap contracts	<u>9,770,960</u>	<u>9,096,650</u>	<u>10,124,799</u>
	<u>130,428,150</u>	<u>106,155,540</u>	<u>111,285,730</u>
Financial assets at FVTOCI			
Investments in equity instruments	<u>1,365,991</u>	<u>1,685,578</u>	<u>1,217,243</u>
	<u>\$ 131,794,141</u>	<u>\$ 107,841,118</u>	<u>\$ 112,502,973</u>

b) Concentration of credit risk

Significant concentration of credit risk occurs when counterparties to financial asset transactions are individuals or a group of individuals engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The check for significant concentration of credit risk includes the nature of a counterparty's operating activity. Transactions the Company engaged in do not significantly concentrate on the same counterparty or customer.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Company's concentrations of credit risk arising from guaranteeing commercial paper were as follows (in millions of New Taiwan dollars):

i. By industry

Industry Sector	September 30, 2021		December 31, 2020		September 30, 2020	
	Carrying Amounts	Maximum Amounts Exposed to Credit Risk	Carrying Amounts	Maximum Amounts Exposed to Credit Risk	Carrying Amounts	Maximum Amounts Exposed to Credit Risk
Finance and insurance	\$ 31,547	\$ 31,547	\$ 35,725	\$ 35,725	\$ 34,364	\$ 34,364
Real estate	27,627	27,627	28,799	28,799	29,231	29,231
Manufacturer	24,654	24,654	23,543	23,543	23,991	23,991
Wholesaling and retailing	12,423	12,423	11,540	11,540	9,664	9,664
Others	<u>11,554</u>	<u>11,554</u>	<u>9,558</u>	<u>9,558</u>	<u>9,952</u>	<u>9,952</u>
	<u>\$ 107,805</u>	<u>\$ 107,805</u>	<u>\$ 109,165</u>	<u>\$ 109,165</u>	<u>\$ 107,202</u>	<u>\$ 107,202</u>

ii. By collateral

Collateral Sector	September 30, 2021		December 31, 2020		September 30, 2020	
	Carrying Amounts	% to Total	Carrying Amounts	% to Total	Carrying Amounts	% to Total
Without collateral	\$ 45,316	42.03	\$ 41,905	38.39	\$ 41,591	38.80
With collateral						
Real estate	40,024	37.13	40,451	37.05	40,710	37.98
Shares	19,850	18.41	24,755	22.68	22,796	21.26
Bond	1,917	1.78	1,729	1.58	1,730	1.61
Bills	<u>698</u>	<u>0.65</u>	<u>325</u>	<u>0.30</u>	<u>375</u>	<u>0.35</u>
	<u>\$ 107,805</u>	<u>100.00</u>	<u>\$ 109,165</u>	<u>100.00</u>	<u>\$ 107,202</u>	<u>100.00</u>

c) Credit quality and impairment assessment

- Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, refundable deposits, operating deposits and clearing and settlement funds are regarded as very low credit risk owing to the good credit rating of counterparties. Except for the above, the risk levels of the Company's financial assets were as follows:

- Low risk: Credit quality and contractual capacity is above average.
- Medium risk: Credit quality and contractual capacity is average.
- High risk: Credit quality and contractual capacity is lower than average.

- iv. Each of these levels has internal and external credit rating equivalents in the following table. The “Risk Level” and “Rating” are not highly associated. This table is used for similarity matrix.

Risk Level	Rating
Low risk	twAAA to twBBB-
Medium risk	twBB+ to twBB
High risk	twBB- to twC

2) Market risk

Market risk refers to interest rate risk and fluctuation in shares price risk. The Company weighs market risk mainly by profit and loss analysis, through which profits and losses are evaluated individually on the basis of the nature of financial assets, such as interest rate futures, shares index futures and options. Other financial assets, such as interest rate swaps, convertible bond asset swaps and bond options, are evaluated by their theoretical prices and reference prices published by the authorities. The Company also observes daily the fluctuation of profits and losses on the financial assets. In addition, interest rate risk commodities are reviewed using sensitivity analysis tools which include duration, DV01, etc.

The Company enters into interest rate swap contracts to hedge against the future cash flow risk arising from floating interest rate assets and liabilities, which are exposed to market rate fluctuations, and manages risk from changes in fair value by using factor sensitivity measures. For related information, refer to Note 38.

The sensitivity analysis of interest rate-sensitive commodities assuming a 0.01% fluctuation in market rates is as follows:

September 30, 2021			
Financial Asset	Face Value	Average Duration (Year)	Influence to Fair Value Per 0.01 Fluctuation in Market Value
Bills	\$ 119,867,462	0.1205	\$ 1,443
Bonds	110,682,074	2.9951	32,426
December 31, 2020			
Financial Asset	Face Value	Average Duration (Year)	Influence to Fair Value Per 0.01 Fluctuation in Market Value
Bills	\$ 96,295,605	0.1028	\$ 989
Bonds	111,036,915	3.0390	33,375

September 30, 2020

Financial Asset	Face Value	Average Duration (Year)	Influence to Fair Value Per 0.01 Fluctuation in Market Value
Bills	\$ 100,507,381	0.1143	\$ 1,148
Bonds	111,160,457	3.0522	33,657

Effect of interest rate benchmark reform

The Company is exposed to USD LIBOR which is 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. There are key differences between USD LIBOR and SOFR. 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 Company revises the basic information of its foreign-currency-denominated floating-rate notes to the interest rate benchmark in accordance with each supplementary agreement. The revision is considering changes to risk management policies, internal processes, IT systems and valuation models, as well as managing any related tax and accounting implications.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with the Company’s counterparties are not successfully concluded before the cessation of 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 Company at September 30, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

Non-derivative Financial Instrument	Carrying Amount Financial Assets
3-month USD LIBOR	<u>\$ 3,146,442</u>

3) Liquidity risk

- a) There is no liquidity risk arising from non-performance of contractual obligations because capital and working capital are sufficient to cover all the contractual obligations. In addition, liquidity risk is quite low since cash requirement is not material on the maturity dates of derivative financial instruments.

The basic rule for the Company's operating and management activities is to handle assets and liabilities in the order of their maturities, considering the interest-rate and liquidity gap; however, assets and liabilities cannot be completely matched because of the differences in types and uncertainty of transaction terms, and these differences may affect profits and losses. The Company evaluates liquidity by maturity analysis, which is shown in the following table:

	September 30, 2021						
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
Assets							
Cash and cash equivalents	\$ 343,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 343,142
Financial assets at fair value through profit or loss	54,759,687	59,066,597	8,348,666	1,597,332	6,655,868	-	130,428,150
Securities purchased under resell agreements	5,655,955	500,409	-	-	-	-	6,156,364
Receivables	166,209	138,043	139,618	106,906	169,675	-	720,451
Financial assets at FVTOCI	450,161	2,303,185	4,265,648	9,991,421	76,153,259	10,068,660	103,232,334
Other financial assets	-	-	-	-	41,202	-	41,202
Refundable deposits	5,350	-	-	-	-	561,003	566,353
	<u>61,380,504</u>	<u>62,008,234</u>	<u>12,753,932</u>	<u>11,695,659</u>	<u>83,020,004</u>	<u>10,629,663</u>	<u>241,487,996</u>
Liabilities							
Call loans from banks and overdrafts on banks	24,875,856	-	-	-	-	-	24,875,856
Financial liabilities at fair value through profit or loss	-	-	-	-	31,431	-	31,431
Securities sold under repurchase agreements	143,531,069	38,809,411	2,289,364	122,901	-	-	184,752,745
Bills issued, net	2,500,000	2,000,000	-	-	-	-	4,500,000
Accounts payable	107,468	18,021	135,434	7,686	100,718	-	369,327
Lease liabilities	-	301	451	1,053	2,096	-	3,901
	<u>171,014,393</u>	<u>40,827,733</u>	<u>2,425,249</u>	<u>131,640</u>	<u>134,245</u>	<u>-</u>	<u>214,533,260</u>
Net liquidity gap	<u>\$ (109,633,889)</u>	<u>\$ 21,180,501</u>	<u>\$ 10,328,683</u>	<u>\$ 11,564,019</u>	<u>\$ 82,885,759</u>	<u>\$ 10,629,663</u>	<u>\$ 26,954,736</u>

	December 31, 2020						
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
Assets							
Cash and cash equivalents	\$ 264,720	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 264,720
Financial assets at fair value through profit or loss	56,938,355	37,787,228	4,451,159	1,600,057	5,378,741	-	106,155,540
Securities purchased under resell agreements	4,163,529	570,727	-	-	-	-	4,734,256
Receivables	211,456	192,961	152,158	103,007	122,381	-	781,963
Financial assets at FVTOCI	1,373,276	2,421,627	3,912,949	6,699,510	80,039,700	10,790,217	105,237,279
Other financial assets	-	-	-	-	566,011	-	566,011
Refundable deposits	-	-	-	-	-	36,125	36,125
	<u>62,951,336</u>	<u>40,972,543</u>	<u>8,516,266</u>	<u>8,402,574</u>	<u>86,106,833</u>	<u>10,826,342</u>	<u>217,775,894</u>
Liabilities							
Call loans from banks and overdrafts on banks	\$ 6,140,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,140,000
Financial liabilities at fair value through profit or loss	1	269	-	512	38,470	-	39,252
Securities sold under repurchase agreements	138,102,330	39,229,803	2,450,172	11,866	-	-	179,794,171
Bills issued, net	4,500,000	-	-	-	-	-	4,500,000
Accounts payable	155,335	88,645	101,532	-	43,070	-	388,582
Lease liabilities	-	823	645	704	560	-	2,732
	<u>148,897,666</u>	<u>39,319,540</u>	<u>2,552,349</u>	<u>13,082</u>	<u>82,100</u>	<u>-</u>	<u>190,864,737</u>
Net liquidity gap	<u>\$ (85,946,330)</u>	<u>\$ 1,653,003</u>	<u>\$ 5,963,917</u>	<u>\$ 8,389,492</u>	<u>\$ 86,024,733</u>	<u>\$ 10,826,342</u>	<u>\$ 26,911,157</u>

September 30, 2020							
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
<u>Assets</u>							
Cash and cash equivalents	\$ 240,646	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 240,646
Financial assets at fair value through profit or loss	49,430,262	45,358,619	9,396,311	1,276,366	5,824,172	-	111,285,730
Securities purchased under resell agreements	6,253,139	1,070,873	-	-	-	-	7,324,012
Receivables	284,219	208,249	173,268	117,023	141,097	-	923,856
Financial assets at FVTOCI	137,469	2,282,924	3,822,051	6,471,504	80,850,727	10,069,263	103,633,938
Other financial assets	-	-	-	-	566,664	-	566,664
Refundable deposits	-	-	-	-	-	36,125	36,125
	<u>56,345,735</u>	<u>48,920,665</u>	<u>13,391,630</u>	<u>7,864,893</u>	<u>87,382,660</u>	<u>10,105,388</u>	<u>224,010,971</u>
<u>Liabilities</u>							
Call loans from banks and overdrafts on banks	14,951,101	-	-	-	-	-	14,951,101
Financial liabilities at fair value through profit or loss	1	-	274	373	11,945	-	12,593
Securities sold under repurchase agreements	141,658,018	31,477,103	4,516,868	136,041	-	-	177,788,030
Bills issued, net	2,500,000	2,000,000	-	-	-	-	4,500,000
Accounts payable	353,025	15,975	127,659	-	81,668	-	578,327
Lease liabilities	-	738	850	1,356	665	-	3,609
	<u>159,462,145</u>	<u>33,493,816</u>	<u>4,645,651</u>	<u>137,770</u>	<u>94,278</u>	<u>-</u>	<u>197,833,660</u>
Net liquidity gap	<u>\$ (103,116,410)</u>	<u>\$ 15,426,849</u>	<u>\$ 8,745,979</u>	<u>\$ 7,727,123</u>	<u>\$ 87,288,382</u>	<u>\$ 10,105,388</u>	<u>\$ 26,177,311</u>
September 30, 2021							
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
<u>Currency swap</u>							
Inflow	<u>\$ 615,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615,868</u>
Outflow	<u>\$ 613,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613,052</u>
December 31, 2020							
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
<u>Currency swap</u>							
Inflow	<u>\$ 1,241,709</u>	<u>\$ 685,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,927,162</u>
Outflow	<u>\$ 1,225,844</u>	<u>\$ 684,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,910,036</u>
September 30, 2020							
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
<u>Currency swap</u>							
Inflow	<u>\$ 737,005</u>	<u>\$ -</u>	<u>\$ 523,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,260,827</u>
Outflow	<u>\$ 728,150</u>	<u>\$ -</u>	<u>\$ 524,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,252,418</u>

b) Maturity analysis of off-balance sheet items

The following table shows the Company's maturity analysis of off-balance sheet items based on residual maturity from the balance-sheet date to the contract maturity date. The amounts of guaranteed and endorsed commercial papers are included in accordance with the earliest date of performance obligation.

	1 Month	Over 1 Month - 3 Months	Over 3 Months - 6 Months	Over 6 Months - 1 Year	Over 1 Year	Total
<u>September 30, 2021</u>						
Off-balance sheet item						
Guaranteed commercial paper	\$ 29,525,600	\$ 63,869,100	\$ 12,088,100	\$ 2,322,200	\$ -	\$ 107,805,000
<u>December 31, 2020</u>						
Off-balance sheet item						
Guaranteed commercial paper	28,891,300	67,775,800	9,587,100	2,911,100	-	109,165,300
<u>September 30, 2020</u>						
Off-balance sheet item						
Guaranteed commercial paper	34,523,800	61,343,700	8,422,900	2,911,100	-	107,201,500

4) Foreign exchange risk

- a) Foreign exchange risk faced by the Company refers to movements in fair values of foreign currency denominated assets less foreign currency denominated liability plus derivative position as a result of exchange rate fluctuations that may result in losses to the Company.

- b) In terms of foreign exchange risk management, the Company mainly supervises position limits and loss limits on relevant businesses. Related control measures include daily supervision on exposure position, price assessment, and control over loss limits; and reporting to the Asset and Liability Management committee monthly.
- c) Company's foreign exchange risk exposure

	September 30, 2021	
	USD	RMB
Cash and cash equivalents	\$ 85,437	\$ 2
Financial assets at FVTOCI	22,358,647	-
Receivables, net	175,444	-
Other financial assets	36,504	-
Total assets	<u>22,656,032</u>	<u>2</u>
Call loans from banks and overdrafts on banks	445,856	-
Securities sold under repurchase agreements	19,998,035	-
Accounts payable	64,454	-
Total liabilities	<u>20,508,345</u>	<u>-</u>
On-balance sheet foreign exchange gap	<u>\$ 2,147,687</u>	<u>\$ 2</u>
Off-balance sheet currency swaps	<u>\$ (613,052)</u>	<u>\$ -</u>
Exchange rate to NTD	<u>27.866</u>	<u>4.3056</u>
Foreign exchange loss	<u>\$ (9,070)</u>	<u>\$ -</u>
	December 31, 2020	
	USD	RMB
Cash and cash equivalents	\$ 19,728	\$ 2
Financial assets at FVTOCI	22,005,012	-
Receivables, net	137,608	-
Other financial assets	36,319	-
Total assets	<u>22,198,667</u>	<u>2</u>
Call loans from banks and overdrafts on banks	-	-
Securities sold under repurchase agreements	18,594,115	-
Accounts payable	14,340	-
Total liabilities	<u>18,608,455</u>	<u>-</u>
On-balance sheet foreign exchange gap	<u>\$ 3,590,212</u>	<u>\$ 2</u>
Off-balance sheet currency swaps	<u>\$ (1,910,036)</u>	<u>\$ -</u>
Exchange rate to NTD	<u>28.508</u>	<u>4.384</u>
Foreign exchange loss	<u>\$ (51,179)</u>	<u>\$ (1,142)</u>

	September 30, 2020	
	USD	RMB
Cash and cash equivalents	\$ 6,000	\$ -
Financial assets at FVTOCI	20,702,382	-
Receivables, net	339,143	-
Other financial assets	36,961	-
Total assets	<u>21,084,486</u>	<u>-</u>
Call loans from banks and overdrafts on banks	763,101	-
Securities sold under repurchase agreements	17,386,504	-
Accounts payable	<u>303,406</u>	<u>-</u>
Total liabilities	<u>18,453,011</u>	<u>-</u>
On-balance sheet foreign exchange gap	<u>\$ 2,631,475</u>	<u>\$ -</u>
Off-balance sheet currency swaps	<u>\$ (1,252,418)</u>	<u>\$ -</u>
Exchange rate to NTD	<u>29.126</u>	<u>4.275</u>
Foreign exchange loss	<u>\$ (23,854)</u>	<u>\$ (1,143)</u>

d) Sensitivity analysis

Risky Financial Instruments of Primary Market		September 30, 2021	
		Effect on Profit or Loss	Effect on Other Comprehensive Income
Extent of Variation			
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB appreciated by 1%	\$ (14,597)	\$ -
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB depreciated by 1%	14,597	-
Risky Financial Instruments of Primary Market		December 31, 2020	
		Effect on Profit or Loss	Effect on Other Comprehensive Income
Extent of Variation			
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB appreciated by 1%	\$ (15,177)	\$ -
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB depreciated by 1%	15,177	-

Risky Financial Instruments of Primary Market	Extent of Variation	September 30, 2020	
		Effect on Profit or Loss	Effect on Other Comprehensive Income
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB appreciated by 1%	\$ (12,649)	\$ -
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB depreciated by 1%	12,649	-

5) Equity securities risk management

- a) The Company's equity securities market risk comprises the risk of individual equity security arising from the security's market price changes and the general market risk coming from overall equity securities market price changes.
- b) For equity securities risk management, the Company has set trading strategies for three categories of positions: (a) positions held for selling and earning capital gains in the short-term; (b) positions held for earning dividends; (c) positions held for earning capital gains derived from stocks that price in on promising industries or robust profitability in the long-term, and (d) setting annual loss limits to the tolerable scopes.
- c) Related control measures include: Daily market price valuation to control loss limits and monthly reporting to the Risk Management Committee.

38. DISCLOSURES IN CONFORMITY WITH THE REGULATIONS GOVERNING THE PREPARATION OF FINANCIAL REPORTS BY PUBLICLY HELD BILLS FINANCE COMPANIES

a. Asset quality

Item	Year	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 nonperforming debts		0.00%	0.00%
Ratio of nonperforming 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	Year	September 30, 2021	September 30, 2020
Balance of guarantees and endorsement securities		\$ 107,805,000	\$ 107,201,500
Ratio of guarantees and endorsement securities to net worth		4.51	4.76
Short-term bills and bonds sold under repurchase agreements		\$ 184,752,745	\$ 177,788,030
Ratio of short-term bills and bonds sold under repurchase agreements to net worth		7.73	7.89

c. Concentrations of credit extensions

Unit: %

Item	Year	September 30, 2021		September 30, 2020	
Credit to common interest party		\$ -		\$ -	
Ratio of credit extensions to common interest parties		-		-	
Ratio of credit extensions secured by pledged shares		18.41		21.26	
Loan concentration by industry (ratio of top three industry 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 parties: Credit to common interest party ÷ Total credit.

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

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

d. Concentrations of assets, liabilities and off-balance sheet items

Information on the concentrations of assets, liabilities and off-balance sheet items is shown in Note 37.

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

	September 30			
	2021		2020	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents (including certificate of deposits)	\$ 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 - bonds	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
<u>Interest-bearing liabilities</u>				
Due to other banks	7,562,652	0.21	14,894,256	0.45
Bank overdraft	480	1.50	1,662	1.59
Securities sold under repurchase agreements	175,849,794	0.23	160,083,985	0.49
Commercial papers issued, net	4,500,000	0.31	1,012,774	0.48

f. Information on interest rate sensitivity

September 30, 2021

In Millions of New Taiwan Dollars, %

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	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 sensitivity 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	1 to 90 Days	91 to 180 Days	181 Days to One Year	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 sensitivity 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.

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

g. Table of funding sources used

September 30, 2021

In Millions of New Taiwan Dollars

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Items						
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

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Items						
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)

h. Matters requiring special notation

Items	Period	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 CBF for violations of the Act Governing Bills Finance Business and the other laws		None	None
Within the past year, misconduct occurred, resulting in the Financial Supervisory Commission's imposing strict corrective measures on CBF		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		None	None
Other		None	None

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

39. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the nine months ended September 30, 2021

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Call loans from banks and overdrafts on banks	\$ 6,140,000	\$ 18,735,856	\$ -	\$ -	\$ 24,875,856
Commercial papers issued, net	4,499,227	-	-	(57)	4,499,170
Lease liabilities	<u>2,695</u>	<u>(2,695)</u>	<u>3,748</u>	<u>55</u>	<u>3,803</u>
	<u>\$ 10,641,922</u>	<u>\$ 18,733,161</u>	<u>\$ 3,748</u>	<u>\$ (2)</u>	<u>\$ 29,378,829</u>

For the nine months ended September 30, 2020

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Call loans from banks and overdrafts on banks	\$ 14,500,869	\$ 450,232	\$ -	\$ -	\$ 14,951,101
Commercial papers issued, net	-	4,500,000	-	(1,244)	4,498,756
Lease liabilities	<u>4,773</u>	<u>(2,493)</u>	<u>1,216</u>	<u>59</u>	<u>3,555</u>
	<u>\$ 14,505,642</u>	<u>\$ 4,947,739</u>	<u>\$ 1,216</u>	<u>\$ (1,185)</u>	<u>\$ 19,453,412</u>

40. OTHER MATTERS

The outbreak of the COVID-19 pandemic has impacted global industries and economic activities. In response to the pandemic, the Company adopted flexible regulation of business operations, strengthened risk monitoring of the debtors and implemented management procedures after the loan approval. As of the date of release of the financial statements, the management assessed that the pandemic had no significant impact on the Company. The Company will continue to monitor the development of the pandemic, carefully evaluate and actively respond to the impact of the pandemic on the Company's financial status and operating performance.

41. INFORMATION ON SIGNIFICANT TRANSACTIONS AND INVESTEEES AND PROPORTIONATE SHARE IN INVESTEEES

- a. Related information of significant transactions for the nine months ended September 30, 2021:
 - 1) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 2) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 3) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 4) Allowance of service fees to related parties amounting to at least NT\$5 million: None
 - 5) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
 - 6) Sale of nonperforming loans amounting to at least NT\$300 million: None
 - 7) Information on asset securitization under the "Regulations for Financial Asset Securitization": None
 - 8) Intercompany relationships and significant intercompany transactions: None
 - 9) Other significant transactions which may affect the decisions of users of financial reports: None
- b. Name, locations and other information on investees: None
- c. Investment in Mainland China: None
- d. Information on major shareholders: Listing of all shareholders with ownership of 5% or greater showing the name of the shareholder, number of shares owned, and percentage of ownership of each shareholder: Table 1.

42. OPERATING SEGMENTS

The information reported to the Company's chief operating decision makers for the assessment of segment performance focuses mainly on types of goods or services delivered or provided. The Company's reportable segments are as follows:

Segment Revenues and Results

An analysis of the Company's revenues and results by reportable segment is as follows:

Segment Revenues and Results					
For the Nine Months Ended September 30, 2021					
Headquarters					
	Commercial Papers and Bonds	Equity Products	Others	Branches	Total
Bills	\$ 722,451	\$ -	\$ -	\$ 523,686	\$ 1,246,137
Bonds	580,492	54,116	-	206,421	841,029
Shares and beneficiary certificates	-	25,778	18,068	-	43,846
Derivatives	(16,175)	84,457	-	-	68,282
Gain from reportable segments	1,286,768	164,351	18,068	730,107	2,199,294
Net revenues other than interest	(6,968)	-	-	(1,860)	(8,828)
Reversed (recognized) impairment loss on assets	4,719	-	-	-	4,719
Reversal	7,997	-	-	45	8,042
Operating expenses	(171,424)	(37,642)	-	(180,360)	(389,426)
Income before income tax	<u>\$ 1,121,092</u>	<u>\$ 126,709</u>	<u>\$ 18,068</u>	<u>\$ 547,932</u>	<u>\$ 1,813,801</u>

Segment Revenues and Results					
For the Nine Months Ended September 30, 2020					
Headquarters					
	Commercial Papers and Bonds	Equity Products	Others	Branches	Total
Bills	\$ 648,368	\$ -	\$ -	\$ 464,594	\$ 1,112,962
Bonds	451,303	14,715	-	191,453	657,471
Shares and beneficiary certificates	-	(10,237)	14,707	-	4,470
Derivatives	(10,316)	126,955	-	-	116,639
Gain from reportable segments	1,089,355	131,433	14,707	656,047	1,891,542
Net revenues other than interest	(22,346)	-	-	(3,264)	(25,610)
Reversed (recognized) impairment loss on assets	(3,956)	-	-	-	(3,956)
Reversal	3,613	-	-	73	3,686
Operating expenses	(158,062)	(31,679)	-	(170,562)	(360,303)
Income before income tax	<u>\$ 908,604</u>	<u>\$ 99,754</u>	<u>\$ 14,707</u>	<u>\$ 482,294</u>	<u>\$ 1,505,359</u>

Segment result is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The Company's branches in Banqiao, Taoyuan, Taichung, Tainan and Kaohsiung are categorized as single segment because they have the same type of products or services.

	Segment Assets		
	September 30, 2021	December 31, 2020	September 30, 2020
Headquarters	\$ 189,609,237	\$ 161,364,666	\$ 172,917,257
Branches	72,688,685	71,890,648	68,811,679
Write-off of internal transactions	<u>(20,429,898)</u>	<u>(14,971,313)</u>	<u>(17,201,694)</u>
Total assets	<u>\$ 241,868,024</u>	<u>\$ 218,284,001</u>	<u>\$ 224,527,242</u>

TABLE 1**CHINA BILLS FINANCE CORPORATION****INFORMATION ON MAJOR SHAREHOLDERS****SEPTEMBER 30, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
O-Bank	380,981,600	28.36
PJ Asset Management Co., Ltd.	228,147,000	16.98
He Zhu Investment Co., Ltd.	77,084,000	5.73

Note 1: The information on major shareholders in this table is derived from Taiwan Depository and Clearing Corporation for shareholders holding more than 5% of the Company's ordinary shares and preferred stocks that have been delivered without physical registration (including treasury shares) on the last business day of the current quarter. The share capital recorded in the Company's financial report and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.

Note 2: According the above information, the delivery of shares to the trust by shareholders is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, shareholders who acquire more than 10% of shareholding have to disclose their insider ownerships, including their own shares held, delivery to the trust and shares that have the right to make decisions on trust property. Refer to the information on filing of insider ownership declaration at the Market Observation Post System website of the Taiwan Stock Exchange.