

**TAIWAN BUSINESS BANK, LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

with Independent Auditors' Review Report
For the Nine Months Ended September 30, 2020 and 2019

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of Taiwan Business Bank, Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Taiwan Business Bank, Ltd. and subsidiaries as of September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, as well as changes in equity and cash flows for the nine months ended September 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Held Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standards (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards 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 causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Taiwan Business Bank, Ltd. and subsidiaries as of September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months ended September 30, 2020 and 2019, and its consolidated cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Held Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms and IASs 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 CHUNG, TAN TAN and CHEN, CHUN KUANG.

KPMG

Taipei, Taiwan (Republic of China)

October 28, 2020

Notes to Readers

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

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2020 and 2019

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2020, December 31, and September 30, 2019

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2020		December 31, 2019		September 30, 2019				September 30, 2020		December 31, 2019		September 30, 2019	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
11000	Assets Cash and cash equivalents (Notes 6(A) and 7)	\$ 32,329,346	2	31,395,561	2	39,012,963	2		Liabilities and equity Liabilities						
11500	Due from the Central Bank and call loans to banks (Notes 6(B) and 7)	83,347,122	5	125,431,516	7	100,601,682	6	21000	Deposits from the Central Bank and banks (Notes 6(M) and 7)	\$ 114,740,534	7	104,793,612	6	129,927,954	8
12000	Financial assets at fair value through profit or loss (Note 6(C))	29,046,139	2	26,972,786	1	17,469,396	1	21500	Due to the Central Bank and banks (Note 6(N))	17,058,790	1	752,145	-	920,400	-
12100	Financial assets at fair value through other comprehensive income (Notes 6(G) and (P))	114,714,511	7	102,597,144	6	95,215,148	6	22000	Financial liabilities at fair value through profit or loss (Notes 6(C) 、(O) and (S))	8,961,099	1	9,393,336	1	9,626,114	1
12200	Investment in debt instruments at amortized cost (Note 6(H))	230,816,898	13	263,056,842	15	268,170,790	16	22500	Notes and bonds issued under repurchase agreement (Note 6(P))	3,028,033	-	868,581	-	1,274,971	-
12500	Securities purchased under resell agreements (Note 6(D))	10,644,096	1	13,399,113	1	6,045,080	-	23000	Payables (Note 6(Q))	51,605,359	3	31,057,684	2	37,414,866	2
13000	Receivables (Note 6(E))	41,556,291	2	27,736,905	2	22,966,211	1	23200	Current tax liabilities	1,500	-	258,956	-	550,964	-
13200	Current tax assets	122,855	-	810	-	64,866	-	23500	Deposits and remittances (Notes 6(R) and 7)	1,388,929,286	79	1,435,049,547	82	1,362,641,641	80
13500	Discounts and loans, net (Notes 6(F) and 7)	1,184,757,119	66	1,132,462,936	65	1,130,914,106	66	24000	Bank notes payable (Note 6(S))	59,250,000	3	53,250,000	3	53,250,000	3
15500	Other financial assets (Note 6(I))	14,372	-	19,928	-	19,241	-	25500	Other financial liabilities (Note 6(T))	5,908,558	-	6,835,084	1	7,740,626	1
18500	Property and equipment, net (Note 6(J))	14,489,846	1	14,498,237	1	14,483,886	1	25600	Provisions (Note 6(U))	3,158,910	-	3,158,003	-	3,211,233	-
18600	Right-of-use assets, net (Note 6(K))	1,015,074	-	1,051,559	-	851,289	-	26000	Lease liabilities (Note 6(V))	991,305	-	1,041,183	-	826,510	-
19000	Intangible assets, net	372,622	-	352,376	-	342,676	-	29300	Deferred tax liabilities (Note 6(Y))	895,743	-	888,436	-	892,114	-
19300	Deferred tax assets (Note 6(Y))	2,037,942	-	1,624,651	-	1,509,051	-	29500	Other liabilities (Note 6(W))	<u>3,402,899</u>	<u>-</u>	<u>3,289,481</u>	<u>-</u>	<u>2,022,688</u>	<u>-</u>
19500	Other assets, net (Note 6(L))	10,023,917	1	5,552,450	-	6,897,721	1		Total liabilities	<u>1,657,932,016</u>	<u>94</u>	<u>1,650,636,048</u>	<u>95</u>	<u>1,610,300,081</u>	<u>95</u>
									Equity attributable to owners of parent						
								31101	Common stock (Note 6(X))	74,885,834	4	71,319,842	4	71,319,842	4
								31500	Capital Surplus(Note 6(X))	815,900	-	815,900	-	815,900	-
									Retained earnings:						
								32001	Legal reserve (Note 6(X))	14,332,452	1	12,312,175	1	12,312,175	1
								32003	Special reserve (Note 6(X))	185,128	-	223,331	-	223,331	-
								32005	Unappropriated retained earnings (Note 6(X))	3,654,369	1	7,167,217	-	5,797,695	-
								32500	Other equity interest (Note 6(X))	<u>3,482,451</u>	<u>-</u>	<u>3,678,301</u>	<u>-</u>	<u>3,795,082</u>	<u>-</u>
									Total equity	<u>97,356,134</u>	<u>6</u>	<u>95,516,766</u>	<u>5</u>	<u>94,264,025</u>	<u>5</u>
	Total assets	<u>\$ 1,755,288,150</u>	<u>100</u>	<u>1,746,152,814</u>	<u>100</u>	<u>1,704,564,106</u>	<u>100</u>		Total liabilities and equity	<u>\$ 1,755,288,150</u>	<u>100</u>	<u>1,746,152,814</u>	<u>100</u>	<u>1,704,564,106</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three and nine months ended September 30, 2020 and 2019

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

		For the three months ended September 30,				For the nine months ended September 30,			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
41000	Interest income (Notes 6(AC) and 7)	\$ 5,915,176	103	7,509,604	127	19,122,309	117	22,170,231	124
51000	Less : Interest expenses (Notes 6(AC) and 7)	(1,960,576)	(34)	(3,124,971)	(53)	(7,086,368)	(44)	(9,383,143)	(52)
	Net interest revenue	3,954,600	69	4,384,633	74	12,035,941	73	12,787,088	72
	Net revenue other than interest								
49100	Net service fee revenue (Notes 6(AD) and 13)	736,976	13	923,053	16	2,107,122	13	2,780,736	15
49200	Gain on financial assets or liabilities measured at fair value through profit or loss (Note 6(AE))	180,071	3	247,707	4	787,661	5	1,144,305	6
49310	Realized gain on financial assets at fair value through other comprehensive income (Note 6(AF))	538,863	9	270,790	5	896,952	5	574,104	3
49450	Gain arising from derecognition of financial assets measured at amortized cost (Note 6(H))	780	-	185	-	1,849	-	494	-
49600	Foreign exchange gain	95,844	2	(6,740)	-	113,988	1	260,241	1
49700	Reversal of impairment loss on assets (impairment loss on assets) (Note 6(AG))	(5,843)	-	776	-	3,504	-	(11,080)	-
49800	Net other revenue other than interest income (Note 6(AH))	109,270	2	19,251	-	149,703	1	117,318	1
49831	Net securities brokering revenue	105,642	2	54,445	1	258,096	2	147,572	1
49899	Other miscellaneous revenue (expense) (Note 6(AI))	-	-	-	-	-	-	138,999	1
	Net revenue	5,716,203	100	5,894,100	100	16,354,816	100	17,939,777	100
58200	Bad debts expense, commitment and guarantee liability provision (Note 6(AJ))	(1,271,791)	(22)	(252,290)	(4)	(3,226,772)	(20)	(1,927,996)	(11)
	Operating expense								
58500	Employee benefits expenses (Notes 6(AK))	(1,983,480)	(35)	(2,008,440)	(34)	(6,046,302)	(37)	(6,151,055)	(34)
59000	Depreciation and amortization expense (Notes 6(AL))	(257,915)	(5)	(248,411)	(4)	(746,121)	(5)	(714,365)	(4)
59500	Other general and administrative expense (Note 6(AM))	(874,439)	(15)	(939,257)	(16)	(2,506,385)	(15)	(2,630,221)	(15)
	Total operating expense	(3,115,834)	(55)	(3,196,108)	(54)	(9,298,808)	(57)	(9,495,641)	(53)
61001	Income from continuing operation before tax	1,328,578	23	2,445,702	42	3,829,236	23	6,516,140	36
61003	Less: Income tax expenses (Note 6(Y))	123,784	2	436,356	8	366,271	2	1,106,245	6
	Net income	1,204,794	21	2,009,346	34	3,462,965	21	5,409,895	30
65000	Other comprehensive income :								
65200	Components of other comprehensive income that will not be reclassified to profit or loss								
65204	Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	(331,540)	(6)	(546,958)	(9)	(710,251)	(4)	550,461	3
65220	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(Y))	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(331,540)	(6)	(546,958)	(9)	(710,251)	(4)	550,461	3
65300	Components of other comprehensive income that will be reclassified to profit or loss								
65301	Exchange difference on translation	(147,379)	(2)	30,862	-	(472,121)	(3)	59,582	-
65308	Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	180,255	3	(60,589)	(1)	898,055	5	332,524	2
65320	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(Y))	(25,668)	-	6,821	-	(87,117)	(1)	23,292	-
	Components of other comprehensive income that will be reclassified to profit or loss	58,544	1	(36,548)	(1)	513,051	3	368,814	2
65000	Other comprehensive income	(272,996)	(5)	(583,506)	(10)	(197,200)	(1)	919,275	5
	Total comprehensive income	\$ 931,798	16	1,425,840	24	3,265,765	20	6,329,170	35
	Earnings per share (in NT dollar) (Note 6 (AA))								
	Basic earnings per share (in NT dollar)	\$ 0.16		0.28		0.46		0.76	
	Diluted earnings per share (in NT dollar)	\$ 0.16		0.28		0.46		0.76	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent						Other equity interest		
	Share Capital		Retained earnings				Exchange differences on translation of foreign financial statements	Unrealized gains on financial assets measured at fair value through other comprehensive income	Total
	Common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total			
Balance at January 1, 2019	\$ 63,938,802	-	10,020,013	516,555	7,470,985	18,007,553	(541,122)	3,447,786	84,853,019
Net income for the nine months ended September 30, 2019	-	-	-	-	5,409,895	5,409,895	-	-	5,409,895
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	47,666	871,609	919,275
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	5,409,895	5,409,895	47,666	871,609	6,329,170
Appropriation and distribution of retained earnings :									
Legal reserve appropriated	-	-	2,292,162	-	(2,292,162)	-	-	-	-
Reversal of special reserve	-	-	-	(293,224)	293,224	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,918,164)	(1,918,164)	-	-	(1,918,164)
Stock dividends of ordinary share	3,196,940	-	-	-	(3,196,940)	(3,196,940)	-	-	-
Issue of shares	4,184,100	815,900	-	-	-	-	-	-	5,000,000
Disposal of investment in equity instruments designated at fair value through other comprehensive income	-	-	-	-	30,857	30,857	-	(30,857)	-
Balance at September 30, 2019	<u>\$ 71,319,842</u>	<u>815,900</u>	<u>12,312,175</u>	<u>223,331</u>	<u>5,797,695</u>	<u>18,333,201</u>	<u>(493,456)</u>	<u>4,288,538</u>	<u>94,264,025</u>
Balance at January 1, 2020	\$ 71,319,842	815,900	12,312,175	223,331	7,167,217	19,702,723	(862,866)	4,541,167	95,516,766
Net income for the nine months ended September 30, 2020	-	-	-	-	3,462,965	3,462,965	-	-	3,462,965
Other comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	-	(377,697)	180,497	(197,200)
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	3,462,965	3,462,965	(377,697)	180,497	3,265,765
Appropriation and distribution of retained earnings :									
Legal reserve appropriated	-	-	2,020,277	-	(2,020,277)	-	-	-	-
Reversal of special reserve	-	-	-	(38,203)	38,203	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,426,397)	(1,426,397)	-	-	(1,426,397)
Stock dividends of ordinary share	3,565,992	-	-	-	(3,565,992)	(3,565,992)	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(1,350)	(1,350)	-	1,350	-
Balance at September 30, 2020	<u>\$ 74,885,834</u>	<u>815,900</u>	<u>14,332,452</u>	<u>185,128</u>	<u>3,654,369</u>	<u>18,171,949</u>	<u>(1,240,563)</u>	<u>4,723,014</u>	<u>97,356,134</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income before tax	\$ 3,829,236	6,516,140
Adjustments :		
Income and expenses items:		
Depreciation expenses	639,056	621,759
Amortization expenses	107,065	92,606
Provision for bad debt expenses	3,222,708	1,976,890
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	257,352	(30,535)
Interest expenses	7,086,368	9,383,143
Net gain arising from derecognition of financial assets measured at amortized cost	(1,849)	(494)
Interest income	(19,122,309)	(22,170,231)
Net change in provisions for guarantee liabilities	(293)	(8,145)
Net change in other provisions	4,357	(42,646)
Loss on disposal of property and equipment	1,636	649
Property and equipment transferred to expenses	5,061	-
(Reversal of) impairment loss on financial assets	(3,504)	11,080
Total adjustments to reconcile profit (loss)	(7,804,352)	(10,165,924)
Changes in Operating Assets and Liabilities :		
Changes in Operating Assets :		
Decrease (increase) in due from the Central Bank and call loans to banks	42,091,000	(13,620,169)
Increase in financial assets at fair value through profit or loss	(1,725,558)	(9,041,568)
Decrease (increase) in securities purchased under resell agreements	2,755,017	(3,658,562)
(Increase) decrease in receivables	(14,647,681)	22,486,857
Increase in discounts and loans	(55,464,875)	(57,756,851)
Decrease (increase) in other financial assets	8,405	(2,650)
Increase in other assets	(5,346,385)	(1,596,554)
Total changes in operating assets	(32,330,077)	(63,189,497)
Changes in Operating Liabilities :		
Increase in deposits from the Central Bank and banks	9,946,922	38,613,411
Decrease in financial liabilities at fair value through profit or loss	(1,037,385)	(975,848)
Increase (decrease) in notes and bonds issued under repurchase agreement	2,159,452	(382,735)
Increase (decrease) in payable	20,400,747	(21,979,330)
(Decrease) increase in deposits and remittances	(46,120,261)	51,600,538
(Decrease) increase in other financial liabilities	(926,526)	253,932
Decrease in provisions for employee benefits	(2,979)	(303,697)
Total Changes in Operating Liabilities	(15,580,030)	66,826,271
Total Changes in Operating Assets and Liabilities	(47,910,107)	3,636,774
Total adjustments	(55,714,459)	(6,529,150)
Cash outflow generated from operations	(51,885,223)	(13,010)
Interest received	19,907,106	21,867,856
Interest paid	(7,294,758)	(8,883,514)
Income tax paid	(709,374)	(1,226,461)
Net cash flow (used in) generated from operating activities	(39,982,249)	11,744,871
Cash flows from investing activities :		
Acquisition of financial assets at fair value through other comprehensive income	(11,938,394)	(21,182,454)
Acquisition of financial assets at amortized cost	(148,234,850)	(6,696,563)
Proceeds from disposal of financial assets at amortized cost	180,489,725	-
Acquisition of property and equipment	(362,297)	(525,677)
Proceeds from disposal of property and equipment	27	342
Decrease in refundable deposits	406,986	520
Acquisition of intangible assets	(98,886)	(133,317)
Net cash flows generated from (used in) investing activities	20,262,311	(28,537,149)
Cash flows from financing activities :		
Increase in due to the Central Bank and banks	16,306,645	328,412
Proceeds from issuing bank notes payable	20,000,000	5,800,000
Repayments of bank notes payable	(14,000,000)	-
Increase in guarantee deposits received	561,859	958,124
Payments of lease liabilities	(321,564)	(323,763)
Decrease in other liabilities	(448,606)	(82,373)
Cash dividends paid	(1,426,397)	(1,918,164)
Proceeds from issuing shares	-	5,000,000
Net cash flows generated from financing activities	20,671,937	9,762,236
Effect of exchange rate changes on cash and cash equivalents	(18,214)	6,332
Net increase (decrease) in cash and cash equivalents	933,785	(7,023,710)
Cash and cash equivalent at beginning of period	31,395,561	46,036,673
Cash and cash equivalent at end of period	\$ 32,329,346	39,012,963

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY
ACCEPTED AUDITING STANDARDS AS OF SEPTEMBER 30, 2020 AND 2019**
TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
September 30, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

1. Company history

TAIWAN BUSINESS BANK, LTD. (the “Bank”) was formerly a general savings union known as “Taiwan Mutual Financing Bank” or “Tai-Shio Mutual Financing Bank” when it was established in 1915. After several mergers and acquisitions, it was renamed as Taiwan Business Bank, Ltd. in order to finance and provide banking assistance to small and medium-size businesses on July 1, 1976. The Bank’s major lines of business are the following:

- (A) As prescribed by the Banking Law, provides professional services tailored to the needs of small and medium-size businesses;
- (B) Trust and securities brokerage businesses as approved by the relevant authority;
- (C) International banking business; and
- (D) Other relevant businesses as authorized by the relevant authority in-charge.

As of September 30, 2020, the Bank not only sets up the business dept., international dept., securities dept. and trust dept. under head office but also has 124 domestic branches, 1 offshore banking unit, 8 overseas branches, 1 oversea representative office and 16 securities brokerage locations.

The Bank became listed on the Taiwan Stock Exchange on January 3, 1998.

Under the ” Statute for Privatization of State Enterprises” and upon the approval of Taiwan Province Government, the shares of the Bank owned by the provincial government were sold to the public. In line with privatization of the three other major Taiwan province government owned run commercial banks, the Bank had completed its own privatization on January 22, 1998.

As of September 30, 2020, December 31 and September 30, 2019, the Bank and subsidiaries has 5,422, 5,387 and 5,395 employees, respectively.

2. Approval date and procedures of the consolidated financial statements

The consolidated financial statements for the nine months ended September 30, 2020 and 2019 were authorized for issuance by the board of directors on October 28, 2020.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

3. New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

The Bank and subsidiaries assesses that the adoption of the above mentioned standards would not have any material impact on its consolidated financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2021.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021

The Bank and subsidiaries assesses that the adoption of the above mentioned standards would not have any material impact on its consolidated financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment— Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts— Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”	January 1, 2021

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 14, 2020	Annual Improvements to IFRS Standards 2018-2020	• The amendments require a subsidiary that elects to apply paragraph D16(a) of IFRS 1 First-time Adoption of International Financial Reporting Standards to measure the cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRSs. • In determining whether to derecognize a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different in accordance with IFRS 9 Financial Instruments. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. • The amendments remove the illustration of payments from the lessor relating to leasehold improvements of Illustrative Example 13 accompanying IFRS 16 Leases to avoid any potential for confusion regarding the treatment of lease incentives applying IFRS 16.

The Bank and subsidiaries is evaluating the impact of its initial adoption of the above mentioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Bank and subsidiaries completes its evaluation.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

4. Summary of significant accounting policies

(A) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Held Banks (hereinafter referred to as the Regulation) and the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC and do not include all of the information required by the Regulations and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

(B) Basis of preparation

(a) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- (1) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative instruments);
- (2) Financial instrument measured at fair value through other comprehensive income; and
- (3) The net defined benefit liability (asset) is recognized as fair value of plan assets, less present value of defined benefit obligation and the effect of the asset ceiling in Note 4(M).

(b) Consolidation of financial statement

The consolidation financial statements include the headquarter and all the domestic branches, foreign branches and subsidiaries. The internal transactions within the headquarter, the domestic branches and the foreign branches are offset when preparing the consolidated financial statement.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(c) Functional and presentation currency

The functional currency of each entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Bank's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(C) Basis of consolidation

(a) Subsidiary

A subsidiary is an enterprise controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Gains or losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(b) Elimination of intra-group transaction

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The unrealized profits arising from the transactions with the investments under the equity method are eliminated to the extent of the percentage of shares possessed by the bank over the investee. The unrealized losses are eliminated in the same way as the unrealized profit, but only under the circumstances that there are no evidences of impairment.

List of subsidiaries in the consolidated financial statements:

	Established location	Main business scope	Shareholding (Holding %)		
			September 30, 2020	December 31, 2019	September 30, 2019
Taiwan Business Bank Insurance Agency Co., Ltd.	Taiwan	Agent of personal insurance	Note-	100	100
Taiwan Business Bank Property Insurance Agency Co., Ltd.	Taiwan	Agent of property insurance	Note-	100	100
TBB International Leasing Co., Ltd.	Taiwan	Leasing business	100	100	100
Taiwan Business Bank International Leasing Co., Ltd.	China	Leasing business	100	100	100
TBB (Cambodia) Microfinance Institution Plc	Cambodia	Financial company	100	100	100
TBB Venture Capital Co., Ltd.	Taiwan	Investing business	100	100	100

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

Note: A resolution was passed during the board meeting held on December 19, 2018 for the merger of the Bank's subsidiaries, Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd., with January 2, 2020 as the effective date. The relevant statutory registration procedures have since been approved by the Ministry of Economic Affairs on February 25, 2020.

(D) Foreign currency

(a) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the end of each subsequent reporting period (hereinafter referred to as the reporting date) are retranslated to the functional currency at the exchange rate of Bank of Taiwan at 10 AM. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Foreign currency differences arising on retranslation are recognized in profit or loss, except for the equity instruments measured at fair value through other comprehensive income which are recognized in other comprehensive income arising on the retranslation.

(b) Foreign operations

The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Bank and subsidiaries' functional currency (not the currency under highly inflation economy) by the following procedures:

- (1) Assets and liabilities are translated at the date of the statement of financial position;
- (2) Profit and loss are translated at the average rate (unless the exchange rate of the period fluctuates intensively, then it applies the exchange rate on the trade date);
- (3) Foreign currency differences are recognized in other comprehensive income.

All the translation differences arising from above procedures are presented in the foreign currency translation reserve in equity. The exchange difference from translating net investments in foreign operations is recognized in other comprehensive income. When a foreign operation is wholly or partially disposed, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(E) Cash and cash equivalents

Cash and cash equivalent comprise cash on hand, petty cash, foreign currency on hand and cash in banks, but excludes those items which are designated for specific purposes or restricted by contracts and law.

(F) Financial Instruments

Receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Bank and subsidiaries becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

(a) Financial assets

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

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

(1) Investment in debt instruments measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A financial asset measured at amortized cost is initial recognized at fair value, plus any directly attributable transaction costs. These costs are subsequently measured at initial recognition amount minus accumulated amortization which is calculated using the effective interest method. Interest income, foreign exchange gains and losses, as well as impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(2) Financial assets at fair value through other comprehensive income (FVOCI)

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

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

On initial recognition of an equity investment that is not held for trading, the Bank and subsidiaries may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Bank and subsidiaries' right to receive payment is established.

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

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Bank and subsidiaries may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(4) Discount and loans, net

Discount and loans are recorded as initial fair value including direct transaction cost, and the subsequent measurement recognizes interest income via effective interest rate method if there is not much difference then it can adopt straight line method and is booked as per amortized cost deducted by impairment loss. Interest accrual on discount and loans are suspended if either of the following occurs:

- Payment of principal or interest is very likely not to be redeemed as per contracts.
- Non-performing loans are categorized as overdue loans in six months after the settlement period ends.

(5) Impairment of financial assets

The Bank and subsidiaries recognize loss allowances for expected credit losses on financial assets measured at amortized cost, debt investments measured at FVOCI and loan commitments and financial guarantee contracts. Equity instrument investment does not need to recognize expected credit losses.

The Bank and subsidiaries measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities, receivables, loan commitments and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instruments is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank and subsidiaries is exposed to credit risk.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Bank and subsidiaries expect to receive. ECLs are discounted at the effective interest rate of the financial asset.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due;
- the restructuring of a loan or advance by the borrowers on terms that the borrowers would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties; or
- to purchase or initiate financial assets at a substantial discount that reflects the credit losses that have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

In addition to estimate the allowance for bad debts and guarantee liability provisions as above, according to “ Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans ”, and considering the situation of their finance and the default of principal and interest payment, the credit assets are classified as below:

- 1% of the first class credit assets deducted by the amount of credit assets from the government.
- 2% of the second class credit assets.
- 10% of the third class credit assets.
- 50% of the fourth class credit assets.
- 100% of the fifth class credit assets.

The allowance for bad debts and guarantee liability provisions were assessed by the previously stated method shall not be less than the amount regulated by “ Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans.

Unrecoverable overdue loans and bad debts of the Bank and subsidiaries, which are not able to be recovered after the overdue collection process, are written-off after deducting the recoverable portion. Upon approval by the board of directors and notification to supervisors, the excess amount of written off loans over such allowance or reserve is reflected as a current loss.

(b) Financial liabilities

Financial liability measured at fair value through profit or loss, if one of the following conditions is met

(1) Financial liabilities held for trading

A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, is classified as instrument held for trading as well.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(2) Financial liabilities designated at fair value through profit or loss

Financial liabilities falling under this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes are measured at fair value and recognized in profit or loss. While for financial liabilities designated at fair value through profit or loss, the changes in fair value generated from credit risk should be recognized under other comprehensive income, except for avoiding accounting mismatch that should be recognized in profit or loss.

(c) Reclassification of financial instruments

The Bank and subsidiaries only reclassified all affected financial assets in accordance with the regulations when changing the business model of managing financial assets. These changes are expected to be extremely infrequent. In addition, the Bank and subsidiaries must not reclassify any financial assets and liabilities of equity instruments.

If the Bank and subsidiaries reclassify financial assets in accordance with the aforesaid circumstances, the reclassification shall be postponed from the reclassification date, and any previously recognized gains, losses (including impairment losses or reversal of impairment loss) or interest shall not be restated.

(d) Derecognition of financial assets and liabilities

The Bank and subsidiaries shall derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Bank and subsidiaries transfer substantially all the risks and rewards of ownership of the financial assets. A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. If the bonds or stocks are taken as collateral, shall not be derecognized because the Bank and subsidiaries have retained substantially all the risks and rewards of ownership. This is also applicable when the Bank and subsidiaries conduct securitization transactions and still retain some of the risks.

(e) Financial instruments offsetting

A financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(G) Impairment loss on non-financial assets

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss.

(H) Property and Equipment

Items of property and equipment are measured at cost plus revaluation surplus and less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Bank and subsidiaries. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

Land has an unlimited useful life and therefore is not depreciated. The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

(a) Buildings	35-50 years
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(b) Equipment	3-8 years
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The Bank and subsidiaries reviews and adjusts the residual value and the useful lives of assets at the end of each fiscal year. Whenever there is evidence indicating that the carrying amount is unable to be recovered due to environmental activities or changes, the Bank and subsidiaries evaluate the impairment loss of assets.

If the carrying amount is higher than the recoverable amount, the carrying amount is adjusted to the recoverable amount. The recoverable amount is the fair value or the use value deducted by the disposition expense.

The gain or loss on disposal is the difference between the carrying amount and net disposal proceeds, and gain or loss on disposal shall be recognized as net other revenue other than interest income of consolidated comprehensive income.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

When purchasing machinery equipment and computer software, the education fee implied in the contract is not recognized as the cost of machinery equipment and is recognized as expense.

For the lease contracts which regulate the Bank and subsidiaries to restore the property to the original status, the Bank and subsidiaries reviews the terms of each contract and calculated the present value of the restoration expenses when signing the contracts. The decommissioning liability reserve is provided based on the calculation and the discount rate is determined based on the Bank's policy.

(I) Lease

(a) Identifying a lease

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

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

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(b) As a lessee

The Bank and subsidiaries recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Bank and subsidiaries incremental borrowing rate. Generally, the Bank and subsidiaries uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Bank and subsidiaries estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Bank and subsidiaries accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Bank and subsidiaries has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank and subsidiaries recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(c) As a lessor

When the Bank and subsidiaries acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Bank and subsidiaries makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Bank and subsidiaries considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(J) Deferred assets

The costs of installation for utilities, including electricity and water, as well as security facilities, are capitalized and amortized equally over 5 years.

(K) Collaterals

The difference between the amount of claims and the Bank and subsidiaries received when creditors cannot meet obligations and the collaterals are auctioned off is recognized as bad debts expense. The amount that net realized value lower than book value is recognized as impairment loss. The selling price deducts the original book value of collateral assumed is recognized as gain or loss on sale of collateral assumed.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(L) Provisions

A provision is recognized if, as a result of a past event, the Bank and subsidiaries has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Amortization of the discount is recognized as interest expense. Future operating loss cannot be recognized as liability reserve.

Contingent liability refers to the possible obligation results from past events. The existence of contingent liability can only be proved by whether one or more uncertain events which can not be controlled by the Bank and subsidiaries occurs or not. Contingent liability also refers to the current obligation results from a past event, but not likely to cause outflow of economic resource to redeem the obligation or the amount of the obligation cannot be measured reliably. The Bank and subsidiaries does not recognize contingent liability and disclose it per related regulations.

(M) Employee benefit

(a) Short term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Retirement benefit

The pension provision of the Bank and subsidiaries includes defined contribution plan and defined benefit plan. For the personnel of foreign offices, the Bank provides pension fund per the regulations of the local authorities.

Defined contribution plan refers to the plan that the Bank and subsidiaries annually provide certain amount of money to funds to fulfill the obligation. The Bank and subsidiaries provide pension based on compulsory obligation, contracts or voluntary will to public or private managed pension funds. If certain pension fund fails to pay the employees the benefit which they deserve for the service they provided, the Bank and subsidiaries does not hold legal or constructive obligation to pay additional provision. The Bank and subsidiaries recognize the pension fund provided as current pension cost on accrual basis.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

The Bank's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Bank, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Bank and subsidiaries. An economic benefit is available to the Bank and subsidiaries if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increase benefit relating to past service by employees, is recognized immediately in profit or loss.

The remeasurements of defined benefit liability (asset) include:

- (1) Actuarial gains and losses;
- (2) Return on plan assets, excluding net interest on the net defined benefit liability (asset); and
- (3) The effect of the asset ceiling, excluding net interest on the net defined benefit liability (asset).

The remeasurements of defined benefit liability (asset) are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any changes in the fair value of plan assets, any changes in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

The pension cost in the consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, for the reporting period, the rate will be adjusted by material market volatility, material curtailment, reimbursement and settlement or other material one-time events.

(c) Deposits with favorable rate

The Bank and subsidiaries provides deposits with favorable rate to employees, which include current employee fix amount deposits with favorable rate and retired employee fix amount deposits with favorable rate. The rate difference between the favorable rate and the market rate belongs to the category of employee benefit.

According to article 28 of “Regulations Governing the Preparation of Financial Report by Public Banks”, the additional interests result from the difference between deposit with favorable rate and the deposits with market interest rate shall be calculated by actuary per the regulations related to defined benefit plan in IAS 19 . The parameters of actuarial assumptions shall follow the regulations of the competent authority.

In accordance with the regulation of “Discussion of the employee benefit actuarial assumption related matter for adopting IAS 19 with respect to the additional interest of employee deposits with favorable rate” issued by the Banking Bureau, the difference between the actual payment and the estimated retirement benefit obligation is deemed as changes in accounting estimate and is recognized in profit or loss.

(d) Termination benefits

Termination benefits are recognized as an obligation when the Bank and subsidiaries is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Bank and subsidiaries recognize liabilities when a formal irrevocable termination project is undertaken or when benefit is provided for encouraging voluntary resignation. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(N) Income tax

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(O) Revenue recognition

Interest is recognized according to interest method. Interest accrual is suspended from the date when the loan is reclassified to non-performing loan and only when the Bank and subsidiaries receive cash, the revenue is recognized.

The revenue of handling fee is recognized when cash collected or when the process of the profit are mostly completed. In addition, for the individual loan which does not belong to labor service and the handling fee is over 1% of the principal, the interest rate shall be adjusted from the original agreed interest rate to the effective interest rate. For the individual loan which does not belong to the service and the handling fee is less than 1% of the principal, the recognition of the revenue should be deferred and be recognized as revenue during the loan period.

(P) Earnings per share (EPS)

EPS is based on the weighted-average number of shares outstanding. In the event of capital increase through capitalization of retained earnings, capital surplus, or employee bonuses, EPS is retroactively adjusted based on the percentage of capital increase, regardless of the period when the incremental shares are outstanding.

The employee bonuses of the Bank and subsidiaries issued by stocks were dilutive potential common shares. If the potential common shares have a non-dilutive effect, the Bank and subsidiaries should only disclose the basic earnings per share. On the contrary, if the potential common shares have a dilutive effect, the Bank and subsidiaries should disclose both the basic and diluted earnings per share. In calculating the diluted earnings per share, it is based on the assumption that all dilutive potential common shares are outstanding, and therefore the net income and the shares outstanding shall be adjusted in accordance with the calculation.

(Q) Operating segments

Operating segment is the component of the Bank and subsidiaries that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank and subsidiaries). The segment's operating results are reviewed regularly by the Bank's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess the performance for which discrete financial information is available.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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

(A) Impairment losses on loans

The impairment of loans of the Bank and subsidiaries was evaluated by identifying the credit risk of those financial assets have significantly increased or not at the reporting date if the credit risk has not significant incurred, the 12-month expected credit loss should be adopted to evaluate, or the lifetime credit loss evaluation should be adopted.

To evaluate the expected credit losses for 12-month and lifetime, the Bank and subsidiaries considers the unfavorable changes of payment status or the economic conditions of the countries or areas related to the default loans. When analyzing expected cash flows, the estimates by the management are based on the pass losses experience from assets with similar credit risk characteristics. In order to reduce losses from the difference between estimated and actual amount, the Bank and subsidiaries has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the select inputs.

(B) Retirement benefit

The present value of the retirement benefit obligation is the actuarial result based on several assumptions. Any change of the assumptions may influence the carrying amount of the retirement benefit obligation.

The assumptions applied to determine net pension cost (revenue) include the discount rate. The Bank and subsidiaries determine the appropriate discount rate at the end of each year and apply it to calculate the present value of the future cash outflows which are to be paid to the retirement benefit obligation. To determine the appropriate discount rate, the Bank and subsidiaries should consider the interest rate of high-quality corporate bonds and government bonds. The currency of the retirement benefit shall be the same as that of the high-quality corporate bond or government bonds and the duration till maturity date shall comply with the duration of the related pension obligation. Other significant assumptions of retirement benefit obligation are based on the current market situation.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

6. Explanation of significant accounts

(A) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Petty cash and revolving funds	\$ 10,074,649	10,059,297	16,079,700
Foreign currencies on hand	982,124	899,964	925,104
Checks for clearing	5,437,925	2,663,951	6,238,271
Due from other banks	15,834,648	17,772,349	15,769,888
Total	<u>\$ 32,329,346</u>	<u>31,395,561</u>	<u>39,012,963</u>

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Due from the Central Bank	\$ 44,803,417	65,301,416	53,952,652
Deposits transferred to Central Bank	28,499	105,769	143,638
Call loans to banks	38,515,206	60,024,331	46,505,392
Trust fund indemnity reserve deposited	90,000	80,000	80,000
Securities serving as trust fund indemnity reserve deposited	(90,000)	(80,000)	(80,000)
Total	<u>\$ 83,347,122</u>	<u>125,431,516</u>	<u>100,601,682</u>

As of September 30, 2020, December 31 and September 30, 2019, in accordance with the Banking Law and the Central Bank Law, the required reserve deposited by the Bank with the Central Bank amounted to \$44,367,530, \$64,836,250 and \$53,781,838 of which \$37,154,849, \$38,174,500 and \$38,414,327 respectively, were restricted and such restriction may only be lifted when the required reserve is adjusted to a lower amount. The Bank and subsidiaries cooperated with the Central Bank to undertake financing loans for small and medium enterprises that are affected by the severe and the special infectious pneumonia epidemic, and are guaranteed by the excess reserve in the deposit reserve of the Central Bank as required, \$30,000,000, please refer to 6(N) for the information of due to the Central Bank and banks.

As of September 30, 2020 and December 31, 2019, the Bank's subsidiaries and overseas branches, in compliance with the Central Bank's reserve requirement set by local authorities, deposited \$131,293 and \$181,350 in reserve, of which \$50,314 and \$69,921 were restricted.

Effective December 2000, in accordance with the amended "Regulations Governing the Audit and Adjustment of Deposit and Other Liability Reserves of Financial Institutions", the Bank provides the required additional reserve on foreign currency deposits. As of September 30, 2020, December 31 and September 30, 2019, the required reserve with the Central Bank amounted to \$304,594, \$283,816 and \$170,814 respectively, and its use was unrestricted.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

As of September 30, 2020, December 31 and September 30, 2019, deposits transferred to the Central Bank collected from the armed forces, prisons, and other treasury deposits were restricted.

Effective January 20, 2001, in accordance with the requirement of the Central Bank of China, the Bank complies with Clause 34 of the Trust Law to treat the discretionary trust of investments in overseas marketable securities as a default loss reserve. As of September 30, 2020, December 31 and September 30, 2019, the Bank deposited marketable securities of \$90,000, \$80,000 and \$80,000 as trust fund reserves.

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Financial assets designated at fair value through profit or loss :			
Linked deposits	\$ -	-	501,403
Corporate bonds	115,748	120,240	710,034
Financial assets at fair value through profit or loss, mandatorily measured at fair value :			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	29,057	23,843	27,121
Currency swap contracts	713,174	839,800	784,921
Foreign currency options-call	5,169	7,758	9,357
Stock index futures	72,658	65,784	61,930
Interest Rate Swap	40,537	13,611	17,005
Non-derivative financial assets			
Commercial paper	25,705,947	21,037,165	10,618,195
Listed stocks	60,119	178,867	189,000
Unlisted stocks	235,710	145,901	56,680
Beneficiary certificates	220,610	108,890	47,000
Government bonds	-	1,446,544	558,421
Convertible corporate bonds	299,112	-	-
Financial debentures	1,548,298	2,984,383	3,888,329
Total	<u>\$ 29,046,139</u>	<u>26,972,786</u>	<u>17,469,396</u>

Derivative financial instruments are used for hedging foreign exchange risk and interest rate risk arising from operating, financing and investing activities. The Bank and subsidiaries held derivative financial instruments which did not apply to hedge accounting are as follows (reported as financial assets mandatorily measured at fair value through profit or loss and financial liabilities held for trading)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

September 30, 2020

	Amount of contracts (in thousands)	Currency	Matured duration
Foreign exchange forward contracts	\$ 1,600	EUR	2020/12/1~2021/1/22
Foreign exchange forward contracts	977,739	TWD	2020/10/5~2021/3/23
Foreign exchange forward contracts	66,576	USD	2020/10/5~2020/12/31
Foreign exchange forward contracts	17,606	SEK	2020/10/26~2020/12/14
Foreign exchange forward contracts	21,859	AUD	2020/10/13~2020/12/31
Currency swap contracts	64,260	AUD	2020/10/6~2021/3/16
Currency swap contracts	3,387,843	CNY	2020/10/9~2021/9/17
Currency swap contracts	65,300	EUR	2020/10/13~2020/12/28
Currency swap contracts	29,338	JPY	2021/5/14~2021/6/11
Currency swap contracts	31,000	NZD	2020/10/23~2020/11/25
Currency swap contracts	40,868,537	TWD	2020/10/5~2021/9/23
Currency swap contracts	4,542,160	USD	2020/10/1~2021/9/17
Currency swap contracts	2,054,209	ZAR	2020/10/5~2020/12/9
Currency swap contracts	15,000	SEK	2020/11/27
Option contracts-call	42,400	USD	2020/10/5~2021/10/1
Option contracts-put	42,400	USD	2020/10/5~2021/10/1

December 31, 2019

	Amount of contracts (in thousands)	Currency	Matured duration
Foreign exchange forward contracts	\$ 2,800	EUR	2020/3/3~2020/3/17
Foreign exchange forward contracts	114,806	JPY	2020/1/6~2020/4/17
Foreign exchange forward contracts	1,210,190	TWD	2020/1/3~2020/6/24
Foreign exchange forward contracts	43,247	USD	2020/1/3~2020/3/30
Foreign exchange forward contracts	9,538	SEK	2020/1/3
Foreign exchange forward contracts	9,661	AUD	2020/3/9~2020/3/31
Foreign exchange forward contracts	70,878	ZAR	2020/1/3~2020/2/20
Currency swap contracts	28,940	AUD	2020/1/3~2020/3/12
Currency swap contracts	15,000	CAD	2020/2/21
Currency swap contracts	10,819,871	CNY	2020/1/2~2021/5/17
Currency swap contracts	142,340	EUR	2020/1/22~2020/11/16
Currency swap contracts	7,000	GBP	2020/1/9~2020/3/18
Currency swap contracts	3,513,405	JPY	2020/1/6~2020/7/16
Currency swap contracts	27,000	NZD	2020/1/21~2020/2/21
Currency swap contracts	38,599,637	TWD	2020/1/2~2020/12/21
Currency swap contracts	3,979,626	USD	2020/1/2~2021/5/17
Currency swap contracts	2,059,560	ZAR	2020/1/6~2020/3/11
Option contracts-call	5,000	AUD	2020/2/14~2020/3/12
Option contracts-call	6,300	EUR	2020/1/13~2020/3/9
Option contracts-call	31,200	USD	2020/1/7~2020/10/13
Option contracts-put	5,000	AUD	2020/2/14~2020/3/12
Option contracts-put	6,300	EUR	2020/1/13~2020/3/9
Option contracts-put	31,200	USD	2020/1/7~2020/10/13

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

September 30, 2019			
	Amount of contracts (in thousands)	Currency	Matured duration
Foreign exchange forward contracts	\$ 446,005	JPY	2019/10/16~2020/2/21
Foreign exchange forward contracts	1,073,403	TWD	2019/10/2~2020/4/23
Foreign exchange forward contracts	43,569	USD	2019/10/2~2019/12/27
Currency swap contracts	33,180	AUD	2019/10/8~2019/12/20
Currency swap contracts	25,601	CAD	2019/10/1~2019/12/24
Currency swap contracts	11,036,623	CNY	2019/10/8~2021/5/17
Currency swap contracts	111,340	EUR	2019/10/2~2020/9/25
Currency swap contracts	974	CHF	2019/10/18
Currency swap contracts	2,285,849	JPY	2019/10/16~2020/7/16
Currency swap contracts	30,000	NZD	2019/10/21~2019/11/25
Currency swap contracts	23,371,814	TWD	2019/10/1~2020/8/5
Currency swap contracts	3,825,375	USD	2019/10/1~2021/5/17
Currency swap contracts	2,082,160	ZAR	2019/10/1~2019/12/10
Option contracts-call	10,000	AUD	2019/10/8~2019/12/11
Option contracts-call	52,500	USD	2019/10/2~2020/9/15
Option contracts-put	10,000	AUD	2019/10/8~2019/12/11
Option contracts-put	52,500	USD	2019/10/2~2020/9/15

(D) Securities purchased under resell agreements

	September 30, 2020	December 31, 2019	September 30, 2019
Securities under resell agreements	\$ 10,644,096	13,399,113	6,045,080
Face amount	10,653,000	13,413,000	6,050,000
Resell period	2020.10.05~2020.10.29	2020.1.2~2020.1.20	2019.10.01~2019.10.15
Range of resell interest rate	0.28%~0.30%	0.52%~0.57%	0.57%~0.60%
Resell price	\$ 10,645,944	13,403,489	6,046,304

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(E) Receivables

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Interest receivable	\$ 2,611,727	3,432,360	3,649,834
Acceptances receivable	1,008,483	919,550	1,303,682
Accrued incomes	65,554	60,308	123,997
Accounts receivable	1,080,218	1,072,490	1,239,831
Dividends receivable	400	-	350
Accounts receivable factoring without recourse	1,821	19,089	720,717
Spot exchange receivable-foreign currencies	34,338,618	19,401,208	8,028,033
Refinancing guaranty deposits	3,743	6,058	-
Guaranteed proceeds receivable from refinancing	4,159	5,776	-
Credit cards accounts receivable	1,082,134	1,297,722	1,252,248
Receivable price of securities purchased for customers	186,503	148,588	381,897
Settlement price	-	178,136	-
Installment receivables and leases	725,521	1,041,801	1,323,146
Other receivables	<u>590,969</u>	<u>305,409</u>	<u>5,627,201</u>
Sub-total	41,699,850	27,888,495	23,650,936
Less: Allowance for bad debts	<u>(143,559)</u>	<u>(151,590)</u>	<u>(684,725)</u>
Total	<u><u>\$ 41,556,291</u></u>	<u><u>27,736,905</u></u>	<u><u>22,966,211</u></u>

The outstanding contract amount of financial assets that have been written off and still have recourse as of September 30, 2020, December 31 and September 30, 2019 were \$79,703,185, \$78,926,674 and \$78,772,869 respectively.

The change in allowance for bad debts was as follows:

	<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 151,590	135,730
Provision	8,688	557,272
Write-off	(15,693)	(1,121)
Foreign exchange	<u>(1,026)</u>	<u>(7,156)</u>
Ending balance	<u><u>\$ 143,559</u></u>	<u><u>684,725</u></u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(F) Discounts and loans, net

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Import/export bills negotiated	\$ 162,028	159,033	134,761
Bills and notes discounted	562,703	1,055,795	1,169,132
Overdrafts	29,587	30,564	270,153
Secured overdrafts	1,843,145	2,750,654	2,649,329
Short-term loans	149,526,559	150,304,834	158,880,541
Short-term secured loans	196,434,277	207,869,262	196,333,016
Margin loans receivable	2,157,284	2,230,213	1,973,350
Medium-term loans	156,223,076	155,727,045	167,955,991
Medium-term secured loans	235,072,384	175,918,159	170,993,695
Long-term loans	24,813,382	21,723,867	18,564,390
Long-term secured loans	429,248,353	425,203,483	422,414,642
Overdue loans	<u>4,550,942</u>	<u>3,117,841</u>	<u>2,534,114</u>
Sub-total	1,200,623,720	1,146,090,750	1,143,873,114
Less: Adjustment of discount and premium	(250,609)	(286,446)	(307,752)
Less: Allowance for bad debts	<u>(15,615,992)</u>	<u>(13,341,368)</u>	<u>(12,651,256)</u>
Total	<u><u>\$ 1,184,757,119</u></u>	<u><u>1,132,462,936</u></u>	<u><u>1,130,914,106</u></u>

The change in allowance for bad debts is as follows:

	<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 13,341,368	13,034,151
Provision	3,237,128	1,439,191
Transfer out	(14,440)	(19,594)
Write-off	(1,722,039)	(2,503,007)
Write-off recovered	790,135	696,326
Foreign exchange	(16,160)	4,189
Ending balance	<u><u>\$ 15,615,992</u></u>	<u><u>12,651,256</u></u>

(G) Financial asset at fair value through other comprehensive income

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Investment in debt instruments measured at fair value through other comprehensive income :			
Government bonds	\$ 39,045,730	42,299,233	40,634,041
Corporate bonds	40,182,320	35,288,346	33,448,922
Financial debentures	23,808,044	13,505,601	11,299,020
Negotiable certificates of deposit	-	150,031	155,086
Subtotal	<u>103,036,094</u>	<u>91,243,211</u>	<u>85,537,069</u>
Investment in equity instruments measured at fair value through other comprehensive income :			
Listed stocks	7,184,189	7,149,992	5,391,656
Unlisted stocks	4,444,475	4,154,137	4,241,955
Real Estate Investment Trust	<u>49,753</u>	<u>49,804</u>	<u>44,468</u>
Subtotal	<u>11,678,417</u>	<u>11,353,933</u>	<u>9,678,079</u>
Total	<u><u>\$ 114,714,511</u></u>	<u><u>102,597,144</u></u>	<u><u>95,215,148</u></u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

1. Investment in debt instruments measured at fair value through other comprehensive income

The Bank and subsidiaries assessed that the above bond investments were held within a business model whose objective was achieved by both collecting contractual cash flows and selling financial assets. The bond investments have been classified as the financial asset measured at fair value through other comprehensive income. Some of the investment in debt instruments measured at fair value through other comprehensive income are used as resell condition. Please refer to Note 6 (P) for more details.

2. Investment in equity instruments measured at fair value through other comprehensive income

The Bank and subsidiaries designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments intending to hold for long-term for strategic purpose.

The Bank and subsidiaries designated the investments shown above as equity instrument as at fair value through other comprehensive income, therefore, the Bank and subsidiaries recognized \$330,299, \$225,569, \$511,208 and \$408,485, respectively as dividend revenue for the three months and nine months ended September 30, 2020 and 2019. In which, the disposal equity instruments were recognized \$103,124, \$41,433, \$117,041 and \$58,330 as dividend revenue for the three months and nine months ended September 30, 2020 and 2019.

The Bank and subsidiaries sold the investments which were measured as at fair value through other comprehensive income due to assets allocation. The fair value of disposed investments are \$2,369,270, \$715,804, \$2,610,237 and \$1,176,068. And gains (loss) on disposal are \$(2,351), \$7,832, \$(1,350) and \$30,857 for the three months and nine months ended September 30, 2020 and 2019. Thus, accumulated gains on disposal were transferred from other equity to retained earnings.

3. Please refer to Note 6(AO) for the credit risk (including the impairment in debt instruments) and market risk information.
4. The Bank and subsidiaries assessed the impairment of financial assets measured at fair value through other comprehensive income as of September 30, 2020 and 2019. The changes in allowance for credit losses attribute to the financial assets were as follows:

	For the nine months ended September 30,	
	2020	2019
Beginning balance	\$ 52,299	33,765
Provision	9,062	14,495
Foreign exchange	(232)	(4)
Ending balance	<u>\$ 61,129</u>	<u>48,256</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(H) Investment in debt instruments at amortized cost

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Certificates of deposit with the Central Bank	\$ 153,805,000	174,880,000	176,880,000
Government bonds	30,959,711	32,061,168	33,036,052
Corporate bonds	14,411,778	17,968,480	18,644,123
Financial debentures	31,427,903	37,874,737	39,324,961
Negotiable certificates of deposit	<u>289,835</u>	<u>362,868</u>	<u>375,545</u>
Subtotal	230,894,227	263,147,253	268,260,681
Less: Accumulated impairment	<u>(77,329)</u>	<u>(90,411)</u>	<u>(89,891)</u>
Total	<u><u>\$ 230,816,898</u></u>	<u><u>263,056,842</u></u>	<u><u>268,170,790</u></u>

The Bank and subsidiaries assessed that these financial assets were held to collect the contractual cash flows, which consisted solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

1. Please refer to Note 6(AO) for credit risk.
2. The pledged assets provided by the above investment in debt instruments at amortized cost were shown follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Reserve for provisional seizure by the court, international card payment reserve, trust claim reserve and operating guaranty funds	\$ 961,300	1,183,000	1,021,700
Overseas branches required reserve of overdraft guarantee	-	62,979	65,175
Daylight overdraft guarantee (Certificates of deposit with the Central Bank)	2,000,000	2,000,000	2,000,000
Guarantee for borrowing US dollars	23,000,000	23,000,000	23,000,000
Guarantee for borrowing JPY dollars	200,000	200,000	200,000
Total	<u><u>\$ 26,161,300</u></u>	<u><u>26,445,979</u></u>	<u><u>26,286,875</u></u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

3. The Bank and subsidiaries assessed the impairment of investment in debt instruments at amortized cost as of September 30, 2020 and 2019. The changes in allowance for credit losses attribute to these financial assets were as follows:

	For the nine months ended September 30,	
	2020	2019
Beginning balance	\$ 90,411	93,128
Reversal	(12,566)	(3,415)
Foreign exchange	(516)	178
Ending balance	<u>\$ 77,329</u>	<u>89,891</u>

4. Disposal gain(loss) on disposal investment in assets at amortized cost :

	For the three months ended September 30, 2020		For the nine months ended September 30, 2020	
	The carrying amount at the date of derecognition	Gain (Loss) on disposal	The carrying amount at the date of derecognition	Gain (Loss) on disposal
Corporate bonds	<u>\$ 93,399</u>	<u>780</u>	<u>227,898</u>	<u>1,849</u>
	For the three months ended September 30, 2019		For the nine months ended September 30, 2019	
	The carrying amount at the date of derecognition	Gain (Loss) on disposal	The carrying amount at the date of derecognition	Gain (Loss) on disposal
Corporate bonds	<u>\$ 20,820</u>	<u>185</u>	<u>54,326</u>	<u>494</u>

The Bank and subsidiaries derecognized investment in financial assets measured at amortized cost due to the advanced redemption of the issuer of the financial assets measured at amortized cost.

(I) Other financial assets

	September 30, 2020	December 31, 2019	September 30, 2019
Overdue receivable	\$ 71,109	105,829	107,002
Less: Allowance for bad debts, overdue receivable	(56,737)	(85,901)	(87,761)
Total	<u>\$ 14,372</u>	<u>19,928</u>	<u>19,241</u>

The change in allowance for bad debts was as follows:

	For the nine months ended September 30,	
	2020	2019
Beginning balance	\$ 85,901	87,249
Reversal	(17,289)	(18,214)
Transfer in	14,440	19,594
Write-off	(42,051)	(16,486)
Written-off recovered	15,736	15,618
Ending balance	<u>\$ 56,737</u>	<u>87,761</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(J) Property and equipment, net

September 30, 2020	Cost	Revaluation increment	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,743,535	2,986,161	-	14,031	9,715,665
Buildings	7,910,617	31,184	4,356,879	14,754	3,570,168
Machinery and equipment	2,243,569	-	1,754,427	-	489,142
Transportation equipment	277,715	-	237,438	-	40,277
Miscellaneous equipment	588,354	-	503,412	-	84,942
Leasehold improvements	158,798	-	76,887	-	81,911
Construction in progress	2,617	-	-	-	2,617
Prepayment for equipment	505,124	-	-	-	505,124
Total	\$ 18,430,329	3,017,345	6,929,043	28,785	14,489,846

December 31, 2019	Cost	Revaluation increment	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,737,960	2,986,161	-	14,031	9,710,090
Buildings	7,862,521	31,184	4,213,708	14,754	3,665,243
Machinery and equipment	2,336,544	-	1,840,547	-	495,997
Transportation equipment	279,967	-	240,449	-	39,518
Miscellaneous equipment	582,107	-	493,441	-	88,666
Leasehold improvements	151,713	-	75,183	-	76,530
Construction in progress	16,346	-	-	-	16,346
Prepayment for real estate	120	-	-	-	120
Prepayment for equipment	405,727	-	-	-	405,727
Total	\$ 18,373,005	3,017,345	6,863,328	28,785	14,498,237

September 30, 2019	Cost	Revaluation increment	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,737,960	2,986,161	-	14,031	9,710,090
Buildings	7,851,824	31,184	4,166,901	14,754	3,701,353
Machinery and equipment	2,296,111	-	1,807,138	-	488,973
Transportation equipment	276,712	-	240,693	-	36,019
Miscellaneous equipment	581,405	-	490,579	-	90,826
Leasehold improvements	157,096	-	75,878	-	81,218
Construction in progress	15,606	-	-	-	15,606
Prepayment for real estate	120	-	-	-	120
Prepayment for equipment	359,681	-	-	-	359,681
Total	\$ 18,276,515	3,017,345	6,781,189	28,785	14,483,886

Change of cost

	January 1, 2020	Increase	Decrease	Foreign Exchange	September 30, 2020
Land	\$ 9,724,121	5,575	-	-	9,729,696
Buildings	7,893,705	48,096	-	-	7,941,801
Machinery and equipment	2,336,544	134,440	226,763	(652)	2,243,569
Transportation equipment	279,967	11,187	13,534	95	277,715
Miscellaneous equipment	582,107	26,109	18,996	(866)	588,354
Leasehold improvements	151,713	27,832	19,606	(1,141)	158,798
Construction in progress	16,346	15,787	29,516	-	2,617
Prepayment for real estate	120	5,455	5,575	-	-
Prepayment for equipment	405,727	146,429	46,688	(344)	505,124
Total	\$ 21,390,350	420,910	360,678	(2,908)	21,447,674

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

	January 1, 2019	Increase	Decrease	Foreign Exchange	September 30, 2019
Land	\$ 9,724,121	-	-	-	9,724,121
Buildings	7,855,599	27,409	-	-	7,883,008
Machinery and equipment	2,094,860	249,119	48,503	635	2,296,111
Transportation equipment	277,877	10,139	12,107	803	276,712
Miscellaneous equipment	579,568	21,406	20,006	437	581,405
Leasehold improvements	138,783	23,096	5,941	1,158	157,096
Construction in progress	31,065	439	15,898	-	15,606
Prepayment for real estate	-	120	-	-	120
Prepayment for equipment	171,807	226,406	38,221	(311)	359,681
Total	\$ 20,873,680	558,134	140,676	2,722	21,293,860

Change of depreciation

	January 1, 2020	Increase	Decrease	Foreign Exchange	September 30, 2020
Buildings	\$ 4,213,708	143,171	-	-	4,356,879
Machinery and equipment	1,840,547	139,504	223,622	(2,002)	1,754,427
Transportation equipment	240,449	10,532	13,397	(146)	237,438
Miscellaneous equipment	493,441	29,466	18,832	(663)	503,412
Leasehold improvements	75,183	20,779	18,231	(844)	76,887
Total	\$ 6,863,328	343,452	274,082	(3,655)	6,929,043

	January 1, 2019	Increase	Decrease	Foreign Exchange	September 30, 2019
Buildings	\$ 4,027,738	139,163	-	-	4,166,901
Machinery and equipment	1,739,374	115,657	48,106	213	1,807,138
Transportation equipment	242,753	9,300	12,000	640	240,693
Miscellaneous equipment	492,179	18,040	19,519	(121)	490,579
Leasehold improvements	55,180	20,945	5,941	5,694	75,878
Total	\$ 6,557,224	303,105	85,566	6,426	6,781,189

Accumulated impairment

	January 1, 2020	Increase	Decrease	Foreign Exchange	September 30, 2020
Land	\$ 14,031	-	-	-	14,031
Buildings	14,754	-	-	-	14,754
Total	\$ 28,785	-	-	-	28,785

	January 1, 2019	Increase	Decrease	Foreign Exchange	September 30, 2019
Land	\$ 14,031	-	-	-	14,031
Buildings	14,754	-	-	-	14,754
Total	\$ 28,785	-	-	-	28,785

When the Bank and subsidiaries first adopted IFRSs, it elected to apply the revaluation amount calculated per the regulation of GAAP of R.O.C as the original cost on the transition date.

As of September 30, 2020, December 31 and September 30, 2019, the appreciation from revaluation of properties all amounted to \$3,017,345. Reserve for land incremental tax all amounted to \$879,056 (Recognized under deferred tax liabilities).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

As of September 30, 2020, December 31 and September 30, 2019, land which was illegally occupied all amounted to \$5,496. Except for a portion of the land that was still under negotiation with the occupant; in addition, the Bank intends to participate in land auction, urban renewal or by other appropriate means in due course.

(K) Right-of-use assets, net

The Bank and subsidiaries leases many assets including buildings, machinery and transportation equipment. Information about leases on costs, depreciation and impairment for which the Bank and subsidiaries as a lessee is presented below:

September 30, 2020	Cost	Accumulated depreciation	Accumulated impairment	Total
Buildings	\$ 1,407,039	436,224	-	970,815
Machinery and equipment	63,552	59,484	-	4,068
Transportation equipment	67,457	31,171	-	36,286
Miscellaneous equipment	6,682	2,777	-	3,905
Total	\$ 1,544,730	529,656	-	1,015,074

December 31, 2019	Cost	Accumulated depreciation	Accumulated impairment	Total
Buildings	\$ 1,299,279	301,019	-	998,260
Machinery and equipment	74,915	64,743	-	10,172
Transportation equipment	60,417	21,514	-	38,903
Miscellaneous equipment	5,729	1,505	-	4,224
Total	\$ 1,440,340	388,781	-	1,051,559

September 30, 2019	Cost	Accumulated depreciation	Accumulated impairment	Total
Buildings	\$ 1,040,628	250,930	-	789,698
Machinery and equipment	74,889	61,880	-	13,009
Transportation equipment	60,491	16,036	-	44,455
Miscellaneous equipment	5,295	1,168	-	4,127
Total	\$ 1,181,303	330,014	-	851,289

Change of cost

	January 1, 2020	Increase	Decrease	Foreign Exchange	September 30, 2020
Buildings	\$ 1,299,279	259,778	153,540	1,522	1,407,039
Machinery and equipment	74,915	2	11,365	-	63,552
Transportation equipment	60,417	13,859	6,762	(57)	67,457
Miscellaneous equipment	5,729	1,145	192	-	6,682
Total	\$ 1,440,340	274,784	171,859	1,465	1,544,730

	January 1, 2019	Increase	Decrease	Foreign Exchange	September 30, 2019
Buildings	\$ 854,180	216,358	41,693	11,783	1,040,628
Machinery and equipment	75,518	68	697	-	74,889
Transportation equipment	54,202	6,947	660	2	60,491
Miscellaneous equipment	3,456	1,967	128	-	5,295
Total	\$ 987,356	225,340	43,178	11,785	1,181,303

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

Change of depreciation

	January 1, 2020	Increase	Decrease	Foreign Exchange	September 30, 2020
Buildings	\$ 301,019	284,913	149,350	(358)	436,224
Machinery and equipment	64,743	6,106	11,365	-	59,484
Transportation equipment	21,514	16,443	6,762	(24)	31,171
Miscellaneous equipment	1,505	1,464	192	-	2,777
Total	<u>\$ 388,781</u>	<u>308,926</u>	<u>167,669</u>	<u>(382)</u>	<u>529,656</u>

	January 1, 2019	Increase	Decrease	Foreign Exchange	September 30, 2019
Buildings	\$ -	291,525	40,395	(200)	250,930
Machinery and equipment	53,451	9,126	697	-	61,880
Transportation equipment	-	16,707	660	(11)	16,036
Miscellaneous equipment	-	1,296	128	-	1,168
Total	<u>\$ 53,451</u>	<u>318,654</u>	<u>41,880</u>	<u>(211)</u>	<u>330,014</u>

(L) Other assets, net

	September 30, 2020	December 31, 2019	September 30, 2019
Office supplies	\$ 28,921	28,531	28,397
Prepayments	8,213,876	4,269,431	3,283,910
Operating guarantee deposits and settlement fund	28,319	30,066	30,817
Guarantee deposits paid	815,393	1,222,379	858,161
Deferred assets	171	9	12
Temporary payments and suspense accounts	-	-	2,693,511
Proceeds of settlement and margin trading	937,237	2,034	2,913
Total	<u>\$ 10,023,917</u>	<u>5,552,450</u>	<u>6,897,721</u>

(M) Deposits from the Central Bank and banks

	September 30, 2020	December 31, 2019	September 30, 2019
Deposits from the Central Bank	\$ 299,177	175,101	171,175
Due from the Central Bank	12,175,800	10,796,400	15,828,105
Deposits from banks	510,094	93,229	118,738
Call loans from banks	32,305,731	24,197,994	44,632,615
Overdrafts on banks	1,174,372	1,118,477	762,910
Deposits transferred from Chunghwa Post Co., Ltd.	68,275,360	68,412,411	68,414,411
Total	<u>\$ 114,740,534</u>	<u>104,793,612</u>	<u>129,927,954</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(N) Due to the Central Bank and banks

September 30, 2020					
	Currency	Interest Rate	Maturity Date	Original Amount	NTD Amount
Central Bank	TWD	0.1%	2021.3.27	16,450,000	\$16,450,000
Taichung Commercial Bank Co., Ltd. (OBU)	USD	2.26%	2021.5.28	3,000	86,970
Sunny Commercial Bank (OBU)	USD	1.76%	2021.8.27	6,000	173,940
Bank of Kaohsiung Co.,Ltd. (OBU)	USD	1.77%	2023.6.10	12,000	347,880
Total					\$17,058,790
Unused credit lines					\$14,265,960

December 31, 2019					
	Currency	Interest Rate	Maturity Date	Original Amount	NTD Amount
Agricultural Bank of Taiwan	TWD	0.86%	2020.1.30	90,000	\$ 90,000
Hua Nan Commercial Bank, Ltd.	TWD	1.00%	2020.1.20	500	500
Chang Hwa Commercial Bank, Ltd. (Kunshan)	CNY	4.99%	2020.6.22~2021.2.13	7,417	31,855
Taichung Commercial Bank Co., Ltd. (OBU)	USD	3.89%~3.91%	2021.5.28	15,000	449,850
Sunny Commercial Bank (OBU)	USD	3.30%	2020.8.27	6,000	179,940
Total					\$ 752,145
Unused credit lines					\$ 1,170,105

September 30, 2019					
	Currency	Interest Rate	Maturity Date	Original Amount	NTD Amount
Chang Hwa Commercial Bank, Ltd. (Kunshan)	CNY	4.99%	2020.6.22~2021.2.13	9,250	\$ 40,346
First Commercial Bank (Xiamen)	CNY	5.46%	2021.5.18	300	1,309
Taichung Commercial Bank Co., Ltd. (OBU)	USD	4.14%~4.21%	2020.5.28~2020.5.31	15,000	465,532
Sunny Commercial Bank (OBU)	USD	3.56%	2020.8.27	6,000	186,213
Agricultural Bank of Taiwan	TWD	0.86%	2020.4.12	187,000	187,000
Hua Nan Commercial Bank, Ltd.	TWD	1.00%	2019.11.7	40,000	40,000
Total					\$ 920,400
Unused credit lines					\$ 790,248

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Financial liabilities designated at fair value through profit or loss :			
Financial debentures	\$ 8,612,981	8,949,182	9,180,280
Financial liabilities held for trading :			
Derivative instruments not used for hedging			
Foreign exchange forward contracts	38,701	13,364	6,399
Currency swap contracts	253,951	395,909	391,731
Foreign currency option-put	5,169	7,763	9,472
Interest rate contract	50,297	27,118	38,232
Total	\$ 8,961,099	9,393,336	9,626,114

Please refer to 6(S) for the information of financial liabilities designated at fair value through profit and loss.

Please refer to 6(C) for the nominal amount of unsettled financial derivatives instrument contracts of September 30, 2020, December 31 and September 30, 2019.

(P) Notes and bonds issued under repurchase agreement

	September 30, 2020			
	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Assets				
Financial assets at fair value through other comprehensive income	\$ 2,995,941	3,028,033	3,034,761	Prior to August 24, 2023

	December 31, 2019			
	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Assets				
Financial assets at fair value through other comprehensive income	\$ 784,600	868,581	869,623	Prior to May 8, 2020

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

	September 30, 2019			
	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Assets				
Financial assets at fair value through other comprehensive income	\$ 1,245,496	1,274,971	1,276,847	Prior to March 10, 2020

(Q) Payables

	September 30, 2020	December 31, 2019	September 30, 2019
Accrued interest	\$ 2,415,089	2,623,479	2,682,836
Accounts payable	6,471,955	3,107,765	7,227,765
Acceptances	1,017,854	946,338	1,319,887
Accrued expenses	2,299,752	2,808,411	2,431,674
Collection payable	2,989,298	774,995	2,002,387
Deposits received from securities borrowers	82,863	101,709	87,693
Guaranteed price deposits received from securities borrowers	90,159	110,417	95,661
Accounts payable factoring	1,821	19,089	189,899
Spot exchange payable, foreign currencies	34,317,574	19,400,371	8,028,585
Other payables	1,712,478	825,924	12,958,835
Prices payable of securities sold for customers	146,084	319,966	26,021
Dividends payable	-	2,050	-
Settlement proceeds	35,860	-	351,370
Others	24,572	17,170	12,253
Total	<u>\$ 51,605,359</u>	<u>31,057,684</u>	<u>37,414,866</u>

(R) Deposits and remittances

	September 30, 2020	December 31, 2019	September 30, 2019
Savings deposits	\$ 655,703,827	642,739,224	628,088,569
Time deposits	359,243,598	405,886,922	375,583,360
Demand deposits	352,854,153	361,341,496	336,124,868
Checking account deposits	20,842,883	24,775,707	21,814,078
Remittances	284,825	306,198	1,030,766
Total	<u>\$ 1,388,929,286</u>	<u>1,435,049,547</u>	<u>1,362,641,641</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(S) Bank notes payable

Terms of Transactions				Bond Issued			
Bonds	Issue date	Maturity date	Interest Rate & repayment	Type	Amount		
					September 30, 2020	December 31, 2019	September 30, 2019
2010-1P A	09/23/2010	None	The debentures bear annual interest rate which is the Chunghwa post's board average interest rate for 1-year time deposit plus 1.34% for the ten years after the issue date. The interest rate will be the Chunghwa post's board interest rate for 1-year time deposit plus 2.34% from the eleventh year. The debentures are redeemable per face value plus accrued interest at the interest payment date after ten years from the issue date under the consent of the competent authority.	Perpetual non-accumulated subordinated financial debentures	\$ -	3,200,000	3,200,000
2010-1P B	09/23/2010	None	The debentures bear an interest rate of 3.05% for the first ten years after the issue date. The interest rate will be 4.05% from the eleventh year. The debentures are redeemable per face value plus accrued interest at the interest payment date after ten years from the issue date under the consent of the competent authority.	"	-	800,000	800,000
2013-1	03/25/2013	03/25/2020	The debentures bear an annual interest rate of 1.68%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	-	5,000,000	5,000,000
2013-2A	11/25/2013	11/25/2020	(A) The debentures bear annual interest rate, which is the index rate plus 0.52%. The index rate is the average offer of 90-days CP which is indicated in Reuter's page 6165 at 11 A.M Taipei time, 2 operation days prior to the interest commencement date. (B) Since January 1, 2015 according to various indicators of interest rate changes during the value date two business days before the pricing (FIXING) Bank of the Republic of China Business Association National Union RCAs website "Taipei fixing the financial sector call loan rate (TAIBOR)" three-month interest rate fixing. Simple interest rate is accrued four times a year and paid annually. The principal will be repaid in full at maturity.	"	3,100,000	3,100,000	3,100,000
2013-2B	11/25/2013	11/25/2020	The debentures bear an annual interest rate of 1.92%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	2,900,000	2,900,000	2,900,000
2015-1P	06/18/2015	None	The debenture bear an annual interest rate of 3.9%. Simple interest is accrued and paid annually. The debentures are redeemable per face value plus accrued interest at interest payment date after five years from the issued date under the consent of the competent authority.	Perpetual non-accumulated subordinated financial debentures	-	5,000,000	5,000,000
2015-2A	08/31/2015	08/31/2023	The debentures bear an annual interest rate of 2.05%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	4,700,000	4,700,000	4,700,000
2015-2B	08/31/2015	08/31/2025	The debentures bear an annual interest rate of 2.10%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	300,000	300,000	300,000
2016-1P	09/20/2016	None	The debentures bear an annual interest rate of 3.2%. Simple interest is accrued and paid annually. The debentures are redeemable per face value plus accrued interest at interest payment date after five years and three months from the issued date under the consent of the competent authority	Perpetual non-accumulated subordinated financial debentures	8,000,000	8,000,000	8,000,000
2016-2	12/20/2016	12/20/2023	The debentures bear an annual interest rate of 1.40%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	2,700,000	2,700,000	2,700,000
2017-1A	03/28/2017	03/28/2024	The debentures bear an annual interest rate of 1.50%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	390,000	390,000	390,000
2017-1B	03/28/2017	03/28/2025	The debentures bear an annual interest rate of 1.60%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturitv.	"	250,000	250,000	250,000

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

Terms of Transactions				Bond Issued			
Bonds	Issue date	Maturity date	Interest Rate & repayment	Type	Amount		
					September 30, 2020	December 31, 2019	September 30, 2019
2017-1C	03/28/2017	03/28/2027	The debentures bear an annual interest rate of 1.85%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	\$ 3,360,000	3,360,000	3,360,000
2017-2	05/23/2017	05/23/2027	The debentures bear an annual interest rate of 1.85%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	1,300,000	1,300,000	1,300,000
2018-1	01/05/2018	01/05/2021	The debentures bear an annual interest rate of 0.7%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured senior long-term financial debentures	1,000,000	1,000,000	1,000,000
2018-2	08/20/2018	08/20/2028	The debentures bear an annual interest rate of 1.45%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	5,450,000	5,450,000	5,450,000
2019-1A	03/21/2019	03/21/2026	The debentures bear an annual interest rate of 1.20%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	1,000,000	1,000,000	1,000,000
2019-1B	03/21/2019	03/21/2029	The debentures bear an annual interest rate of 1.30%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	4,800,000	4,800,000	4,800,000
2020-1	03/25/2020	03/25/2030	The debentures bear an annual interest rate of 0.8%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	10,000,000	-	-
2020-2	08/13/2020	None	The debentures bear an annual interest rate of 1.62%.Simple interest is accrued and paid annually. After calculating the early redeemable bond is in line with the capital adequacy ratio under the consent of the competent authority, the debentures are redeemable per face value plus accrued interest at the interest payment date after five years and a month from the issue date .	Perpetual non-accumulated subordinated financial debentures	10,000,000	-	-
					\$ 59,250,000	53,250,000	53,250,000

The Bank issued \$120,000 thousand and \$180,000 thousand dollar-denominated debentures with call option that can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity. In order to avoid interest risk, the Bank buys interest rate swap contracts that are classified as financial assets at fair value through profit or loss. To eliminate the measurement or recognition inconsistency between IRSs and debentures, the Bank classified the debentures into financial liabilities at fair value through profit or loss. The debentures are as follows:

Terms of Transactions				Bond Issued			
Bonds	Issue date	Maturity date	Interest Rate & repayment	Type	September 30, 2020	December 31, 2019	September 30, 2019
2017-3	10/27/2017	10/27/2047	The zero-coupon debentures with call options can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity.	Unsecured dollar-denominated senior financial debentures	\$ 3,478,800	3,598,800	3,724,260
2018-3	09/27/2018	09/27/2048	The zero-coupon debentures with call options can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity.	"	5,218,200	5,398,200	5,586,390
				Valuation adjustment	(84,019)	(47,818)	(130,370)
					\$ 8,612,981	8,949,182	9,180,280

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(T) Other financial liabilities

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cumulative earnings on appropriated loans fund	\$ 5,908,558	6,835,084	7,240,626
Principals received on structured notes	-	-	500,000
Total	<u>\$ 5,908,558</u>	<u>6,835,084</u>	<u>7,740,626</u>

Cumulative earnings on appropriated loan fund is the project contract signed by National Development Fund, Executive Yuan, Small and Medium Enterprise Administration, Ministry of Economic Affairs, and the Bank. The Bank appropriates the fund to the companies which meet the conditions for loans. The fund is classified as principal account, interest yielding account, loaned account and un-loaned account. These accounts are used for transferring accounts and paying the deposit interests for each project contract.

(U) Provisions

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Provision for guarantee liabilities	\$ 200,539	200,948	207,277
Provision for loan commitments	35,793	31,498	31,062
Provision for employee benefits	2,922,578	2,925,557	2,972,894
Total	<u>\$ 3,158,910</u>	<u>3,158,003</u>	<u>3,211,233</u>

Change of provision

	<u>January 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Use</u>	<u>Foreign exchange</u>	<u>September 30, 2020</u>
Provision for guarantee liabilities	\$ 200,948	-	293	-	(116)	200,539
Provision for loan commitments	31,498	4,357	-	-	(62)	35,793
Provision for employee benefits	2,925,557	172,839	137,611	38,207	-	2,972,578
Total	<u>\$ 3,158,003</u>	<u>177,196</u>	<u>137,904</u>	<u>38,207</u>	<u>(178)</u>	<u>3,158,910</u>

	<u>January 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Use</u>	<u>Foreign exchange</u>	<u>September 30, 2019</u>
Provision for guarantee liabilities	\$ 215,383	-	8,145	-	39	207,277
Provision for loan commitments	73,753	-	42,646	-	(45)	31,062
Provision for employee benefits	3,276,591	185,583	443,319	45,961	-	2,972,894
Total	<u>\$ 3,565,727</u>	<u>185,583</u>	<u>494,110</u>	<u>45,961</u>	<u>(6)</u>	<u>3,211,233</u>

Please refer to Note 6(Z) for the information with regard to provision for employee benefits shown above.

(V) Lease liabilities

Lease liabilities as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Less than one year	\$ 304,806	362,818	326,516
More than one year	<u>\$ 686,499</u>	<u>678,365</u>	<u>499,994</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Interest on lease liabilities	\$ 4,149	(25,853)	12,363	10,976
Expenses relating to short-term leases	\$ 1,038	2,949	6,184	9,497
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 3,645	9,017	11,598	12,630

The amounts recognized in the statement of cash flows were as follows :

	For the nine months ended September 30,	
	2020	2019
Total cash outflow for leases	\$ 351,709	356,866

(a) Real estate leases

The Bank and subsidiaries leased buildings for its office space. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices. Some also require the Bank and subsidiaries to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined monthly.

(b) Other leases

The Bank and subsidiaries leased machinery and transportation equipment with lease terms of one to four years. In some cases, the Bank and subsidiaries has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Bank and subsidiaries has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short term.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(W) Other liabilities

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Advance interest receipts	\$ 2,162	5,231	7,908
Unearned revenue	234,026	178,283	177,420
Other advance receipts	65,457	84,080	50,269
Guarantee deposits received	1,864,141	1,302,117	1,779,510
Temporary receipts and suspense accounts	1,231,449	1,711,940	-
Others	5,664	7,830	7,581
Total	<u>\$ 3,402,899</u>	<u>3,289,481</u>	<u>2,022,688</u>

(X) Equity

(a) Common stock

As of September 30, 2020, December 31 and September 30, 2019, the Bank's authorized capital were \$80,000,000 and the paid-in capital for common shares of the Bank were \$74,885,834, \$71,319,842 and \$71,319,842, the face value of each share is NTD \$10. The outstanding shares were 7,488,584, 7,131,985 and 7,131,985 thousand shares, respectively.

Pursuant to the resolution approved by the regular stockholders' meeting of the Bank on May 29, 2020, the Bank increased its capital from the retained earnings by \$3,565,992 and issued 356,599 thousand shares. The capital increase has been approved by Financial Supervisory Commission and came into effect on July 6, 2020. The record date of the capital increase is set on July 28, 2020.

Pursuant to the resolution approved by the regular stockholders' meeting of the Bank on June 14, 2019, the Bank increased its capital from the retained earnings by \$3,196,940 and issued 319,694 thousand shares. The capital increase has been approved by Financial Supervisory Commission and came into effect on July 25, 2019. The record date of the capital increase is set on August 20, 2019. The Bank has completed the alteration of the registered capital amount on September 9, 2019.

A resolution was passed during the regular shareholders' meetings held on June 14, 2019 for the issuance of ordinary shares for cash within a year under private placement, with the number of shares issued to not exceed 1,000,000 thousand. Subsequently, a resolution was passed during the board meeting held on August 19, 2019 for the issuance of 418,410 thousand ordinary shares under private placement at \$11.95 per share, amounting to \$5,000,000, August 30, 2019 as the record date of cash capital increase. The relevant statutory registration procedures have been completed. The remaining quota of this private placement (581,590 thousand shares) was no longer processed by a resolution of the interim board of directors on April 22, 2020. The situation regarding the handling of privately placed ordinary shares was reported to the regular shareholders' meeting on May 29, 2020.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

The aforementioned private placement of ordinary shares and the transfer of any subsequently issuance bonus shares would be subject to section 43-8 requirements under the Securities and Exchange Act. The Bank can only list these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities (November 1, 2019), and after applying for a public offering with the Financial Supervisory Commission.

(b) Capital surplus

Sources and statement of the Bank's capital surplus were as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Additional paid-in capital	\$ <u>815,900</u>	<u>815,900</u>	<u>815,900</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends based on the shareholder's initial number of shares. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(c) Earnings distribution and dividend policy

Under the Bank's Articles of Incorporation, earnings are used initially to pay for income taxes and restore cumulative losses, and 30% of the remaining earnings is set aside as legal reserve. Special reserve is appropriated from or reversed to earnings per other regulations. Add accumulated retained earnings from previous years as distributable dividends and the amount of dividends is resolved by the annual stockholders' meeting according to the proposal submitted by the Board of Directors.

In order to continuously expand scale and increase profitability, the Bank based on the future capital budget plan, adopts residual dividend policy and primarily distributes stock dividend to ensure the capital is sufficient. When there is surplus of capital, the remaining capital can be distributed by cash dividend. Cash dividend shall not be lower than 10% of the total dividend distributed. If the cash dividend distributed per share is lower than NTD\$ 0.1, except for otherwise resolved by the shareholder's meeting, it is not distributed. If there is any situation conforms to that is regulated in article 44 item 1 of the Banking Act of The Republic of China, the Bank is not allowed to distribute earnings by cash or purchase shares outstanding. The maximum cash earning distribution is not allowed to be over 15% of the total paid in capital unless the legal reserve reaches the total paid-in capital.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

In compliance with the Company Act, if the Company incurs no loss, under the consent of the shareholder's meeting, the Company is allowed to distribute new shares or cash dividends from legal reserve to the extent that the legal reserve issued is the surplus exceeding 25% of the paid in capital.

Under the Ruling No. 1010012865 issued on April 6, 2012 by the FSC, special reserve is appropriated from retained earnings based on the equivalent amounts of the contra accounts in equity. This special reserve may not be distributed as dividends to stockholders until the balances of these contra accounts in equity are reversed.

The Bank resolved the earning distribution for the earnings of 2019 and 2018 in the shareholder's meeting on May 29, 2020 and June 14, 2019, respectively. The dividends distributed were as follows:

	2019		2018	
	Distribution rate (NT dollar)	Amount	Distribution rate (NT dollar)	Amount
Dividends to common shareholders				
Stock dividends	\$ 0.50	3,565,992	0.50	3,196,940
Cash dividends	0.20	1,426,397	0.30	1,918,164
Total		<u>\$ 4,992,389</u>		<u>5,115,104</u>

(d) Other equity interest

	Unrealized gains from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
January 1, 2020	\$ 4,541,167	(862,866)	3,678,301
Investment in debt instruments measured at fair value through other comprehensive income			
-Unrealized amount	566,241	-	566,241
-Realized amount	(385,744)	-	(385,744)
Foreign currency translation difference — Exchange difference	-	(377,697)	(377,697)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	1,350	-	1,350
September 30, 2020	<u>\$ 4,723,014</u>	<u>(1,240,563)</u>	<u>3,482,451</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

	Unrealized gains from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
January 1, 2019	\$ 3,447,786	(541,122)	2,906,664
Investment in debt instruments measured at fair value through other comprehensive income			
-Unrealized amount	1,037,228		1,037,228
-Realized amount	(165,619)		(165,619)
Foreign currency translation difference—Exchange difference	-	47,666	47,666
Disposal of investments in equity instruments measured at fair value through other comprehensive income	(30,857)	-	(30,857)
September 30, 2019	<u>\$ 4,288,538</u>	<u>(493,456)</u>	<u>3,795,082</u>

(Y) Income taxes

(a) The income tax expenses were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Current tax expense				
Current period	\$ 321,267	320,224	739,794	878,572
Adjustment for prior period	-	-	(54,603)	83,925
Additional surtax on undistributed retained earnings	-	-	-	17,803
	<u>321,267</u>	<u>320,224</u>	<u>685,191</u>	<u>980,300</u>
Deferred tax expense				
Reversal of temporary different	(197,483)	116,132	(318,920)	125,945
Income tax expenses	<u>\$ 123,784</u>	<u>436,356</u>	<u>366,271</u>	<u>1,106,245</u>

(b) The income tax expenses (income) recognized under other comprehensive income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	\$ (29,476)	6,172	(94,424)	11,916
Unrealized gains (losses) on debt instruments at fair value through other comprehensive income	3,808	649	7,307	11,376
	<u>\$ (25,668)</u>	<u>6,821</u>	<u>(87,117)</u>	<u>23,292</u>

(c) Uncertainty over income tax treatments

For tax returns that have not yet been assessed, the Bank and subsidiaries have assessed relevant factors, including relevant IFRIC interpretations and historical experience, and believe that sufficient income tax liabilities have been estimated.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

- (d) The Bank's income tax returns through 2017 have been assessed by the Tax Authority.
- (e) The income tax returns of the subsidiaries TBB Venture Capital Co., Ltd., and TBB International Leasing Co., Ltd. have been assessed until 2018 by the Tax Authority.

(Z) Provision for employee benefit

As of September 30, 2020, December 31 and September 30, 2019, the balance of provision for employee benefit of the Bank and subsidiaries were as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Defined benefit plan	\$ 1,993,418	2,022,067	2,077,993
Employee deposits with favorable rate	929,160	903,490	894,901
	<u>\$ 2,922,578</u>	<u>2,925,557</u>	<u>2,972,894</u>

(a) Defined benefit plan

In 2019, there is apparently no evidence of any material market volatility, material curtailment, reimbursement and settlement or other material one-time events. Therefore, the pension cost for the interim periods are assessed and discovered at the actuarial costs that were determined on December 31, 2019 and 2018 by the Bank and subsidiaries.

The Bank and subsidiaries recognized the expenses amounting to \$49,055, \$53,454, \$147,152 and \$160,354 for the three months and nine months ended September 30, 2020 and 2019, respectively.

(b) Defined contribution plan

The pension costs incurred from the contributions to the Bureau of the Labor Insurance, oversea branches, and local authorities responsible for the Bank's subsidiaries amounted to \$35,522, \$32,740, \$106,764 and \$99,150 for the three months and nine months ended September 30, 2020 and 2019, respectively.

(c) Employee deposit with favorable rate

In 2019, there is apparently no evidence of any material market volatility, material curtailment, reimbursement and settlement or other material one-time events. Therefore, the interest cost for the interim periods are assessed and disclosed at the actuarial costs that were determined on December 31, 2019 and 2018 by the Bank and subsidiaries.

The Bank and subsidiaries recognized expenses amounting to \$58,832, \$55,902, \$174,102 and \$166,663 for the three months and nine months ended September 30, 2020 and 2019, respectively.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(AA) Earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Net income	\$ 1,204,794	2,009,346	3,462,965	5,409,895
Weighted average number of common stock shares outstanding (in thousands) (Note 1)	7,488,584	7,100,750	7,488,584	7,100,750
Basic earnings per shares (in dollars)	\$ 0.16	0.28	0.46	0.76
Dilutive potential common shares (in thousands) (Note 1,2)	8,007	8,647	24,024	27,934
Weighted average number of shares outstanding for diluted EPS (in thousands) (Note 1)	7,496,591	7,109,397	7,512,608	7,128,684
Diluted earnings per shares (in dollars)	\$ 0.16	0.28	0.46	0.76

Note 1: The earnings per share for the nine months ended September 30, 2019 has applied retrospective adjustments.

Note 2: The shares were calculated based on the stock price on the balance sheet date.

(AB) Employees and directors' remuneration

In accordance with the articles of incorporation the Bank should contribute 1% to 6% of the profit as employee compensation and less than 0.6% as directors' remuneration when there is profit for the year. However, if the Bank has accumulated deficits, the profit should be reserved to offset the deficit.

For the three months and nine months ended September 30, 2020 and 2019, the estimated employee remuneration were \$76,382, \$105,000, \$229,191 and \$339,201, and the estimated directors' remuneration were \$8,463, \$15,251, \$24,456 and \$40,913, the estimates are based on pre-tax net profit for the period, before deducting employees and directors' remuneration, multiplied by the elaboration of the Bank's Articles of Association of employees and the directors remuneration ratio, and recognized as operating cost. If the board's meeting decides to release stock dividends as employees' bonuses, the total number of employees bonus stocks to be issued shall be determined by the common stock closing price of the day before the meeting date.

For the years ended December 31, 2019 and 2018, the employees' remuneration was accrued at \$384,639 and \$583,736 and the directors' remuneration was accrued at \$50,456 and \$58,374 respectively. There is no difference with actual distribution of 2019 and 2018 remuneration. The information is available at the Market Observation Post System website.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(AC) Net interest revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Interest income:				
Loans	\$ 1,306,516	1,956,999	4,450,934	5,815,218
Secured loans	3,519,574	3,923,633	10,925,175	11,598,732
Bills negotiated	389	1,155	1,874	4,683
Bank overdrafts	3,029	5,011	9,606	15,545
Discounts	2,431	6,783	12,559	29,380
Time deposit from Central Bank	143,896	260,070	559,184	757,875
Due from the Central Bank	20,919	36,788	77,466	106,073
Call loans to banks	92,585	306,932	492,251	775,336
Bonds	595,062	752,376	1,949,488	2,210,049
International credit card	10,542	13,844	34,140	40,934
Overdue loans	90,732	39,238	187,726	103,068
Bills	8,756	18,497	34,435	72,429
Due from Banks	51,221	93,543	178,406	363,237
Others	<u>69,524</u>	<u>94,735</u>	<u>209,065</u>	<u>277,672</u>
Subtotal	<u>5,915,176</u>	<u>7,509,604</u>	<u>19,122,309</u>	<u>22,170,231</u>
Interest expense:				
Deposits	1,581,125	2,558,248	5,816,971	7,676,336
Deposits from banks	2,252	7	4,934	193
Call loans from banks	51,882	271,746	331,323	826,928
Financial debentures	312,477	283,325	893,269	825,178
Notes and bond issued under repurchase agreement	1,168	8,352	3,989	12,955
Others	<u>11,672</u>	<u>3,293</u>	<u>35,882</u>	<u>41,553</u>
Subtotal	<u>1,960,576</u>	<u>3,124,971</u>	<u>7,086,368</u>	<u>9,383,143</u>
Total	<u><u>\$ 3,954,600</u></u>	<u><u>4,384,633</u></u>	<u><u>12,035,941</u></u>	<u><u>12,787,088</u></u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(AD) Net service fee revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Service fee income:				
Remittance service fee	\$ 18,169	21,084	52,702	63,169
Import bills negotiated service fee	8,421	11,850	26,555	39,356
Export bills negotiated service fee	2,806	3,637	8,698	12,019
Letter of credit service fee	1,932	2,028	6,017	6,545
Certification service fee	566	887	1,507	1,762
Acceptance service fee	229	580	822	1,374
Trust service fee	226,968	189,307	551,031	453,065
Guarantee service fee	54,819	50,309	160,857	160,266
Agency service fee	29,038	23,350	77,983	69,702
Interbank service fee	22,373	20,739	65,479	55,910
Card service fee	37,592	39,313	85,535	97,180
Commission revenue of insurance premium	111,876	400,400	481,329	1,291,087
Custodian service fee	42,730	43,467	126,494	124,963
Foreign currency service fee	22,711	22,126	68,631	73,496
Commission of futures	1,353	1,105	4,122	3,994
Loan service fee	208,946	157,334	561,639	489,638
Miscellaneous fees	34,431	27,161	90,621	98,118
Subtotal	<u>824,960</u>	<u>1,014,677</u>	<u>2,370,022</u>	<u>3,041,644</u>
Service fee expense:				
Foreign currency service fee	6,206	10,967	22,420	29,163
Interbank service fee	40,040	36,797	117,692	104,181
Trust service fee	237	420	813	1,422
Agency service fee	420	556	1,193	1,636
IC card service fee	16,339	18,149	48,134	53,419
Check clearing service fee	2,454	2,410	7,306	7,396
Remittance service fee	1,242	1,213	3,696	3,632
Custodian service fee	13,474	13,290	40,516	38,385
Call loans service fee	2,149	3,548	5,649	8,708
Futures option fee	76	61	1,048	244
Miscellaneous fees	5,347	4,213	14,433	12,722
Subtotal	<u>87,984</u>	<u>91,624</u>	<u>262,900</u>	<u>260,908</u>
Total	<u>\$ 736,976</u>	<u>923,053</u>	<u>2,107,122</u>	<u>2,780,736</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(AE) Gain (loss) on financial assets or liabilities measured at fair value through profit or loss

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Valuation gains (losses):				
Government bonds	\$ -	5,878	(5,051)	6,762
Corporate bonds	(1,385)	(7,085)	4,747	(7,840)
Financial debentures	(247,523)	(257,813)	(261,198)	(267,583)
Listed stocks	(13,443)	6,137	(18,139)	1,353
Unlisted stocks	9,111	10,690	20,933	10,690
Beneficiary certificates	(10,768)	(2,647)	5,991	3,820
Private fund	200	(1,850)	(250)	(3,000)
Commercial paper	(1,756)	(354)	851	(1,290)
Derivative financial instruments	(41,005)	(123,854)	(5,236)	287,623
Subtotal	<u>(306,569)</u>	<u>(370,898)</u>	<u>(257,352)</u>	<u>30,535</u>
Disposal gains (losses):				
Government bonds	(362)	8,178	29,821	16,448
Corporate bonds	9,244	1,750	11,233	1,648
Financial debentures	-	4,731	(5,425)	18,894
Listed stocks	(7,376)	(13,533)	(25,590)	2,772
Beneficiary certificates	27,087	3,969	16,896	700
Commercial paper	(904)	-	(2,260)	-
Derivative financial instruments	426,298	565,588	918,235	951,372
Subtotal	<u>453,987</u>	<u>570,683</u>	<u>942,910</u>	<u>991,834</u>
Dividend revenue	5,225	3,302	5,318	3,302
Interest income	27,428	44,620	96,785	118,634
Total	<u>\$ 180,071</u>	<u>247,707</u>	<u>787,661</u>	<u>1,144,305</u>

(AF) Realized gain on financial assets at fair value through other comprehensive income

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Gain on disposal of government bonds	\$ 165,002	44,409	341,558	163,572
Gain on disposal of corporate bonds	3,000	1,106	3,624	2,341
Gain (loss) on disposal of financial debentures	40,562	(294)	40,562	(294)
Dividend revenue	330,299	225,569	511,208	408,485
Total	<u>\$ 538,863</u>	<u>270,790</u>	<u>896,952</u>	<u>574,104</u>

(AG) (Impairment losses on assets) reversal of impairment loss on assets

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Investment in debt instrument measured at fair value through other comprehensive income	\$ (4,660)	(2,926)	(9,062)	(14,495)
Investment in debt instrument measured at amortized cost	(1,183)	3,702	12,566	3,415
Total	<u>\$ (5,843)</u>	<u>776</u>	<u>3,504</u>	<u>(11,080)</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(AH) Net other revenue other than interest income

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Rental revenue of operating assets	\$ 2,294	2,354	7,084	7,174
Rental expense of operating assets	-	(445)	(371)	(445)
Loss on disposal and retirement of property and equipment	(1,179)	(278)	(1,636)	(649)
Loss of account error	(49)	(3)	(602)	(76)
Gold deposit book	1,583	906	3,725	1,431
Other operating expense	(9,255)	(3,364)	(49,206)	(14,686)
Other miscellaneous income	115,876	20,081	190,709	124,569
Total	<u>\$ 109,270</u>	<u>19,251</u>	<u>149,703</u>	<u>117,318</u>

(AI) Other miscellaneous revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Overpaid business tax returned	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>138,999</u>

(AJ) Bad debts expenses, commitment and guarantee liability provision

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Discounted and loans	\$ 1,276,309	252,646	3,237,128	1,439,191
Call loans to banks	4,123	(11,571)	(5,819)	(1,359)
Due from banks, debit	2	3	-	1,897
Receivables and other financial assets	<u>7,077</u>	<u>4,826</u>	<u>(8,601)</u>	<u>539,058</u>
Subtotal	1,287,511	245,904	3,222,708	1,978,787
Provisions for guarantee liabilities	(3,060)	8,392	(293)	(8,145)
Provisions for loan commitments	<u>(12,660)</u>	<u>(2,006)</u>	<u>4,357</u>	<u>(42,646)</u>
Total	<u>\$ 1,271,791</u>	<u>252,290</u>	<u>3,226,772</u>	<u>1,927,996</u>

(AK) Employee benefits expenses

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Salary expense	\$ 1,619,840	1,646,106	4,914,370	5,016,259
Labor and health insurance	120,803	123,742	365,251	372,334
Pension expense	84,389	86,194	253,350	259,504
Director's remuneration	12,056	17,421	35,182	47,424
Other employee benefits	<u>146,392</u>	<u>134,977</u>	<u>478,149</u>	<u>455,534</u>
Total	<u>\$ 1,983,480</u>	<u>2,008,440</u>	<u>6,046,302</u>	<u>6,151,055</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(AL) Depreciation and amortization expense

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Depreciation				
Property and equipment	\$ 111,611	107,075	330,130	303,105
Right-of-use assets	104,056	112,217	308,926	318,654
Amortization				
Computer software	42,248	29,119	107,064	92,605
Other deferred charges	-	-	1	1
Total	<u>\$ 257,915</u>	<u>248,411</u>	<u>746,121</u>	<u>714,365</u>

(AM) Other general and administrative expense

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Compensation loss	\$ 20	32	75	89
Utilities fee	29,289	31,343	67,866	70,384
Postage and telecommunication fee	58,194	52,404	161,198	157,796
Transportation fee	7,114	14,082	20,448	34,749
Printing and advertisement fee	42,609	32,929	82,044	75,807
Repair and maintenance fee	75,772	70,255	190,238	163,583
Insurance fee	84,993	83,473	258,601	248,084
Professional service fee	53,508	62,154	155,326	156,558
Materials and supplies	25,050	46,893	70,372	129,010
Rental expenses	6,775	10,053	17,782	15,686
Duties and levies	291,784	342,570	899,285	1,021,582
Membership, donation and partaking	145,628	142,052	427,316	403,809
Storage, packing and processing fee	16,072	9,577	41,478	33,580
Cash transit fee	19,118	22,686	65,409	70,252
Others	18,513	18,754	48,947	49,252
Total	<u>\$ 874,439</u>	<u>939,257</u>	<u>2,506,385</u>	<u>2,630,221</u>

(AN) Financial Instruments

(a) Fair value information

(1) General description

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The financial instruments are recorded as fair value when originally recognizing, usually refer to the transaction price in many circumstances. Except some amortized cost financial instruments, the financial instruments are measured in fair value. A quoted market price in an active market provides the most reliable evidence of fair value. If financial instruments are without active market, the Bank and subsidiaries adopted the value technique, refer to Bloomberg, Reuters or the price at which the asset could be bought or sold in a current transaction between willing parties.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(2) The definition of fair value hierarchy

A. Level 1

The input of this level is quoted prices in active markets for identical financial instruments. The active market is a market in which transactions for the homogenous assets or liabilities take place with sufficient frequency and volume to provide pricing information. The stock of listed company and the beneficiary certificates, government bonds and the derivative financial instruments with public quote inactive market processed by the Bank and subsidiaries belong to Level 1.

B. Level 2

The input of this level is other than quoted market 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). The investments with lower trade volume such as government bonds, corporate bonds, financial debentures, convertible corporate bonds and derivative instruments, including financial debentures the Bank and subsidiaries issued are belong to Level 2.

C. Level 3

The input is unobservable for the asset or liability in market or counterparty prices. Unobservable inputs like: Option pricing model using the historical volatility. Because the historical volatility cannot represent the future volatility expected value of whole market participants. The input parameter used to measure the fair value of this level is not based on data that can be obtained in the market but using a combination of complex market prices to estimate their values. The assets have been categorized as a Level 3, due to their fair market value cannot be directly calculated. The equity instruments with no active market which the Bank and subsidiaries invested are Level 3.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(3) Based on fair value measurement

A. The fair value hierarchy of information

The financial instruments which are record as fair value measure on an ongoing basis, the fair value hierarchy of information were as follows:

Assets and Liabilities	September 30, 2020			
	Total	Level 1	Level 2	Level 3
Instruments measured at fair value on a recurring basis				
Non-derivative financial assets and liabilities:				
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss, mandatorily measure at fair value				
Security Investments	\$ 295,829	60,119	-	235,710
Bond Investments	1,847,410	1,348,298	499,112	-
Others	25,926,557	122,710	25,705,947	97,900
Financial assets designated at fair value through profit or loss	115,748	-	115,748	-
Financial assets at fair value through other comprehensive income				
Security Investments	11,628,664	7,184,189	-	4,444,475
Bond Investments	103,036,094	67,684,192	35,351,902	-
Others	49,753	49,753	-	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	8,612,981	-	8,612,981	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	\$ 860,595	72,658	787,937	-
Liabilities:				
Financial liabilities at fair value through profit or loss	348,118	-	348,118	-

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

Assets and Liabilities	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Instruments measured at fair value on a recurring basis				
Non-derivative financial assets and liabilities:				
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss, mandatorily measure at fair value				
Security Investments	\$ 324,768	178,867	-	145,901
Bond Investments	4,430,927	4,230,927	200,000	-
Others	21,146,055	60,740	21,037,165	48,150
Financial assets designated at fair value through profit or loss	120,240	-	120,240	-
Financial assets at fair value through other comprehensive income				
Security Investments	11,304,129	7,149,992	-	4,154,137
Bond Investments	91,093,180	66,578,857	24,514,323	-
Other	199,835	49,804	150,031	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	8,949,182	-	8,949,182	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	\$ 950,796	65,784	885,012	-
Liabilities:				
Financial liabilities at fair value through profit or loss	444,154	-	444,154	-
September 30, 2019				
Assets and Liabilities	Total	Level 1	Level 2	Level 3
Instruments measured at fair value on a recurring basis				
Non-derivative financial assets and liabilities:				
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss, mandatorily measure at fair value				
Security Investments	\$ 245,680	189,000	-	56,680
Bond Investments	4,446,750	4,246,750	-	200,000
Others	10,665,195	-	10,618,195	47,000
Financial assets designated at fair value through profit or loss	1,211,437	-	1,211,437	-
Financial assets at fair value through other comprehensive income				
Security Investments	9,633,611	5,391,656	-	4,241,955
Bond Investments	85,537,069	65,620,213	19,916,856	-
Other	44,468	44,468	-	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	9,180,280	-	9,180,280	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	\$ 900,334	61,930	838,404	-
Liabilities:				
Financial liabilities at fair value through profit or loss	445,834	-	445,834	-

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

B. Valuation techniques used in estimating the fair values of financial instruments

If the financial instruments have quoted price in an active market, the quoted price is regarded as its fair value.

If the financial instruments of quoted price, which are from the Stock Exchange, Brokers, Pricing service agencies or Government institutions, are timely and frequently, and reflects the actual price, then the financial instruments have a quoted price in an active market. If the above conditions are not fulfilled, the market is inactive.

Except for the above financial instruments of quoted price in an active market, there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique that refers to quoted prices considered the identical financial instrument with same characteristics and essential terms of transaction, Discounted-Cash-Flow model and other valuation techniques including the model using market information to be made of the calculation at the balance sheet date (e.g. Taipei Exchange reference yield curve, Reuters quoted the average commercial paper rate, the Taipei Financial industry call loan rate fixing TAIBOR).

The financial asset's fair value is estimated on the basis of the result of a valuation technique, the Bank and subsidiaries adopted that refers to quoted prices provided by financial institutions. Ask (bid) is used to evaluate the selling (buying) position by the Bank and subsidiaries if the quoted price include ask and bid price. If there is not a quoted price for the financial asset, transaction price close to the balance sheet date is the fair value.

Fair value of financial derivatives is the amount of cash to be paid or to be received by the Bank and subsidiaries, assuming that the contract will be terminated on the balance sheet date. The Bank and subsidiaries adopts mark-to-model prices which are usually adopted among the banking industry, such as Discounted-Cash-Flow model and Black-Scholes model. The Bank and subsidiaries adopts the price data from Reuters and Bloomberg to calculate the fair value of the holding position. The aforesaid price data is based upon the middle price and used consistently by the Bank. Furthermore, the fair value of the embedded financial derivatives is calculated based upon the quote from the counterparty, and separately calculated in accordance with the contracts.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

C. Adjustment for fair value

a. The restraint of evaluation model and uncertain inputs

The estimates of output-based value using the evaluation model, which may not reflect the Bank's all related factors. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to the extra parameters such as model risk or liquidity risk. Information and price parameters used in the evaluation process after careful assessment, and appropriately adjusted according to the current market situation.

b. Credit risk value adjustment

The Bank and subsidiaries' credit risk value adjustment of OTC transaction derivative instruments can be divided to Credit value adjustments (CVA) and debit value adjustments (DVA). To reflect the fair value of the counterparty or the default, and the Bank and subsidiaries may not be received or paid full market value of trading possibilities.

The Bank and subsidiaries would calculate credit valuation adjustment (CVA) by assessing probability of default (PD) and loss given default (LGD) of the counterparty before multiplying exposure at default (EAD) of the counterparty. On the contrary, debit valuation adjustment (DVA).

The Bank and subsidiaries assess the probability of default on the assumption of 60%, but at the risk of the nature and circumstances of available data, we may use other loss given default assumptions.

D. Transfers between Level 1 and Level 2

There were no transfers between Level 1 and Level 2 for the nine months ended September 30, 2020 and 2019.

E. Changes in financial assets which were classified to Level 3 based on fair value measurement

Changes of financial assets categorized in Level 3 :

Name	For the nine months ended September 30, 2020							Ending balance
	Beginning balance	Valuation profit and loss		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transfer into Level 3	Sale Disposition or Settlement	Transfer out from Level 3	
Financial assets at fair value through profit or loss	\$ 194,051	20,297	-	119,262	-	-	-	333,610
Investments in equity instruments measured at fair value through other comprehensive income	4,154,137	-	290,338	-	-	-	-	4,444,475

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

For the nine months ended September 30, 2019								
Name	Beginning balance	Valuation profit and loss		Increase		Decrease		Ending balance
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transfer into Level 3	Sale Disposition or Settlement	Transfer out from Level 3	
Financial assets at fair value through profit or loss	\$ 250,000	7,690	-	45,990	-	-	-	303,680
Investments in equity instruments measured at fair value through other comprehensive income	4,212,027	-	29,928	-	-	-	-	4,241,955

F. Profit and loss information of Level 3

Current gain (loss) and other comprehensive income of holding assets are as follow:

	For the nine months ended September 30,	
	2020	2019
Recognized on profit and loss (reported as unrealized gain (loss) from investments instruments measured at fair value through profit and loss)	\$ 20,297	7,690
Recognized on other comprehensive income (reported as unrealized gain (loss) from investments instruments measured at fair value through other comprehensive income)	290,338	29,928

	For the three months ended September 30,	
	2020	2019
Recognized on profit and loss (reported as unrealized gain (loss) from investments instruments measured at fair value through profit and loss)	\$ 8,924	8,840
Recognized on other comprehensive income (reported as unrealized gain (loss) from investments instruments measured at fair value through other comprehensive income)	224,882	(12,989)

G. Quantified information of the fair value measurement of significant unobservable inputs (Level 3)

The Bank and subsidiaries' financial instruments that use Level 3 inputs to measure fair value include “financial assets at fair value through profit or loss” and “financial assets at fair value through other comprehensive income”. Without active market quotation, the Bank and subsidiaries take professional financial information vendors and widely used by market participants for evaluation or counterparty quotation as reference. The unobservable inputs are as follows :

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

September 30, 2020					
	<u>fair value</u>	<u>valuation methods</u>	<u>significant unobservable inputs</u>	<u>range</u>	<u>inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial asset at fair value through profit or loss					
Private fund	\$ 97,900	assets approach	liquidity discount	5%~15%	The higher market liquidity discount, the lower fair value.
Unlisted stocks	235,710	market approach	liquidity discount	15.42%~39.51%	The higher market liquidity discount, the lower fair value.
Financial assets at fair value through other comprehensive income					
Unlisted stocks	4,444,475	market approach assets approach	liquidity discount	3.98%~39.85%	The higher market liquidity discount, the lower fair value.
		income approach	sustainable growth rate	-0.3%~1.88%	The higher sustainable growth rate, the higher fair value.
			cost of equity	5.38%~14.59%	The higher rate of cost of equity, the lower fair value.

December 31, 2019					
	<u>fair value</u>	<u>valuation methods</u>	<u>significant unobservable inputs</u>	<u>range</u>	<u>inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss					
Private fund	\$ 48,150	assets approach	liquidity discount	5%~15%	The higher market liquidity discount, the lower fair value.
Unlisted stocks	145,901	market approach	liquidity discount	21.75%~22.82%	The higher market liquidity discount, the lower fair value.
Financial assets at fair value through other comprehensive income					
Unlisted stocks	4,154,137	market approach assets approach	liquidity discount	4.05%~39.97%	The higher market liquidity discount, the lower fair value.
		income approach	sustainable growth rate	-0.3%~1.34%	The higher sustainable growth rate, the higher fair value.
			cost of equity	5.61%~14.88%	The higher rate of cost of equity, the lower fair value.

September 30, 2019					
	<u>fair value</u>	<u>valuation methods</u>	<u>significant unobservable inputs</u>	<u>range</u>	<u>inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss					
Private fund	\$ 47,000	assets approach	net assets	inapplicable	The higher net assets, the higher fair value.
Unlisted stocks	56,680	market approach	liquidity discount	24.36%~27.07%	The higher market liquidity discount, the lower fair value.
Financial assets at fair value through other comprehensive income					
Unlisted stocks	4,241,955	market approach assets approach	liquidity discount	4.6%~40.40%	The higher market liquidity discount, the lower fair value.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

September 30, 2019				
	fair value	valuation methods	significant unobservable inputs	range
Financial assets at fair value through other comprehensive income		income approach	sustainable growth rate	-0.30%~1.37%
			cost of equity	4.16%~12.07%
				inter-relationship between significant unobservable inputs and fair value measurement
				The higher sustainable growth rate, the higher fair value.
				The higher rate of cost of equity, the lower fair value.

H. Sensitivity analysis of reasonably possible alternative assumptions for fair value measurement in Level 3.

Valuation techniques used by the Bank and subsidiaries for fair value measurements of financial instruments are appropriate. However, the use of different valuation models or inputs could lead to different outcomes of fair value measurements. The following are the impact on the other comprehensive profit and loss if using different assumptions:

a. Assets approach/ Market approach

The evaluation methods of Level 3 financial instruments of the Bank and subsidiaries are mainly based on the market approach or the assets approach. If the liquidity discount changes by 5% upwards or downwards, the impact on the other comprehensive profit and loss is as follows:

				<u>the effects to other comprehensive income</u>	
				<u>Favorable changes (-5%)</u>	<u>Unfavorable changes (5%)</u>
September 30, 2020					
Financial assets at fair value through profit or loss					
Unlisted stocks and private fund	\$		16,514		(16,514)
Financial assets at fair value through other comprehensive income					
Unlisted stocks			248,220		(248,255)
				<u>the effects to other comprehensive income</u>	
				<u>Favorable changes (-5%)</u>	<u>Unfavorable changes (5%)</u>
December 31, 2019					
Financial assets at fair value through profit or loss					
Unlisted stocks and private fund	\$		6,296		(6,296)
Financial assets at fair value through other comprehensive income					
Unlisted stocks			242,309		(242,309)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

	<u>the effects to other comprehensive income</u>	
	<u>Favorable changes (-5%)</u>	<u>Unfavorable changes (5%)</u>
September 30, 2019		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 247,230	(247,230)

b. Income approach

Adopting the income approach to evaluate Level 3 financial instruments of the Bank and subsidiaries. The evaluation parameters are divided into sustainable growth rate and cost of equity capital. The effects of the two evaluation parameters on the other comprehensive profit and loss are as follows:

1) sustainable growth rate

	<u>the effects to other comprehensive income</u>	
	<u>Favorable changes (0.3%)</u>	<u>Unfavorable changes (-0.3%)</u>
September 30, 2020		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 6,493	(5,996)

	<u>the effects to other comprehensive income</u>	
	<u>Favorable changes (0.3%)</u>	<u>Unfavorable changes (-0.3%)</u>
December 31, 2019		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 5,154	(4,709)

	<u>the effects to other comprehensive income</u>	
	<u>Favorable changes (0.3%)</u>	<u>Unfavorable changes (-0.3%)</u>
September 30, 2019		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 8,372	(7,624)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

2) cost of equity

		<u>the effects to other comprehensive income</u>	
		<u>Favorable</u>	<u>Unfavorable</u>
		<u>changes (-3%)</u>	<u>changes (3%)</u>
September 30, 2020			
Financial assets at fair value through other comprehensive income			
Unlisted stocks	\$	140,175	(52,293)
		<u>the effects to other comprehensive income</u>	
		<u>Favorable</u>	<u>Unfavorable</u>
		<u>changes (-3%)</u>	<u>changes (3%)</u>
December 31, 2019			
Financial assets at fair value through other comprehensive income			
Unlisted stocks	\$	104,670	(43,331)
		<u>the effects to other comprehensive income</u>	
		<u>Favorable</u>	<u>Unfavorable</u>
		<u>changes (-3%)</u>	<u>changes (3%)</u>
September 30, 2019			
Financial assets at fair value through other comprehensive income			
Unlisted stocks	\$	194,162	(63,651)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(4) Not based on fair value measurement

A. Fair value information

The following chart presents the financial instruments not based on fair value measurement of the Bank and subsidiaries. Except those items, others' fair value is reasonably approximate value, the Bank and subsidiaries does not disclosure their fair value.

		<u>September 30, 2020</u>	
		<u>Book value</u>	<u>Fair value</u>
Debt instruments measured at amortized cost	\$	230,816,898	232,781,610

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	December 31, 2019	
	Book value	Fair value
Debt instruments measured at amortized cost	\$ 263,056,842	264,518,564

	September 30, 2019	
	Book value	Fair value
Debt instruments measured at amortized cost	\$ 268,170,790	269,505,383

B. The fair value hierarchy of information

		September 30, 2020		
Assets and Liabilities	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Debt instruments measured at amortized cost \$	232,781,610	45,294,454	187,487,156	-

		December 31, 2019		
Assets and Liabilities	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Debt instruments measured at amortized cost \$	264,518,564	49,044,285	215,474,279	-

		September 30, 2019		
Assets and Liabilities	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Debt instruments measured at amortized cost \$	269,505,383	50,583,764	218,921,619	-

C. Valuation techniques

Methods and assumptions used by the Bank and subsidiaries for fair value evaluation of financial instruments were as follows:

- a. Cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under resell agreements, receivables, overdue receivables, exchange bills negotiated guarantee deposits paid, temporary payments and suspense accounts, proceeds of settlement and credit transaction, deposits from Central Bank and other banks, securities sold under repurchase agreements, payables, other financial liabilities, guarantee deposits received and temporary receipts and suspense accounts: since these instruments have short maturities, the book value is adopted as a reasonable basis in estimating the fair value.
- b. Discounts and loans (including non-performing loans): the interest rate of bank loans, dependent on the benchmark interest rate which plus or minus the input value (i.e. motorized interest rate), said market rates, therefore, the book value of financial assets is equivalent to their fair value. Among the case of fixed interest rate, the estimated fair value of long-term loans using the discounted value of its expected cash flows, but this is minority, so the book value of financial assets is equivalent to their fair value.

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- c. Investment in debt instruments at amortized cost: the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique.
 - 1) Central Government Securities (NTD): using the comment of “Bonds a fair price for each of times” from Taipei Exchange.
 - 2) Corporate bonds and bank debentures (NTD): the present value or fair price of Taipei Exchange determined using the future cash flow of yield curve discounting evaluation.
- d. Deposits and remittance: to determine the fair value, considered Banking industry characteristics, the market interest rates (i.e. market price) is the fair value. And deposits are mostly due within one year, the carrying amounts is the fair value of reasonable basis. The fixed interest rate of long-term deposits should be estimated by the discounted value of its expected cash flows at fair value, and its maturity date no longer than three years, so its estimated fair value of the carrying amount is considered reasonable.
- e. Bank debentures payable: The bank debentures payable, issued by the Bank and subsidiaries, whose stated rate was equal the effective rate, using discounted cash flow projections to estimate the fair value, equivalent to its book value.

(AO) Financial Risk Information

(a) General description

The goal of the financial risk management of the Bank is to effectively diversify, transfer and avoid risks by taking customer service, financial business operating target, overall risk tolerance and external limitation of laws into consideration and provide benefit to customers, shareholders and employees.

The Bank's Financial Risk Management policy is to establish a risk management mechanism in terms of risk identification, risk measurement, risk monitoring, and risk control and to construct the overall risk management system. It is to facilitate the business model with appropriate risk management and to control the rationality between risks and rewards under the premise of legal capital ratio in order to achieve operating targets and increase the value of the Bank for the shareholders. The scope covers the management of credit risk, market risk, operation risk, banking book interest rate risk, capital liquidity risk, and capital adequacy.

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(b) Risk management organization structure

(1) Risk Management Committee

The chairperson of the Risk Management Committee is appointed by the president. The chairpersons include general manager, deputy general manager of the non-regulatory compliance in head office and department directors of head office (excluding the director of audit department in the Board). This Committee is set up for the purpose of establishing a sound risk management system, strengthening risk management and the implementation of the Bank's risk management and monitoring. The meeting will be held once a month in principle. The meeting can be held by the chairman of the Committee when it necessary. The duties are as follows:

- A. Conduct Analysis and response project when significant domestic and foreign economic, financial and industrial risk management occur.
- B. Risk management report of various risk exposure and agenda processing.
- C. The processing of examination of the risk management relevant policy of the Bank and limitations, management indices and the response project when the risk exceeds the limitations.
- D. Supervise the Bank and subsidiaries' capital adequacy management.
- E. Conduct or supervise the issues that have to report to Risk Management Committee according to the regulations drawn by the competent authority at home and abroad.
- F. Conduct or supervise other risk management related issues.

Risk Management Department is the assistant unit of the Risk Management Committee. The responsibility of the Risk Management Department is to execute preparing sittings agenda, convening sittings, agenda processing, taking meeting minutes and tracking resolution and regularly report the important resolution and various risk exposure to the board of (executive) directors.

(2) Assets and Liabilities Management Committee

The chairperson of the Assets and Liabilities Management Committee is the general manager, and the members are formed by the vice assistant general manager and the department heads of deposit, loan, financial transaction, capital deployment and risk management units. The responsibility of the Assets and Liabilities Management Committee is to monitor and manage the banking book interest rate risk and capital liquidity risk and convenes meetings regularly, to approve the analyzing and measurement methods of the capital liquidity risk and banking book interest rate risk exposure, to examine the capital liquidity risk and banking book interest rate risk management policy as well as the relevant limitations and management indices, to receive interest rate risk and capital liquidity risk exposure reports and adjust the assets and liabilities interest rate duration structure and capital maturity structure.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(3) Credit Examination Committee

The convener of the Credit Examination Committee is the assistant general manager supervising Risk Management Center. The Committee in principle convenes weekly to examine the modification and establishment of the regulations (including main points, measures and procedures) for significant loans, foreign exchange and guarantee cases.

(4) Overdue Loans Clearing Committee

The convener of the Overdue Loans Clearing Committee is the supervising vice president. The convener holds meetings as needed to discuss measures on reducing non-performing loans and approaches to handle overdue loans.

(5) Cyber Security Management Committee

The Cyber Security Management Committee is convened by the supervising vice president who oversees the implementation and coordination of the Bank's cyber security policies. The committee holds meetings as needed to examine matters related to cyber security.

(c) Credit risk

(1) Source and definition of credit risk

Credit risk refers to the default risk resulted from the inability to fulfill the contract obligations due to deteriorating financial status of trade counterparties, pessimistic external economic situation or other factors. The primary source of the credit risk of the Bank is the loan business, such as loans of various terms, guarantees and letters of credit, loan commitments, etc., in addition, other sources of credit risk include call loans from banks, securities investments, derivative financial instrument transactions, etc.

(2) Credit risk management policy

In order to control the credit risk to a tolerable scope, the Bank continuously conduct below operations:

- A. Fully understand the credit status and ratings of loan customers and trade counterparties as well as the purposes and payments of loans.
- B. Prudently evaluates the credit risk status of loan customers and trade counterparties and consider the adequacy of collaterals and guarantees to assess risk and profit.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

- C. Establish credit rating mechanism for loan customers or apply the ratings from outside credit rating institutions as the reference for undertaking credit cases or interest rate determination.
- D. Modify relevant regulations to control the credit risk to a tolerable extent for the Bank.

The credit risk management procedure and measurement methods of the Bank's major business are as follows:

- A. Credit Business (Including loan commitments and guarantees)

The categorization and credit quality rating of credit assets are as follows:

- a. Categorization of credit assets

The credit assets are classified into 5 categories. Except for normal credit assets which are classified as the first category, others are classified, based on the assurance status and the time overdue, as second category (need attention), third category (possible to recover), fourth category (difficult to retrieve) and the fifth category (unable to retrieve). In order to manage creditor's rights, the Bank established “ Regulations Governing the Procedures to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” , “ Regulations Governing the Reconciliation of Non-performing/Non-accrual Loans” and its operating procedure “ Operating procedure Governing the Collection of Non-performing/Non-accrual Loans” and “Code of Conduct to Deal With Non-Performing Loans” to serve as the guidelines for dealing with non-performing credit and overdue loans collection.

- b. Categorization of credit quality

Based on historical default data, the Bank established internal credit rating model and completed internal rating system to serve as a reference to credit risk control.

In order to develop an appropriate credit rating model for the Bank to evaluate the credit risk for corporate banking customers and private banking customers, it applied statistical methods, professional expert judgments and relevant customer information to fulfill the requirements. The Bank examined whether the internal credit rating model is in conformity with the actual scenario based on practical default data quarterly and adjusted all parameters to optimize the estimated results.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

B. Due from other banks and call loans to banks

The Bank evaluates the credit status of counterparties before transaction and takes the rating information from domestic and foreign credit rating institutions into consideration to determine various credit risk facilities for the counterparties.

C. Debt instrument investments and derivative financial instruments

The Bank manages credit risk of debt instruments through credit rating data of external institutions, credit quality of bonds, geographic situations and counterparties' risk so as to identify credit risk.

The financial institutions which the Bank conducts derivative instruments are mostly investment quality and are controlled based on the trade amount (including loans at call). Counterparties which do not have credit rating or which are of low quality shall be examined individually. For counterparties which are general customers, the Bank controls the credit risk exposure based on the derivative instrument risk facilities and conditions approved by general credit procedures.

(3) Determining the credit risk has increased significantly since initial recognition

At each reporting date, the Bank and subsidiaries shall assess the change in the risk of a default occurring over the expected life of the various credit assets and financial assets to determine whether the credit risk has increased significantly since initial recognition. To make that assessment, the Bank and subsidiaries consider reasonable and supportable information (including forward-looking information) that is indicative of significant increases in credit risk since initial recognition. The main considerations include:

A. credit assets

- a. The borrowers failed to pay the principal and interest overdue for more than 30 days, less than 90 days;
- b. When the Bank and subsidiaries conduct review or follow-up review of the relevant management procedures after loan, it knows that the financial report of the borrowers have been issued by the accountant and it has issued opinions of the significant doubt on the ability to continue as a going concern;
- c. The deposits and assets of borrowers are compulsorily executed, besides, the deposits are compulsorily executed because of tax arrears. However, the borrowers that have enough deposit to bear the cost that assessed by the Bank and subsidiaries are except;

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

- d. The bank knows (if it has received the notice from court) that the collaterals are compulsory executed by other banks;
- e. Borrowers were notified the refund by the Bank and did not conduct refund notice;
- f. The letter of credit insurance fund notice due to the related company's overdue debt in other bank, the creditor to stop the delivery;
- g. Because the borrowers have been involved in litigation and unfavorable judgments, their ability of credit performance is affected;
- h. The customer is classified as an early warning account by the Bank or has bad credit that aware by others.

B. Debt instrument investments

- a. The latest credit rating on the report date was non-investment grade and fell more than two levels than the original rating, or;
- b. Investment target evaluation loss is up to 30% of investment cost.

- (4) The credit risk has not increased significantly or judged as low credit risk on the report date

On each report date, the Bank and subsidiaries assessed that there was no significant increase in the risk of default for any credit asset during the expected duration of existence or a low credit risk. The amount of expected credit losses was not taken as the change of credit risk, if the credit risk of the credit asset was low on the report date, it also assumes that the credit risk of the credit asset has not increased significantly since the initial recognition. The credit assets with low credit risk refer to the low default risk and the borrower's ability to perform its contractual cash flow obligations in the near term. No significant increase in risk relates to the borrower. The absence of economic, operational, and adverse changes in financial conditions and other bad debt conditions did not affect their ability to fulfill their contractual cash flow obligations. Financial assets on investment-grade or not on investment-grade but the ratings are not significantly reduced are also considered to be low-risk areas.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(5) Definitions of default and credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired not only the borrower defaults the loan more than 90 days, it also includes observable data as follows:

A. Credit assets

- a. Significant financial difficulty of the issuer or the borrower;
- b. A breach of contract, such as a default or past due event ;
- c. The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- e. The disappearance of an active market for that financial asset because of financial difficulties;
- f. The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses;

B. Debt instrument investments

- a. Significant financial difficulty of the issuer;
- b. The disappearance of an active market for that financial asset because of financial difficulties;
- c. The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses.
- d. Counterparty defaulting on agreement of other financial instruments (e.g. transactions settlement failure, a bank decide to execute early termination of transactions, or loans originated from derivatives settlement failure).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(6) Write-off policy

The integral part or the portion of the credit assets that needs to be written-off should first be approved during the board of directors' meeting; particularly, the portion that is deemed uncollectible.

The following are indicators that the financial assets are uncollectible:

- A. The borrowers fail to recover all or part of the debt due to dissolution, escape, settlement, bankruptcy or other reasons.
- B. After the collateral and the assets of the principal and subordinate debtors have been priced low or deducted from the first-order mortgage, they cannot be repaid, the execution costs are close or may exceed the Bank's reimbursable amount, and the implementation is not beneficial.
- C. The collateral and the property of the principal and subordinate debtors were auctioned off at no cost and were not bought by anyone, and there was no one have substantial benefits.
- D. Overdue loan and non-accrual loan have exceeded the liquidation period for two years.

The Bank and subsidiaries, whose written-off claims may still have ongoing recourse, continues to follow laws and regulations to pursue the proceedings.

(7) Modification of contractual cash flow of financial assets

The Bank and subsidiaries may revise the contractual cash flow of the credit asset due to the borrower's financial difficulties in negotiating, increasing the recovery rate of the borrowers that have problems, or maintaining the customer relationship. The modification of the contractual terms of the credit asset may include extending the contract period, modifying the payment time of interest, and modifying agreement rate and so on. If the contractual cash flow modification of the credit asset is due to the financial difficulty of the borrower, it is deemed as an impairment of the financial asset. If the contractual cash flow modification is not due to the financial difficulties of the borrower, the existing or projected unfavorable changes in the operating, financial or economic conditions under the borrower's performance or the borrower's ability to make the borrower's ability to perform its debt obligations vary significantly. The cause of anomalies or other bad debts is supplemented by an assessment of whether the credit risk of financial assets has increased significantly.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
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(8) Measuring the expected credit losses

A. Adoption of methods and assumptions

After considering the attributes of financial assets and credit assets and the adequacy of default experience, internal historical data or the information from external credit rating agency is used to estimate the Probability of default (PD), Loss given default (LGD), Exposure at default (EAD) and other credit risk components.

In order to assess the expected credit losses of credit assets, the Bank and subsidiaries are divided into the following combinations depending on the credit risk characteristics such as the identity of borrowers, products, and type of collateral:

Corporate banking	Government and public institution	
	Financial institution (including banks, ticket companies, securities finance companies)	
	Large Enterprise	The guarantee of the credit guarantee mechanism
		Secured
		Non-secured
	Medium and small enterprises	The guarantee of the credit guarantee mechanism
		Secured
		Non-secured
Private banking	Mortgage	
	Microcredit	
	Other-Secured	
	Other-Non-secured	
Entrepreneurship	The guarantee of the credit guarantee mechanism	
	Secured	
	Non-secured	

If the credit risk on a credit asset has not increased significantly since initial recognition or the credit asset has low credit risk at the reporting date, the Bank and subsidiaries shall measure the allowance for impairment using the 12-month expected credit losses; if the credit risk on a financial instrument has increased significantly or credit-impaired since initial recognition, the Bank and subsidiaries shall measure the allowance for impairment using the lifetime expected credit losses.

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In order to measure expected credit losses, the Bank and subsidiaries considers the default probability (Probability of default, "PD") of borrowers, and loss given default rate ("LGD") multiplying the exposure at default ("EAD"), taking into account the time value of money as well evaluate 12-month and lifetime loss.

Default probability is the default probability of the borrower (default and credit impairment of financial assets), and the loss given default rate is the rate of loss caused by default by the borrower. The default probability and default loss rate used in the impairment assessment of the credit business are based on internal historical information of each group, and adjusted based on current observable information and forward-looking general economic information.

The Bank and subsidiaries measures the EAD based on the book value of loans at reporting date. When estimating the 12-month and lifetime expected credit losses of the loan commitments and financial guarantee contracts, the definition of the credit risk increasing significantly and the credit-impaired assets are based on the rules mentioned above. Additionally, in order to determine the EAD used to calculate expected credit loss of off-balance sheet items, the Bank and subsidiaries adopts the credit conversion factor (CCF) of standardized approach in credit risk which is legislated in the regulation of Proprietary Capital and Risk Capital of Banks.

B. Consideration of forward-looking information

The Bank and subsidiaries obtains forward-looking information which it takes into consideration when determining whether the credit risk of financial instruments has increased significantly since initial recognition and assessing the expected credit losses. The Bank and subsidiaries identified the relevant macroeconomic factors for credit risk of each portfolio by analyzing the historically data. These macroeconomic factors include Taiwan GDP (not seasonally adjusted), Taiwan's actual industrial production index, Taiwan's annual growth rate of retail sales, Taiwan's real sales price index, unemployment rate (seasonally adjusted), Cathay National Real Estate Index (national), Taiwan's real consumer price index (Not seasonally adjusted) and Taiwan's annual growth in retail sales or other factors. The various economic factors and their impacts on Probability of Default ("PD") are different depending on the type of financial instruments.

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In order to determine the credit risk of investment in debt instruments at amortized cost and at fair value through other comprehensive income has increased significantly, the Bank and subsidiaries uses the changes of external ratings published by international credit rating agencies as the quantitative indicators, while the assessment of expected credit losses are calculated by using the external ratings, as well as PD and Loss Given Default (“LGD”), published by Moody’s. Since the international credit rating agencies have already considered the forward-looking information while evaluating the credit ratings, which the Bank and subsidiaries considered to be appropriate after its assessment, the credit ratings will be included in the Bank and subsidiaries' assessment of related expected credit losses.

(9) Credit risk hedging or diminishing.

A. Collaterals

The Bank adopts a series of policies and procedures to mitigate credit risk and enhance credit risk tolerance. The method applied most is to request customers to provide collaterals. The Bank established collateral accreditation code of conduct in term of collateral management and total loan amount to regulate the scope of collaterals and the accreditation method and regularly inspects the collaterals. When the collaterals devalue or the concern of devaluation occurs, the Bank shall increase collaterals or retrieve part of the loans to ensure the creditor’s right is intact.

B. Limit of credit risk and the control of credit risk concentration

- a. In order to avoid the situation that the credit risk of single customer being too high, the credit limit of an individual, a related party or a related enterprise shall be in conformity with “ Authorization method for subsection 3 of Article 33 of the Banking Act of the Republic of China” and the credit limit authorization steps are regulated in the Key Points of Credit Engagement Authorization and the Key Points of Credit Engagement Authorization for Overseas Branches of the Bank.
- b. To enhance the risk concentration management, the Bank established regulations in terms of countries, financial institutions, industries and group enterprises. The relevant limits are reviewed and approved annually and the usage of the credit is monitored on a daily basis. In addition, the results are reported regularly.

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C. General agreement of net amount settlement

The transactions of the Bank are mostly settled with gross amount. Part of the transactions agreed on net amount settlement. When a default occurs, the Bank terminates all the transactions with the counterparty and settles by net amount to further lower credit risk.

D. Enhancement of other credit

The assessment of credit business applies to credit 5P principles, credit risk is offset by dividing self-liquidating loan commitments as the main, and set the accounts to master the repayment of cash flow. Also, in terms of the credit agreement stipulates the offset. (i.e. all kinds of deposits, except prohibition of low or the party's agreement, the Bank can set off all the debts), thus to reduce the loan amount, shorter loan repayment period or are considered part or all of expiration of acceleration clauses. To strengthen the protection of creditor and reduce credit risk, using qualified and effective enhancement, such as the requirement of real property, personal property, demand deposits, time deposits, securities and the guarantee of financial institution or the credit guarantee mechanism approved by government. (e.g. R.O.C SMEG, Agricultural Credit Guarantee Fund, Overseas Credit Guarantee Fund)

(10) Information on the financial assets of the Bank and subsidiaries that have been credit derogated and the collateral for mitigating potential losses are as follows:

September 30, 2020	Carrying amount	Allowance impairment	Exposure (measured at amortized cost)	Value of collateral
Impairment financial assets :				
Receivables				
Accounts receivables	\$ 38,466	25,366	13,100	36,436
Interest receivable	29,217	6,580	22,637	-
Discounts and loans	25,288,806	5,207,427	20,081,379	27,346,818
Overdue receivable	71,109	24,021	47,088	-
Total impairment financial assets	<u>\$ 25,427,598</u>	<u>5,263,394</u>	<u>20,164,204</u>	<u>27,383,254</u>

December 31, 2019	Carrying amount	Allowance impairment	Exposure (measured at amortized cost)	Value of collateral
Impairment financial assets :				
Receivables				
Accounts receivables	\$ 64,187	57,390	6,797	41,632
Interest receivable	38,762	10,123	28,639	-
Discounts and loans	19,403,047	5,722,768	13,680,279	20,769,101
Overdue receivable	105,829	53,947	51,882	-
Total impairment financial assets	<u>\$ 19,611,825</u>	<u>5,844,228</u>	<u>13,767,597</u>	<u>20,810,733</u>

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<u>September 30, 2019</u>	<u>Carrying amount</u>	<u>Allowance impairment</u>	<u>Exposure (measured at amortized cost)</u>	<u>Value of collateral</u>
Impairment financial assets :				
Receivables				
Acceptances receivables	\$ 45,654	33,608	12,046	-
Accounts receivable	527,604	527,604	-	-
factoring without recourse				
Other receivables	2,160	592	1,568	-
Interest receivable	55,590	30,368	25,222	-
Discounts and loans	18,386,644	5,386,478	13,000,166	21,775,208
Overdue receivable	107,002	54,217	52,785	-
Total impairment financial assets	<u>\$ 19,124,654</u>	<u>6,032,867</u>	<u>13,091,787</u>	<u>21,775,208</u>

Note: The value of collateral is the real estate appraisal information and credit guarantee agency guarantee amount levied by the Bank and subsidiaries' credit assets.

(11) Credit risk concentration

The Bank and subsidiaries does not conduct significant transaction with single customer or single trade counterparty. The total amount of discounts and loans, overdue loans in terms of individual customer or individual trade counterparty is not significant. The information of credit risk concentration of the Bank's discounts and loans and overdue loans are divided by industries, geographic areas and collaterals and listed as follows:

A. By industry

Distribution of discounts and loans, overdue loans based on industries.

<u>Industry</u>	<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Private business	\$ 754,297,752	62.82 %	698,913,482	60.98 %	698,450,632	61.06 %
Public business	6,810,005	0.57 %	4	-	2,290,000	0.20 %
Government institution	62,438,853	5.20 %	75,701,806	6.61 %	82,731,468	7.23 %
Nonprofit organization	2,876,437	0.24 %	2,984,867	0.26 %	2,920,844	0.26 %
Individual	299,505,651	24.95 %	293,998,770	25.65 %	294,913,754	25.77 %
Foreign financial institution	3,839,191	0.32 %	3,992,809	0.35 %	4,752,340	0.42 %
Foreign non-financial institution	69,492,681	5.79 %	66,451,574	5.80 %	56,473,556	4.94 %
Foreign individual	1,363,150	0.11 %	4,047,438	0.35 %	1,340,520	0.12 %
Total	<u>\$ 1,200,623,720</u>	<u>100.00 %</u>	<u>1,146,090,750</u>	<u>100.00 %</u>	<u>1,143,873,114</u>	<u>100.00 %</u>

B. By geographic area

Distribution of discounts and loans, overdue loans based on geographic area.

<u>Area</u>	<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Domestic	\$ 1,125,928,698	93.78 %	1,071,598,929	93.50 %	1,081,306,698	94.53 %
Foreign	74,695,022	6.22 %	74,491,821	6.50 %	62,566,416	5.47 %
Total	<u>\$ 1,200,623,720</u>	<u>100.00 %</u>	<u>1,146,090,750</u>	<u>100.00 %</u>	<u>1,143,873,114</u>	<u>100.00 %</u>

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C. By collateral

Distribution of discounts and loans, overdue loans based on collateral.

Collateral	September 30, 2020		December 31, 2019		September 30, 2019	
	Amount	%	Amount	%	Amount	%
Unsecured	\$ 235,961,445	19.65 %	242,592,802	21.17 %	261,384,293	22.85 %
Stocks	8,507,493	0.71 %	8,425,118	0.73 %	8,745,717	0.76 %
Bonds	18,985,669	1.58 %	19,411,907	1.69 %	18,013,977	1.57 %
Real estate	739,113,855	61.56 %	721,629,891	62.96 %	705,763,328	61.70 %
Chattel	18,589,480	1.55 %	17,950,096	1.57 %	18,477,946	1.62 %
Notes receivable	3,397,751	0.28 %	3,962,549	0.35 %	3,622,082	0.32 %
Guarantees	166,809,568	13.90 %	120,774,302	10.54 %	116,689,574	10.20 %
Others	9,258,459	0.77 %	11,344,085	0.99 %	11,176,197	0.98 %
Total	<u>\$ 1,200,623,720</u>	<u>100.00 %</u>	<u>1,146,090,750</u>	<u>100.00 %</u>	<u>1,143,873,114</u>	<u>100.00 %</u>

Note: Secured credit are categorized in its respective item per the type of the collaterals. Non-secured credit (no collateral provided) is classified in unsecured. If the credit amount is higher than the accreditation value, the credit amount within the accreditation is classified in the respective item, the credit amount exceeds the accreditation value is classified in unsecured. The accreditation value is the value calculated per the accreditation regulations of the Bank and subsidiaries, not the discounted value of the signed contract.

(12) Maximum credit risk exposure

A. The maximum credit exposure of the assets in the consolidated financial statement is approximately the book value when not considering collaterals or other credit enhancement instruments. The maximum credit exposure off the consolidated balance sheet (when not considering collaterals or other credit enhancement instruments and not revocable) was as follows:

Off balance sheet items	Maximum credit risk exposure		
	September 30, 2020	December 31, 2019	September 30, 2019
Issued and irrevocable loan commitments	\$ 64,821,028	55,259,927	51,365,759
Irrevocable credit card loan commitments	20,226,316	20,072,907	20,234,071
Letters of credit issued yet unused	6,695,361	7,156,747	7,095,693
Various guarantee proceeds	18,857,000	18,400,367	19,041,788
Total	<u>\$ 110,599,705</u>	<u>100,889,948</u>	<u>97,737,311</u>

The Management of the Bank and subsidiaries evaluated the credit risk exposure and believed that it is able to continuously control and minimize the off-balance sheet credit risk exposure due to its strict appraisal process and regular subsequent examination.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

B. The credit quality analyses of the financial assets

a. Credit quality analysis of discounts and loans, receivables, guarantee and commitments

September 30, 2020	12-month ECL							Lifetime ECL—not impaired							Lifetime ECL—impaired	Allowance impairment	Total
	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	High risk		
Receivable																	
Credit card	\$ 424,606	132,702	203,457	22,325	2,000	292,933	1,078,023	470	1,169	1,920	155	143	254	4,111	-	2,838	1,079,296
Acceptances receivable	273,907	395,602	195,674	10,347	3,763	129,190	1,008,483	-	-	-	-	-	-	-	-	10,085	998,398
Accounts receivable factoring	-	-	-	-	-	1,821	1,821	-	-	-	-	-	-	-	-	18	1,803
Other receivables	191,164	1,097,341	436,450	31,559	10,523	2,814,830	4,581,867	2,955	18,911	16,561	8,223	19,389	46,597	112,636	67,683	130,618	4,631,568
Discounts and loans																	
Private banking	113,768,036	99,220,816	64,924,688	5,422,591	945,929	9,912,182	294,194,242	19,750	121,478	190,135	50,970	69,546	931	452,810	6,221,751	3,782,037	297,086,766
Corporate banking	157,060,585	290,343,831	223,099,030	31,153,266	9,896,615	123,938,710	835,492,037	2,477,752	13,398,107	12,384,265	7,338,541	6,901,645	2,695,515	45,195,825	19,067,055	11,833,955	887,920,962
Other financial assets																	
Overdue receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	71,109	56,737	14,372
Total	\$ 271,718,298	391,190,292	288,859,299	36,640,088	10,858,830	137,089,666	1,136,356,473	2,500,927	13,539,665	12,592,881	7,397,889	6,990,723	2,743,297	45,765,382	25,427,598	15,816,288	1,191,733,165
Guarantee and commitments	\$ 24,496,653	13,529,498	4,243,657	785,582	391,138	66,463,175	109,909,703	60,620	36,313	46,579	14	30,397	470,630	644,553	45,449	236,332	110,363,373

December 31, 2019	12-month ECL							Lifetime ECL—not impaired							Lifetime ECL—impaired	Allowance impairment	Total
	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	High risk		
Receivable																	
Credit card	\$ 565,022	133,458	233,637	31,938	3,428	321,592	1,289,075	1,965	1,826	3,426	807	389	234	8,647	-	3,341	1,294,381
Acceptances receivable	196,869	496,036	105,120	32,197	-	89,328	919,550	-	-	-	-	-	-	-	-	9,195	910,355
Accounts receivable factoring	-	-	-	-	-	19,089	19,089	-	-	-	-	-	-	-	-	191	18,898
Other receivables	274,150	1,428,023	311,286	43,556	6,867	3,274,831	5,338,713	310	969	5,485	500	2,655	2,943	12,862	102,949	138,863	5,315,661
Discounts and loans																	
Private banking	114,510,252	100,852,540	68,662,021	4,831,469	1,126,572	2,982,316	292,965,170	42,853	229,741	276,231	61,477	133,295	112	743,709	4,337,330	3,469,485	294,576,724
Corporate banking	172,479,816	260,682,892	218,425,945	36,941,972	4,249,047	133,618,335	826,398,007	402,500	36,161	3,443,874	191,431	2,457,788	49,063	6,580,817	15,065,717	9,871,883	838,172,658
Other financial assets																	
Overdue receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	105,829	85,901	19,928
Total	\$ 288,026,109	363,592,949	287,738,009	41,881,132	5,385,914	140,305,491	1,126,929,604	447,628	268,697	3,729,016	254,215	2,594,127	52,352	7,346,035	19,611,825	13,578,859	1,140,308,605
Guarantee and commitments	\$ 29,738,327	9,577,042	3,310,453	878,885	50,764	57,139,021	100,694,492	68,030	38,417	523	33	148	1,422	108,573	86,883	232,446	100,657,502

September 30, 2019	12-month ECL							Lifetime ECL—not impaired							Lifetime ECL—impaired	Allowance impairment	Total
	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	High risk		
Receivable																	
Credit card	\$ 555,030	133,708	239,965	33,215	4,363	275,917	1,242,198	1,862	1,377	5,058	735	594	424	10,050	-	3,394	1,248,854
Acceptances receivable	515,752	692,003	71,778	7,884	-	16,265	1,303,682	-	-	-	-	-	-	-	-	13,037	1,290,645
Accounts receivable factoring	-	-	-	-	-	193,113	193,113	-	-	-	-	-	-	-	527,604	528,667	192,050
Other receivables	271,270	1,697,045	339,804	44,414	5,442	8,861,499	11,219,474	439	1,354	1,847	1,044	1,851	10,701	17,236	103,404	139,627	11,200,487
Discounts and loans																	
Private banking	113,876,064	99,433,859	67,553,846	4,977,512	1,295,474	3,576,638	290,713,393	40,726	149,326	285,057	86,224	110,481	1,966	673,780	4,867,099	3,276,577	292,977,695
Corporate banking	174,602,699	249,816,750	226,161,617	34,703,552	2,675,977	143,485,453	831,446,048	369,225	185,018	557,974	445,815	991,176	104,041	2,653,249	13,519,545	9,374,679	838,244,163
Other financial assets																	
Overdue receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,002	87,761	19,241
Total	\$ 289,820,815	351,773,365	294,367,010	39,766,577	3,981,256	156,408,885	1,136,117,908	412,252	337,075	849,936	533,818	1,104,102	117,132	3,354,315	19,124,654	13,423,742	1,145,173,135
Guarantee and commitments	\$ 29,875,697	8,979,647	3,533,160	1,209,419	36,469	53,270,136	96,904,528	747,836	50,625	361	64	-	2,448	801,334	31,449	238,339	97,498,972

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

b. Debt instruments

September 30, 2020	12-month ECL					Lifetime ECL— not impaired					Lifetime ECL— impaired	Total	Accumulated impairment (Note)
	Investment	Sub investment	High risk	No rating	Subtotal	Investment	Sub investment	High risk	No rating	Subtotal	High risk		
Investment in debt instruments measured at fair value through other comprehensive income													
Overseas bonds	\$ 35,351,902	-	-	-	35,351,902	-	-	-	-	-	-	35,351,902	11,184
NT bonds	67,684,192	-	-	-	67,684,192	-	-	-	-	-	-	67,684,192	49,945
Investment in debt instruments at amortized cost													
Overseas bonds	33,027,426	-	-	-	33,027,426	-	-	-	-	-	-	33,027,426	13,222
NT bonds	43,771,966	-	-	-	43,771,966	-	-	-	-	-	-	43,771,966	18,596
Certificates of deposit with the Central Bank	153,805,000	-	-	-	153,805,000	-	-	-	-	-	-	153,805,000	45,421
Negotiable certificates of deposit	289,835	-	-	-	289,835	-	-	-	-	-	-	289,835	90
Total	\$ 333,930,321	-	-	-	333,930,321	-	-	-	-	-	-	333,930,321	138,458

Note : The cumulative impairment of the bond which measured at fair value through other comprehensive profit or loss is recognized as other equity.

December 31, 2019	12-month ECL					Lifetime ECL— not impaired					Lifetime ECL— impaired	Total	Accumulated impairment (Note)
	Investment	Sub investment	High risk	No rating	Subtotal	Investment	Sub investment	High risk	No rating	Subtotal	High risk		
Investment in debt instruments measured at fair value through other comprehensive income													
Overseas bonds	\$ 24,664,354	-	-	-	24,664,354	-	-	-	-	-	-	24,664,354	6,045
NT bonds	66,578,857	-	-	-	66,578,857	-	-	-	-	-	-	66,578,857	46,254
Investment in debt instruments at amortized cost													
Overseas bonds	39,453,717	299,924	-	-	39,753,641	-	-	-	-	-	-	39,753,641	15,963
NT bonds	48,150,744	-	-	-	48,150,744	-	-	-	-	-	-	48,150,744	22,691
Certificates of deposit with the Central Bank	174,880,000	-	-	-	174,880,000	-	-	-	-	-	-	174,880,000	51,645
Negotiable certificates of deposit	362,868	-	-	-	362,868	-	-	-	-	-	-	362,868	112
Total	\$ 354,090,540	299,924	-	-	354,390,464	-	-	-	-	-	-	354,390,464	142,710

Note : The cumulative impairment of the bond which measured at fair value through other comprehensive profit or loss is recognized as other equity.

September 30, 2019	12-month ECL					Lifetime ECL— not impaired					Lifetime ECL— impaired	Total	Accumulated impairment (Note)
	Investment	Sub investment	High risk	No rating	Subtotal	Investment	Sub investment	High risk	No rating	Subtotal	High risk		
Investment in debt instruments measured at fair value through other comprehensive income													
Overseas bonds	\$ 19,916,856	-	-	-	19,916,856	-	-	-	-	-	-	19,916,856	5,832
NT bonds	65,620,213	-	-	-	65,620,213	-	-	-	-	-	-	65,620,213	42,424
Investment in debt instruments at amortized cost													
Overseas bonds	41,320,022	-	-	-	41,320,022	-	-	-	-	-	-	41,320,022	16,612
NT bonds	49,685,114	-	-	-	49,685,114	-	-	-	-	-	-	49,685,114	23,349
Certificates of deposit with the Central Bank	176,880,000	-	-	-	176,880,000	-	-	-	-	-	-	176,880,000	49,814
Negotiable certificates of deposit	375,545	-	-	-	375,545	-	-	-	-	-	-	375,545	116
Total	\$ 353,797,750	-	-	-	353,797,750	-	-	-	-	-	-	353,797,750	138,147

Note : The cumulative impairment of the bond which measured at fair value through other comprehensive profit or loss is recognized as other equity.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

C. The Maximum credit risk exposure for financial instruments are not subject to impairment regulations are as follows:

<u>September 30, 2020</u>	<u>Maximum credit risk exposure</u>	<u>Collateral</u>	<u>Enhancement of other credit</u>
Financial assets at fair value through profit or loss			
— Debt investments	\$ 1,963,158	-	-
— Commercial paper	25,705,947	-	-
— Listed stocks	60,119	-	-
— Unlisted stocks	235,710	-	-
— Beneficiary certificates	220,610	-	-
— Derivative instruments	860,595	1,183,778	470,287
<u>December 31, 2019</u>	<u>Maximum credit risk exposure</u>	<u>Collateral</u>	<u>Enhancement of other credit</u>
Financial assets at fair value through profit or loss			
— Debt investments	\$ 4,551,167	-	-
— Commercial paper	21,037,165	-	-
— Listed stocks	178,867	-	-
— Unlisted stocks	145,901	-	-
— Beneficiary certificates	108,890	-	-
— Derivative instruments	950,796	484,712	468,795
<u>September 30, 2019</u>	<u>Maximum credit risk exposure</u>	<u>Collateral</u>	<u>Enhancement of other credit</u>
Financial assets at fair value through profit or loss			
— Linked deposits	\$ 501,403	-	-
— Debt investments	5,156,784	-	-
— Commercial paper	10,618,195	-	-
— Listed stocks	189,000	-	-
— Unlisted stocks	56,680	-	-
— Beneficiary certificates	47,000	-	-
— Derivative instruments	900,334	1,066,311	498,787

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(13) Changes in the expected credit losses of the Bank and subsidiaries

A. Receivables

For the nine months ended September 30, 2020						
	12-month ECL	Lifetime ECL—not impaired	Lifetime ECL— impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- Performing and Non- Accrual Loans "	Total
Beginning balance	\$ 42,858	1,456	67,513	111,827	39,763	151,590
Changes in financial instruments that have been identified at the beginning of the period :						
— Transferred to 12-months ECL	152	(68)	(84)	-		-
— Transferred to lifetime ECL	(102)	112	(10)	-		-
— Transferred to the credit- impaired financial assets	(20)	(91)	111	-		-
— The financial assets that have been derecognized	(5,570)	(259)	(5,492)	(11,321)		(11,321)
New financial assets originated or purchased	17,020	526	3,343	20,889		20,889
Write-off	-	-	(14,985)	(14,985)		(14,985)
Other changes	(6,593)	6,448	(18,450)	(18,595)		(18,595)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	15,981	15,981
Ending balance	<u>\$ 47,745</u>	<u>8,124</u>	<u>31,946</u>	<u>87,815</u>	<u>55,744</u>	<u>143,559</u>

For the nine months ended September 30, 2019						
	12-month ECL	Lifetime ECL—not impaired	Lifetime ECL— impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- Performing and Non- Accrual Loans "	Total
Beginning balance	\$ 38,464	12,808	41,204	92,476	43,254	135,730
Changes in financial instruments that have been identified at the beginning of the period :						
— Transferred to 12-months ECL	140	(51)	(89)	-		-
— Transferred to lifetime ECL	(6)	25	(19)	-		-
— Transferred to the credit- impaired financial assets	(21)	(65)	86	-		-
— The financial assets that have been derecognized	(9,066)	(97)	(4,181)	(13,344)		(13,344)
New financial assets originated or purchased	43,980	76	553,642	597,698		597,698
Write-off	-	-	(1,121)	(1,121)		(1,121)
Other changes	5	(5,553)	2,650	(2,898)		(2,898)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(31,340)	(31,340)
Ending balance	<u>\$ 73,496</u>	<u>7,143</u>	<u>592,172</u>	<u>672,811</u>	<u>11,914</u>	<u>684,725</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

B. Discounts and loans

For the nine months ended September 30, 2020						
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL – impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- Performing and Non- Accrual Loans "	Total
Beginning balance	\$ 2,197,066	197,473	5,722,768	8,117,307	5,224,061	13,341,368
Changes in financial instruments that have been identified at the beginning of the period :						
– Transferred to 12-months ECL	103,869	(39,779)	(64,090)	-		-
– Transferred to lifetime ECL	(75,019)	76,275	(1,256)	-		-
– Transferred to the credit- impaired financial assets	(16,948)	(22,686)	39,634	-		-
– The financial assets that have been derecognized	(1,037,417)	(25,437)	(1,088,229)	(2,151,083)		(2,151,083)
New financial assets originated or purchased	1,686,614	307,359	395,420	2,389,393		2,389,393
Write-off	-	-	(1,697,570)	(1,697,570)		(1,697,570)
Other changes	210,089	2,846,196	1,900,750	4,957,035		4,957,035
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(1,223,151)	(1,223,151)
Ending balance	<u>\$ 3,068,254</u>	<u>3,339,401</u>	<u>5,207,427</u>	<u>11,615,082</u>	<u>4,000,910</u>	<u>15,615,992</u>

For the nine months ended September 30, 2019						
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL – impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- Performing and Non- Accrual Loans "	Total
Beginning balance	\$ 2,774,377	66,416	4,659,004	7,499,797	5,534,354	13,034,151
Changes in financial instruments that have been identified at the beginning of the period :						
– Transferred to 12-months ECL	66,175	(11,968)	(54,207)	-		-
– Transferred to lifetime ECL	(4,250)	7,895	(3,645)	-		-
– Transferred to the credit- impaired financial assets	(13,812)	(15,399)	29,211	-		-
– The financial assets that have been derecognized	(1,293,645)	(17,162)	(762,985)	(2,073,792)		(2,073,792)
New financial assets originated or purchased	1,187,722	6,538	353,453	1,547,713		1,547,713
Write-off	-	-	(364,190)	(364,190)		(364,190)
Other changes	(535,744)	109,573	1,529,837	1,103,666		1,103,666
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(596,292)	(596,292)
Ending balance	<u>\$ 2,180,823</u>	<u>145,893</u>	<u>5,386,478</u>	<u>7,713,194</u>	<u>4,938,062</u>	<u>12,651,256</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

C. Other financial assets

For the nine months ended September 30, 2020						
	12-month ECL	Lifetime ECL—not impaired	Lifetime ECL— impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- Performing and Non- Accrual Loans "	Total
Beginning balance	\$ -	-	53,947	53,947	31,954	85,901
Changes in financial instruments that have been identified at the beginning of the period :						
— The financial assets that have been derecognized	-	-	(8)	(8)		(8)
New financial assets originated or purchased	-	-	13,127	13,127		13,127
Write-off	-	-	(41,584)	(41,584)		(41,584)
Other changes	-	-	(1,461)	(1,461)		(1,461)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	762	762
Ending balance	<u>\$ -</u>	<u>-</u>	<u>24,021</u>	<u>24,021</u>	<u>32,716</u>	<u>56,737</u>
For the nine months ended September 30, 2019						
	12-month ECL	Lifetime ECL—not impaired	Lifetime ECL— impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- Performing and Non- Accrual Loans "	Total
Beginning balance	\$ -	-	54,231	54,231	33,018	87,249
Changes in financial instruments that have been identified at the beginning of the period :						
— The financial assets that have been derecognized	-	-	(10)	(10)		(10)
New financial assets originated or purchased	-	-	16,482	16,482		16,482
Write-off	-	-	(16,486)	(16,486)		(16,486)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	526	526
Ending balance	<u>\$ -</u>	<u>-</u>	<u>54,217</u>	<u>54,217</u>	<u>33,544</u>	<u>87,761</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

D. Guarantee and commitments

For the nine months ended September 30, 2020						
	12-month ECL	Lifetime ECL—not impaired	Lifetime ECL— impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- Performing and Non- Accrual Loans "	Total
Beginning balance	\$ 59,045	338	17,220	76,603	155,843	232,446
Changes in financial instruments that have been identified at the beginning of the period :						
— Transferred to 12-months ECL	55	(55)	-	-		-
— Transferred to lifetime ECL	(550)	550	-	-		-
— Transfer to the credit- impaired financial assets	(2)	-	2	-		-
— The financial assets that have been derecognized	(18,669)	(135)	(14,134)	(32,938)		(32,938)
New financial assets originated or purchased	33,160	411	1,809	35,380		35,380
Other changes	10,066	278	360	10,704		10,704
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(9,260)	(9,260)
Ending balance	<u>\$ 83,105</u>	<u>1,387</u>	<u>5,257</u>	<u>89,749</u>	<u>146,583</u>	<u>236,332</u>

For the nine months ended September 30, 2019						
	12-month ECL	Lifetime ECL—not impaired	Lifetime ECL— impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- Performing and Non- Accrual Loans "	Total
Beginning balance	\$ 106,141	418	28,523	135,082	154,054	289,136
Changes in financial instruments that have been identified at the beginning of the period :						
— Transfer to lifetime ECL	(1,164)	1,164	-	-		-
— Transferred to the credit- impaired financial assets	(8)	(28)	36	-		-
— The financial assets that have been derecognized	(43,566)	(169)	(26,684)	(70,419)		(70,419)
New financial assets originated or purchased	23,140	2	3,871	27,013		27,013
Other changes	(25,641)	(273)	2,866	(23,048)		(23,048)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	15,657	15,657
Ending balance	<u>\$ 58,902</u>	<u>1,114</u>	<u>8,612</u>	<u>68,628</u>	<u>169,711</u>	<u>238,339</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

E. Debts investments

For the nine months ended September 30, 2020				
	12-month ECL	Lifetime ECL — not impaired	Lifetime ECL — impaired	Total
Beginning balance	\$ 142,710	-	-	142,710
Additions	56,860	-	-	56,860
Derecognition	(44,359)	-	-	(44,359)
Other changes	(16,753)	-	-	(16,753)
Ending balance	<u>\$ 138,458</u>	<u>-</u>	<u>-</u>	<u>138,458</u>

For the nine months ended September 30, 2019				
	12-month ECL	Lifetime ECL — not impaired	Lifetime ECL — impaired	Total
Beginning balance	\$ 126,893	-	-	126,893
Additions	60,121	-	-	60,121
Derecognition	(47,927)	-	-	(47,927)
Other changes	(940)	-	-	(940)
Ending balance	<u>\$ 138,147</u>	<u>-</u>	<u>-</u>	<u>138,147</u>

(14) Collateral management policy

- A. Collaterals are recognized under the account of other assets per the rules of “Regulations Governing the Preparation of Financial Reports by Public Banks”.
- B. Details were as follows:

Collaterals refer to the collaterals provided by clients as guarantee which are undertaken through public auction when the debtor is not able to fulfill its obligation. The collaterals assumed are recognized using the prices undertaken per the rules of “Regulations Governing the Preparation of Financial Reports by Public Banks” and measured by the book value or the fair value deducted by cost of sale, whichever is lower, at the end of the period. Collaterals will be sold when they are available to be sold and the proceeds received will be used to reduce the book amount of collaterals.

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(d) Liquidity risk

(1) The origin and definition of liquidity risk

Liquidity risk refers to the potential financial loss results from the inability to liquidate assets or obtain finance to fulfill the financial obligation which is going to mature with sufficient fund, such as early rescind of time deposits, the channels and terms to call loan from other bank are deteriorated due to the influence of specific markets and the default of loan customers worsen and it is harder for the Bank to receive payments and liquidate financial instruments. The abovementioned situations may diminish the source of cash for the Bank to undertake loan business, trades and investment activities. Under some extreme circumstances, the lack of liquidity may increase the potential possibility of reduction of the overall position of consolidated financial statement, sale of assets and inability to fulfill loan obligation. Liquidity risk is an inherent risk of bank operations and is influenced by specific or overall events in various markets. Those events include but not limited to: Credit event, merger or buyout, systematic strike and natural disaster.

(2) The management policy, process and measurement of liquidity risk

A. Policy

- a. In accordance with the target and limit for liquidity risk management approved by the board of directors and monitor all liquidity risk positions.
- b. Established “Directions Governing the Capital Liquidity Risk Management of Taiwan Business Bank” and “Remarks Governing the Capital Liquidity Risk Management of Taiwan Business Bank” to serve as guidance to effectively control capital liquidity risk.
- c. Overseas branches shall regulate the code of conduct for liquidity risk management based on business characteristics and the regulations of local authorities. After being approved by the general manager, the Risk Management Department will be in charge of monitoring liquidity risk.

B. Process

- a. Finance Department is in charge of daily capital deployment to ensure that the capital is sufficient to cope with various demands for capital.
- b. Risk Management Department is in charge of the identification, measurement, supervision and control of capital liquidity risk to establish a firm operation process and structure.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

- c. Risk Management Department reports the result of capital liquidity risk measurement to the Assets and Liabilities Management Committee on a monthly basis and reports the results of capital liquidity risk and pressure test to the board of directors quarterly.

C. Measurement

- a. Maturity gap: To place the inflows and outflows of capital into various time zones accordingly based on the remaining days to maturity and calculate the gap of capital of each time zone in order to measure the capital deficiency of each time zone.
- b. Loan-deposit ratio: To calculate the deposits the Bank received which are used to conduct loan business. In other words, the percentage of the total loan amount accounts for the total deposit amount.
- c. Capital concentration and stability: In order to prevent the Bank from over-relying on single trade counterparty, product or market, the Bank observes several aspects such as the changes in large time deposit customers, the percentage of demand deposits and the continuity of deposits.
- d. Pressure test: Except for monitoring the capital demand under normal circumstances, the Bank conducts pressure test regularly in order to evaluate the capital liquidity under abnormal circumstances and ensure that the Bank is equipped with sufficient capital.

(3) Financial assets possessed for managing liquidity risk and maturity analysis for non-derivative financial liability

A. Financial assets possessed for managing liquidity risk

The Bank and subsidiaries possesses cash and other high liquidity interest yielding assets to cope with payment obligations and potential emergent capital demands in the market. The assets possessed for managing liquidity risk include cash and cash equivalent, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, discounts and loans, financial assets measured at fair value through other comprehensive income and investment in debt instruments at amortized cost.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

B. Maturity analysis for non-derivative financial liabilities

The table below shows the cash outflows from the non-derivative financial liabilities which are possessed by the Bank and subsidiaries based on the remaining days from the consolidated financial statement date to the contract maturity date. The amount disclosed is based on the cash flows of the contracts.

	September 30, 2020					
	0-30 days	31-90 days	91 days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	\$ 898,573,217	202,983,891	394,589,962	66,312,551	38,474,955	1,600,934,576
Deposits from the Central Bank and banks	809,271	-	-	-	-	809,271
Overdrafts on banks	1,174,372	-	-	-	-	1,174,372
Call loans from the Central Bank and banks	32,220,938	6,856,360	5,404,233	-	-	44,481,531
Due to the Central Bank and banks	-	-	16,710,910	347,880	-	17,058,790
Financial liabilities designated at fair value through profit or loss	-	-	-	-	8,612,981	8,612,981
Notes and bonds issued under repurchase agreement	1,103,062	1,439,721	68,869	416,381	-	3,028,033
Interest payable	471,329	952,416	928,201	63,137	6	2,415,089
Deposits transferred from Chunghwa Post Co., Ltd.	11,130,000	20,672,210	36,473,150	-	-	68,275,360
Demand deposits	759,873,219	-	-	-	-	759,873,219
Time deposits	91,482,131	167,003,197	333,674,180	36,610,096	1,638	628,771,242
Remittance	284,825	-	-	-	-	284,825
Bank notes payable	-	6,000,000	1,000,000	26,340,000	25,910,000	59,250,000
Cumulative earnings on appropriated loan fund	4,000	9,000	96,670	1,993,660	3,805,228	5,908,558
Lease liabilities	20,070	50,987	233,749	541,397	145,102	991,305

	December 31, 2019					
	0-30 days	31-90 days	91 days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	\$ 904,142,429	193,155,772	423,123,774	63,934,641	29,806,197	1,614,162,813
Deposits from the Central Bank and banks	268,330	-	-	-	-	268,330
Overdrafts on banks	1,118,477	-	-	-	-	1,118,477
Call loans from the Central Bank and banks	24,703,175	8,444,072	1,847,147	-	-	34,994,394
Due to the Central Bank and banks	90,500	-	186,740	474,905	-	752,145
Financial liabilities designated at fair value through profit or loss	-	-	-	-	8,949,182	8,949,182
Notes and bonds issued under repurchase agreement	60,390	172,381	635,810	-	-	868,581
Interest payable	449,550	803,258	1,291,095	79,568	8	2,623,479
Deposits transferred from Chunghwa Post Co., Ltd.	11,200,000	24,312,411	32,900,000	-	-	68,412,411
Demand deposits	755,384,107	-	-	-	-	755,384,107
Time deposits	110,515,249	154,358,207	370,847,890	43,619,659	18,237	679,359,242
Remittance	306,198	-	-	-	-	306,198
Bank notes payable	-	5,000,000	15,000,000	16,790,000	16,460,000	53,250,000
Cumulative earnings on appropriated loan fund	2,500	-	161,670	2,412,080	4,258,834	6,835,084
Lease liabilities	43,953	65,443	253,422	558,429	119,936	1,041,183

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

	September 30, 2019					
	0-30 days	31-90 days	91 days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	\$ 877,163,378	184,318,373	408,181,941	77,613,550	21,167,976	1,568,445,218
Deposits from the Central Bank and banks	289,913	-	-	-	-	289,913
Overdrafts on banks	762,910	-	-	-	-	762,910
Call loans from the Central Bank and banks	48,912,889	9,983,213	1,564,618	-	-	60,460,720
Due to the Central Bank and banks	170,000	57,000	186,213	507,187	-	920,400
Financial liabilities designated at fair value through profit or loss	-	-	-	9,180,280	-	9,180,280
Notes and bonds issued under repurchase agreement	82,794	1,149,028	43,149	-	-	1,274,971
Interest payable	509,724	961,815	1,135,952	75,335	10	2,682,836
Deposits transferred from Chunghwa Post Co., Ltd.	7,474,210	20,880,000	40,060,201	-	-	68,414,411
Demand deposits	713,976,985	-	-	-	-	713,976,985
Time deposits	103,425,468	151,228,128	350,821,529	42,140,093	18,672	647,633,890
Remittance	1,030,766	-	-	-	-	1,030,766
Bank notes payable	-	-	14,000,000	22,790,000	16,460,000	53,250,000
Cumulative earnings on appropriated loan fund	11,750	5,670	113,250	2,489,010	4,620,946	7,240,626
Other miscellaneous financial liabilities	500,000	-	-	-	-	500,000
Lease liabilities	15,969	53,519	257,029	431,645	68,348	826,510

(4) Derivative financial liabilities maturity analysis

A. Derivative financial instruments settled by net amount

The derivative instruments of the Bank and subsidiaries whose possession are settled by net amount include foreign derivative instruments, such as non-delivery forward contracts and net-delivery foreign exchange option. After evaluation the Bank concluded that the maturity date is the basic element to comprehend all the derivative financial instruments listed in the consolidated financial statement. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement. As of September 30, 2019, the Bank and subsidiaries had no derivative financial instruments settled by net amount. As of September 30, 2020 and December 31, 2019, maturity analysis for the derivative financial liabilities settled by net amount are as follows:

	September 30, 2020					
	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss						
— Foreign exchange derivative instrument	\$ <u>5</u>	<u>420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>425</u>
	December 31, 2019					
	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivative instrument	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>560</u>	<u>-</u>	<u>560</u>

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B. Derivative financial instruments settled by gross amount

The derivative instruments of the Bank's possession settled by gross amount include the following:

- a. Foreign exchange derivative financial instrument: Foreign exchange options settled by gross amount, foreign exchange forward contracts and currency swap contracts.
- b. Interest rate derivative financial instruments: interest rate swap contracts.

The table below shows the derivative financial instruments of the Bank and subsidiaries whose possession are settled by gross amount based on the remaining days from the consolidated financial statement date to the contract maturity date. The amount disclosed is based on the cash flow of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement. The maturity analysis for derivative financial liabilities settled by gross amount is as follows:

<u>September 30, 2020</u>	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181 days to 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivative instruments						
Cash outflow	\$ 25,714,916	13,605,857	14,385,388	7,411,907	27,200	61,145,268
Cash inflow	25,850,625	13,883,942	14,724,301	7,563,463	28,990	62,051,321
Interest rate derivative instrument						
Cash outflow	13,804	1,206	8,115	23,202	20,110	66,437
Cash inflow	836	1,067	8,425	13,607	18,523	42,458
Total cash outflow	<u>25,728,720</u>	<u>13,607,063</u>	<u>14,393,503</u>	<u>7,435,109</u>	<u>47,310</u>	<u>61,211,705</u>
Total cash inflow	<u>25,851,461</u>	<u>13,885,009</u>	<u>14,732,726</u>	<u>7,577,070</u>	<u>47,513</u>	<u>62,093,779</u>
Net cash flow	<u>\$ (122,741)</u>	<u>(277,946)</u>	<u>(339,223)</u>	<u>(141,961)</u>	<u>(203)</u>	<u>(882,074)</u>

<u>December 31, 2019</u>	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181 days to 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivative instruments						
Cash outflow	\$ 54,733,698	32,548,928	71,226,616	56,264,496	1,799,400	216,573,138
Cash inflow	55,106,820	32,263,313	70,476,718	56,270,898	1,802,371	215,920,120
Interest rate derivative instrument						
Cash outflow	-	15,820	22,689	35,707	52,623	126,839
Cash inflow	6,336	3,951	26,496	38,679	44,908	120,370
Total cash outflow	<u>54,733,698</u>	<u>32,564,748</u>	<u>71,249,305</u>	<u>56,300,203</u>	<u>1,852,023</u>	<u>216,699,977</u>
Total cash inflow	<u>55,113,156</u>	<u>32,267,264</u>	<u>70,503,214</u>	<u>56,309,577</u>	<u>1,847,279</u>	<u>216,040,490</u>
Net cash flow	<u>\$ (379,458)</u>	<u>297,484</u>	<u>746,091</u>	<u>(9,374)</u>	<u>4,744</u>	<u>659,487</u>

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<u>September 30, 2019</u>	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181 days to 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivative instruments						
Cash outflow	\$ 49,861,588	32,045,606	15,054,748	113,621,984	1,862,130	212,446,056
Cash inflow	49,703,508	32,054,274	14,584,525	111,600,929	-	207,943,236
Interest rate derivative instrument						
Cash outflow	-	1,193	1,193	2,386	17,947	22,719
Cash inflow	-	999	1,804	3,022	16,734	22,559
Total cash outflow	49,861,588	32,046,799	15,055,941	113,624,370	1,880,077	212,468,775
Total cash inflow	49,703,508	32,055,273	14,586,329	111,603,951	16,734	207,965,795
Net cash flow	<u>\$ 158,080</u>	<u>(8,474)</u>	<u>469,612</u>	<u>2,020,419</u>	<u>1,863,343</u>	<u>4,502,980</u>

(5) Maturity analysis of off-balance sheet items

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

<u>September 30, 2020</u>	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181 days to 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Issued and irrevocable loan commitments	\$ 579,606	368,206	1,095,052	9,462,245	53,315,919	64,821,028
Irrevocable credit card loan commitments	1,878	308,996	431,905	1,176,708	18,306,829	20,226,316
Letters of credit issued yet unused	1,545,733	4,233,810	728,398	132,071	55,349	6,695,361
Other guarantees	1,968,045	1,700,724	1,001,458	2,588,477	11,598,296	18,857,000
Total	<u>\$ 4,095,262</u>	<u>6,611,736</u>	<u>3,256,813</u>	<u>13,359,501</u>	<u>83,276,393</u>	<u>110,599,705</u>

<u>December 31, 2019</u>	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181 days to 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Issued and irrevocable loan commitments	\$ 80,600	470,300	240,778	4,151,688	50,316,561	55,259,927
Irrevocable credit card loan commitments	426	8,850	244,874	1,383,874	18,434,883	20,072,907
Letters of credit issued yet unused	2,331,015	3,904,555	668,520	218,697	33,960	7,156,747
Other guarantees	1,013,082	2,595,282	1,160,466	1,590,609	12,040,928	18,400,367
Total	<u>\$ 3,425,123</u>	<u>6,978,987</u>	<u>2,314,638</u>	<u>7,344,868</u>	<u>80,826,332</u>	<u>100,889,948</u>

<u>September 30, 2019</u>	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181 days to 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Issued and irrevocable loan commitments	\$ 8,956	2,006,317	811,449	3,609,378	44,929,659	51,365,759
Irrevocable credit card loan commitments	2,848	12,920	19,269	815,295	19,383,739	20,234,071
Letters of credit issued yet unused	2,537,232	3,703,239	673,756	175,522	5,944	7,095,693
Other guarantees	1,966,315	2,419,549	1,070,162	1,510,923	12,074,839	19,041,788
Total	<u>\$ 4,515,351</u>	<u>8,142,025</u>	<u>2,574,636</u>	<u>6,111,118</u>	<u>76,394,181</u>	<u>97,737,311</u>

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(6) Maturity analysis of lease contract commitments

The Bank and subsidiaries only has operating lease contract, operating lease commitment refers to, when the Bank and subsidiaries is the lessor or lessee and under the irrevocable operating lease conditions, the minimum total future rent payment. Below tables show the maturity analysis of the Bank and subsidiaries operating lease contract commitments:

September 30, 2020	Below 1 year	1-5 years	Over 5 years	Total
Operating lease income (lessor)	\$ 849	96	-	945
December 31, 2019	Below 1 year	1-5 years	Over 5 years	Total
Operating lease income (lessor)	\$ 2,270	449	-	2,719
September 30, 2019	Below 1 year	1-5 years	Over 5 years	Total
Operating lease income (lessor)	\$ 803	564	-	1,367

The capital expenditure commitment of the Bank refers to the contract signed to obtain buildings and equipment. The maturity analysis of the capital expenditure commitment of the Bank is as follows:

September 30, 2020	Below 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	\$ 908,283	-	-	908,283
Right-of-use assets	2,521	993	-	3,514
Transportation equipment	2,504	-	-	2,504
Miscellaneous equipment	1,950	-	-	1,950
Total	\$ 915,258	993	-	916,251
December 31, 2019	Below 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	\$ 1,226,830	-	-	1,226,830
Right-of-use assets	7,358	5,435	-	12,793
Transportation equipment	130	-	-	130
Miscellaneous equipment	8,899	-	-	8,899
Total	\$ 1,243,217	5,435	-	1,248,652
September 30, 2019	Below 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	\$ 1,369,341	-	-	1,369,341
Right-of-use assets	10,083	3,626	-	13,709
Transportation equipment	1,350	-	-	1,350
Miscellaneous equipment	1,910	-	-	1,910
Total	\$ 1,382,684	3,626	-	1,386,310

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(e) Market risk

(1) Definition of market risk

Market risk refers to the possible loss of the Bank's business in or off the balance sheet results from the disadvantageous fluctuation in market price in terms of interest rates, stock prices, foreign exchange rates and commodity prices.

(2) Policies and procedures of market risk management

A. Strategy

- a. To carry out market risk management, achieve operation target and maintain healthy capital adequacy by following "Directions Governing the Market Risk Management of Taiwan Business Bank" and other relevant regulations.
- b. Under the risk tolerance approved by the board of directors or board of executive directors, the Bank applies various risk control mechanism to effectively deploy and manage capital in order to maintain the market risk exposure within the tolerable extent and achieve earning target.

B. Policies and procedures

In order to establish the market risk management mechanism and ensure that the market risk is within the tolerable extent, the Bank set up directions governing the market risk management, remarks governing the limit of market risk and financial product valuation procedures as the primary management guidance. Other than what is stated above, the Bank also establish limit control mechanism in terms of trade positions, stop-limit, suspensions and lines of alert based on the operation notices and procedures of different financial instruments, including fix income instruments, equity securities, foreign exchange transaction and derivative financial instruments.

(3) Process for market risk management

A. Risk identification

In accordance with the rules of "Directions Governing the Market Risk Management of Taiwan Business Bank", the Bank shall conduct appropriate market risk evaluation and document the process for later review before financial instruments are promoted. The content of evaluation includes risk factors identification, evaluation methods, cost-benefit analysis, market liquidity, risk strategy, adequacy of risk management mechanism and the influence on the Bank for undertaking market risk.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

B. Risk measurement

- a. Annually based on the business development of transaction units and submit to the board of directors or board of executive directors for approval. For the units which the positions and limits remain unchanged after evaluation, they can put the positions and limits into practice after receiving the approval from the general manager.
- b. The risk measurements (or evaluations) of the financial instruments of the Bank are conducted through different information systems. For the market data and parameters of the models applied for evaluation, they shall be random inspected regularly to determine the rationality.

C. Risk monitoring

- a. Valuation reports of various financial instruments are prepared regularly for executives to review and serve as the guidance for daily risk management operation.
- b. All financial transactions are equipped with different regulations in terms of limit of loss and stop-limit. Provided that the valuation loss amount is over the limit, a stop-limit, suspension and subsequent risk control will be executed.

D. Risk report

Risk management department report current market risk management status of the Bank to directors, executive directors and executives to facilitate them to control the risk exposure status and adjust management procedures properly.

(4) Scope and method of market risk management

A. Foreign exchange risk management

a. Definition of foreign exchange risk management

Foreign exchange risk refers to the potential profit or loss of the foreign currency financial instruments which results from the transition among fluctuating currencies.

b. Applicable scope

All the financial instruments which apply to trading book position and banking book position and involve in foreign currencies.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

c. Purpose for foreign exchange risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of foreign exchange and to increase capital deployment efficiency and business operation integrity.

d. Procedures of foreign exchange risk management

- 1) In order to control foreign exchange transaction risk, the Bank established trade position authorization standard for financial transaction operations, trade units and traders in current regulations. In addition, for non-commercial business foreign exchange operation, all trade units submit the required amounts of position annually based on operation status. Risk management department will evaluate the requirement and submit to the board of directors' (executive directors) for approval. The demand will be executed after the board of directors approved. For the units which the positions remain unchanged after evaluation, they can put the positions into practice after receiving the approval from the general manager.
- 2) The trade units conduct various foreign financial product business, they shall fully understand the content of commodities, the risk tolerance and trade purpose. Trade units shall establish financial products trading strategies based on market status in the meeting every morning and submit the risk-benefit evaluation in the meeting minutes for the department heads to review. The trading shall follow the relevant authorization rules of the Bank and the stop-limit of all trade positions shall be executed reliably.

e. Process of foreign exchange risk management

1) Identification and measurement

- A) Risk Management department established risk factor chart based on different financial transactions to effectively identify risk factors and market risk resources. In addition, the financial transactions which the Bank and subsidiaries conduct deal with simple type financial products. For complex financial products, the Bank and subsidiaries conduct back-to-back hedge covering to effectively avoid market risk.
- B) Risk Management department uses Greeks to measure the influence level of exchange rate for held-for-trading spot exchange and exchange rate derivative and setup Greek's sensitivity allowance, according to the yearly demand of trade units, the state of utilization, and monitor the load of fluctuation of exchange rate in each acceptable range.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

C) Positions of the trading book shall be evaluated daily where the positions of the banking book shall be evaluated monthly. When there are public quotes for financial instruments, the quotes shall be the prior evaluation prices. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

2) Monitoring and report

A) When the evaluation loss of non-commercial foreign exchange transactions is over the limit, the trade units shall execute a stop-limit per the regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management department shall report to the board of directors or executive directors.

B) Reports of operation results shall be prepared and submitted to the department heads for approval on a daily basis.

B. Equity security risk management

a. Definition of equity security risk

The market risks of the equity securities possessed by the Bank include the individual risk results from the market price fluctuation of individual equity security and the general market risk results from overall market price fluctuation.

b. Applicable scope

Financial instruments similar to equity security in all trading books.

c. Purpose of equity security risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of equity securities and to increase capital deployment efficiency and business operation integrity.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

d. Procedures of equity security risk management

- 1) All trade units submit the required amounts of position annually base on operation status. Risk management department will evaluate the requirement and submit to the board of directors or executive directors. The demand will be executed after approved by the board of directors.
- 2) The trade units shall predict the possible trend of domestic stock market based on the information of foreign and domestic security markets so as to set up the operation strategies and directions. The traders shall pay close attention to the market trend when the market opens so as to conduct security transactions and the operations as well as the meeting minutes shall be submitted to the department heads to review.

e. Process of equity security risk management

1) Identification and measurement

- A) The risk management department apply Value at Risk models to measure the market risk of equity security investment. Furthermore, based on the trade units' operation demand and the risk limit established by the Bank's risk tolerance, the risk management units effectively control the variation of risk factors under an acceptable extent.
- B) Trading book position shall be evaluated daily. When there is a public quote in the market, the quote shall be adopted as the prior evaluation price. If the transaction is in secondary market and the liquidity is high, the closing price can be adopted as the evaluation price. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

2) Monitoring and report

- A) When the evaluation loss of equity security investment is over the limit, the trade units shall execute a stop-limit per regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management department shall report to the board of directors or executive directors.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

B) Transaction reports shall be prepared and submitted to the department heads for approval on a daily basis. And the investment gains or losses shall report to the board of directors or executive directors regularly for future reference.

C. Interest rate risk management

a. Definition of interest rate risk

Interest rate risk refers to the price decline of the Bank's financial products which contain interest risk factors due to the disadvantageous changes in interest rate.

b. Applicable scope

Financial instruments which contain interest rate factors in all trading books.

c. Purpose of interest rate risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of interest rate and to increase capital deployment efficiency and business operation integrity.

d. Procedures of interest rate risk management

- 1) In order to control interest rate risk, the Bank established trade position authorization standard for financial transaction operations, trade units and trade counterparties in current regulations. In addition, for the positions held for trading, all trade units submit the required amounts of position annually based on operation status. Risk management department will evaluate the requirement and submit to the board of directors or executive directors for approval. The demand will be executed after the board of directors approved.
- 2) The trade units shall consider safety, liquidity and profitability and gather market information to assess the potential risk and benefit. In additional, the trade units shall choose investment target prudently through analyzing the issuers' credit, financial status, country risks and interest rate trends.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

e. Process of interest rate risk management

1) Identification and measurement

- A) The risk management department establish risk factor charts base on different financial transaction to effectively identify risk factors and market risk resources. In addition, the financial transactions which the Bank conducts deal with simple type financial products. For complex financial products, the Bank conducts back-to-back hedge covering to effectively avoid market risk.
- B) Position of the trading book shall be evaluated daily. When there are public quotes for financial instruments, the quotes shall be the prior evaluation prices. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

2) Monitoring and report

- A) The risk management department apply DV01 to measure to what extent the trading book bond positions are influenced by the interest rate risk and set up interest rate sensitivity limit base on the requirements of the trade units and the risk tolerance of the Bank annually.
- B) The trade units shall prepare the income assessment tables of trade positions and traders for the department heads to review. In addition, when the evaluation loss of the position is over the limit, the trade units shall execute a stop-limit per the regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management department shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management units shall report to the board of directors or executive directors.

D. Concentration management

- a. The trade counterparties of the Bank are mostly financial institutions. To avoid the risk being over concentrated and enhance credit risk management, the Bank established financial institution credit risk limit based on the world ranking of Level 1 capital and credit ratings from The Banker. The trade units shall also pay attention to the changes of the credit status of individual financial institution as well as the changes of the national credit rating to conduct the transaction prudently.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

- b. For equity security investments, the Bank set up limits for single institution and single related party.

(5) Interest rate risk management of the banking book

A. The definition and management purpose for the interest rate risk of the banking book

- a. The interest rate risk of the banking book refers to the negative effect towards the future net interest income or economic value of equity results from the fluctuation of interest rate. Net Interest Income (hereafter NII) is the total amount of interest revenue deducted by the total amount of interest expense; Economic Value of Equity (hereafter EVE) is the total discounted future cash inflow from assets deducted by the total discounted future cash outflow from liabilities.
- b. The management purpose of the interest rate risk management of the banking book is to control the negative effect from the interest rate risk fluctuation towards NII or EVE within the approved limit extent.

B. The process for the interest rate risk management of the banking book

a. Identification and measurement

When the Bank conducts interest rate related products, it identifies the reprising risk, yield curve risk, basis risk and option characteristic risk and measures the possible influence on the earnings and economic value results from interest rate fluctuation.

b. Monitoring and report

The Bank established limits of the ratio between interest-rate-sensitivity assets and interest-rate-sensitivity liabilities, the effect to NII in 1 year when the market interest rate parallel changes 1 BP and the effect to EVE when the market interest rate parallel changes 200 BP to control the banking book interest rate risk. The results of interest rate risk measurement are reported to the Assets and Liabilities Management Committee monthly and to the board of directors or executive directors quarterly. When the measurement result is over the limit, relevant units shall be convened to establish responding plan and the plan shall be submitted to the Assets and Liabilities Management Committee for discussion. After the plan is approved by the general manager, it shall be executed by the relevant business units and report to the board of directors or executive directors.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(6) Value at Risk

A. Description of Value at Risk

Value at Risk (VaR) is a statistical amount used to evaluate the maximum possible loss of portfolio results from the changes of market risk factors within a certain period of time and a fixed confidence interval.

B. Value at Risk models and assumptions

In order to enhance the market risk control operation, the Bank established quantified indices of market risk for the equity security position of the trading book. Based on the historical information of the last 1 year and applies Historical Simulation Method (with the confidence interval being 99% and the duration of possession being 1 day), the Bank calculates and monitors the trend of Value at Risk.

C. The limit of Value at Risk model

Value at Risk is a tool to measure market risk under normal circumstance. The limits of the model are listed below:

- a. Value at Risk cannot reflect the losses result from other type of risks, such as credit risk and liquidity risk.
- b. Value at Risk measures the possible loss of the position on hand at the end of the transaction day, but it cannot reflect the distribution of the part which actual loss exceeds Value at Risk.
- c. Value at Risk model is based on historical data to evaluate the amount, and therefore it may not be able to predict the future changes of risk factors, especially for those exceptions result from significant market fluctuation.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(7) Foreign exchange risk disclosure and sensitivity analysis

A. Foreign exchange risk exposure

a. Significant net positions of foreign currencies (Market risk)

Significant net positions of foreign currencies (Market risk)		
September 30, 2020		
Currency	Foreign currency amount (in thousands)	NT\$ amount
USD	\$ 442,918	12,840,193
JPY	2,121,908	582,252
CNY	132,288	562,753
AUD	13,473	278,824
SEK	18,803	60,922

Significant net positions of foreign currencies (Market risk)		
December 31, 2019		
Currency	Foreign currency amount (in thousands)	NT\$ amount
USD	\$ 411,606	12,344,064
JPY	4,142,819	1,143,832
EUR	10,906	366,878
AUD	16,808	353,220
ZAR	70,508	149,477

Significant net positions of foreign currencies (Market risk)		
September 30, 2019		
Currency	Foreign currency amount (in thousands)	NT\$ amount
USD	\$ 461,946	14,336,725
CNY	167,436	730,306
JPY	2,347,722	675,440
AUD	28,198	591,769
EUR	14,002	474,626

Note 1: Main foreign currencies are the top five foreign currencies ranked in NTD value.

Note 2: Net foreign currency is the absolute value of the net positions of each foreign currency.

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b. Assets and liabilities of foreign currency

September 30, 2020						
Monetary financial assets				Monetary financial liabilities		
Currency	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	\$ 13,061,742	28.9900	378,659,901	12,494,758	28.9900	362,223,034
AUD	4,591,113	20.6950	95,013,084	4,519,267	20.6950	93,526,231
CNY	16,215,155	4.2540	68,979,269	16,018,947	4.2540	68,144,601
HKD	5,611,793	3.7400	20,988,106	5,211,469	3.7400	19,490,894
JPY	60,730,478	0.2744	16,664,443	59,410,658	0.2744	16,302,285
EUR	285,187	34.0600	9,713,469	285,479	34.0600	9,723,415
ZAR	4,450,574	1.7120	7,619,383	4,448,552	1.7120	7,615,921
NZD	64,299	19.1600	1,231,969	64,394	19.1600	1,233,789
GBP	45,884	37.3100	1,711,932	45,991	37.3100	1,715,924
CAD	22,282	21.6700	482,851	22,272	21.6700	482,634
SEK	74,345	3.2400	240,878	74,854	3.2400	242,527
SGD	5,065	21.2000	107,378	6,668	21.2000	141,362
Others (Note)	-	-	77,866	-	-	79,533
Non-monetary financial assets				Non-monetary financial liabilities		
USD	4,233	28.9900	122,715	-	-	-

Note : Consolidated disclosure is applied for other currencies not over \$100,000.

December 31, 2019						
Monetary financial assets				Monetary financial liabilities		
Currency	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	\$ 14,982,151	29.9900	449,314,708	14,424,396	29.9900	432,587,636
AUD	4,212,685	21.0150	88,529,575	4,146,043	21.0150	87,129,094
CNY	36,499,479	4.2950	156,765,262	36,306,922	4.2950	155,938,230
HKD	6,170,963	3.8510	23,764,379	5,791,786	3.8510	22,304,168
JPY	53,452,970	0.2761	14,758,365	52,141,895	0.2761	14,396,377
EUR	394,078	33.6400	13,256,784	394,201	33.6400	13,260,922
ZAR	4,442,764	2.1200	9,418,660	4,443,233	2.1200	9,419,654
NZD	58,418	20.2000	1,180,044	58,414	20.2000	1,179,963
GBP	30,508	39.3800	1,201,405	30,488	39.3800	1,200,617
CAD	32,029	22.9800	736,026	32,075	22.9800	737,084
SEK	36,065	3.2200	116,129	35,768	3.2200	115,173
SGD	6,067	22.2600	135,051	6,156	22.2600	137,033
THB	172,762	1.0081	174,161	176,909	1.0081	178,342
CHF	-	-	-	4,030	30.9750	124,829
Others (Note)	-	-	62,198	-	-	-
Non-monetary financial assets				Non-monetary financial liabilities		
USD	2,025	29.9900	60,730	-	-	-

Note : Consolidated disclosure is applied for other currencies not over \$100,000.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

September 30, 2019						
Monetary financial assets				Monetary financial liabilities		
Currency	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	\$ 14,144,291	31.0355	438,975,143	13,568,719	31.0355	421,111,979
AUD	4,180,574	20.9862	87,734,362	4,114,163	20.9862	86,340,648
CNY	35,925,074	4.3617	156,694,395	35,711,794	4.3617	155,764,132
HKD	6,475,037	3.9584	25,630,786	6,118,443	3.9584	24,219,245
JPY	53,569,400	0.2877	15,411,916	52,169,569	0.2877	15,009,185
EUR	339,878	33.8970	11,520,845	338,407	33.8970	11,470,982
ZAR	4,280,633	2.0575	8,807,402	4,283,663	2.0575	8,813,637
NZD	64,627	19.5415	1,262,909	62,612	19.5415	1,223,532
GBP	24,232	38.1566	924,611	24,219	38.1566	924,115
CAD	69,147	23.3983	1,617,922	69,514	23.3983	1,626,509
SGD	-	-	-	5,861	22.4651	131,668
CHF	6,764	31.2527	211,393	7,830	31.2527	244,709
Others (Note)	-	-	174,335	-	-	83,205

Note : Consolidated disclosure is applied for other currencies not over \$100,000.

B. Foreign exchange risk sensitivity analysis (Change by 1%)

Foreign exchange risk sensitivity analysis is the analysis that given other conditions remain the same, the influence on profit or loss and equity when each respective currency depreciate or appreciate by 1%.

September 30, 2020					
Currency	Depreciate by 1%		Appreciate by 1%		
	Income	Equity	Income	Equity	
USD	\$ 37,476	(55,126)	(37,476)	55,126	
AUD	7,210	(19,010)	(7,210)	19,010	
HKD	2,975	(17,290)	(2,975)	17,290	
JPY	5,476	(3,598)	(5,476)	3,598	
GBP	20	-	(20)	-	
SGD	340	-	(340)	-	
ZAR	(36)	-	36	-	
SEK	17	-	(17)	-	
CHF	24	-	(24)	-	
CAD	(5)	-	5	-	
THB	(7)	-	7	-	
EUR	140	-	(140)	-	
NZD	11	-	(11)	-	
CNY	(2,920)	-	2,920	-	
Total	<u>\$ 50,721</u>	<u>(95,024)</u>	<u>(50,721)</u>	<u>95,024</u>	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

December 31, 2019				
Currency	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	\$ (1,676)	(55,313)	1,676	55,313
AUD	7,410	(18,231)	(7,410)	18,231
HKD	2,979	(17,543)	(2,979)	17,543
JPY	5,572	(3,766)	(5,572)	3,766
GBP	125	-	(125)	-
SGD	20	-	(20)	-
ZAR	7	-	(7)	-
SEK	(10)	-	10	-
CHF	626	-	(626)	-
CAD	42	-	(42)	-
THB	42	-	(42)	-
EUR	(119)	-	119	-
NZD	(8)	-	8	-
CNY	(2,189)	-	2,189	-
Total	<u>\$ 12,821</u>	<u>(94,853)</u>	<u>(12,821)</u>	<u>94,853</u>

September 30, 2019				
Currency	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	\$ 12,409	(56,752)	(12,409)	56,752
AUD	7,344	(17,773)	(7,344)	17,773
HKD	3,003	(17,217)	(3,003)	17,217
JPY	5,696	(4,103)	(5,696)	4,103
GBP	126	-	(126)	-
SGD	343	-	(343)	-
ZAR	12	-	(12)	-
SEK	(36)	-	36	-
CHF	333	-	(333)	-
CAD	50	-	(50)	-
THB	103	-	(103)	-
EUR	18	-	(18)	-
NZD	(406)	-	406	-
CNY	(2,128)	-	2,128	-
Total	<u>\$ 26,867</u>	<u>(95,845)</u>	<u>(26,867)</u>	<u>95,845</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(8) Interest rate risk disclosure and sensitivity analysis

A. Interest rate sensitivity analysis

The assumption of interest rate sensitivity analysis is, under the circumstance that other conditions remain the same, the yield of the market increase or decrease by 1 basis point (1 bp).

September 30, 2020				
Currency	Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
	Income	Equity	Income	Equity
Trading book				
TWD	\$ (197)	(3,341)	197	3,341
Banking book				
TWD	-	(68,863)	-	68,863
USD	-	(12,450)	-	12,450
AUD	-	(673)	-	673
HKD	-	(47)	-	47
CNY	-	(2,603)	-	2,603
ZAR	-	(265)	-	265
Total	<u>\$ (197)</u>	<u>(88,242)</u>	<u>197</u>	<u>88,242</u>

December 31, 2019				
Currency	Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
	Income	Equity	Income	Equity
Trading book				
TWD	\$ (660)	(5,211)	660	5,211
Banking book				
TWD	-	(49,215)	-	49,215
USD	9	(13,057)	(9)	13,057
AUD	-	(647)	-	647
HKD	-	(78)	-	78
CNY	-	(1,423)	-	1,423
ZAR	-	(80)	-	80
Total	<u>\$ (651)</u>	<u>(69,711)</u>	<u>651</u>	<u>69,711</u>

September 30, 2019				
Currency	Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
	Income	Equity	Income	Equity
Trading book				
TWD	\$ (520)	(5,434)	520	5,434
Banking book				
TWD	-	(51,124)	-	51,124
USD	42	(11,905)	(42)	11,905
AUD	-	(519)	-	519
HKD	-	(91)	-	91
CNY	-	(609)	-	609
ZAR	-	(82)	-	82
Total	<u>\$ (478)</u>	<u>(69,764)</u>	<u>478</u>	<u>69,764</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

B. Sensitivity analysis of expected net revenue/Sensitivity of equity in terms of interest rate fluctuation

September 30, 2020				
Scenario	Effect on NII in 1 year		Effect on EVE	
	TWD	USD	TWD	USD
Interest rate increases by 100 bp	3,492,705	(26,139)	(1,876,690)	(56,586)
Interest rate decreases by 100 bp	(4,750,482)	4,265	2,158,036	33,435

December 31, 2019				
Scenario	Effect on NII in 1 year		Effect on EVE	
	TWD	USD	TWD	USD
Interest rate increases by 100 bp	3,000,869	(21,189)	(2,668,734)	(59,485)
Interest rate decreases by 100 bp	(5,575,295)	8,698	4,298,253	65,845

September 30, 2019				
Scenario	Effect on NII in 1 year		Effect on EVE	
	TWD	USD	TWD	USD
Interest rate increases by 100 bp	2,950,329	(19,874)	(3,378,514)	(56,841)
Interest rate decreases by 100 bp	(5,387,257)	9,421	3,251,996	63,083

(9) Equity security risk disclosure and sensitivity analysis

A. Equity security sensitivity analysis (Changes by 1%)

The assumption of equity security sensitivity analysis is, under the circumstance that other conditions remain the same, the price of equity security increased or decreased by 1%.

September 30, 2020			
Change	Currency	Income	Equity
Equity security price increases by 1 %	USD	42	-
Equity security price decreases by 1 %	USD	(42)	-

December 31, 2019			
Change	Currency	Income	Equity
Equity security price increases by 1 %	TWD	1,789	-
	USD	20	-
Equity security price decreases by 1 %	TWD	(1,789)	-
	USD	(20)	-

September 30, 2019			
Change	Currency	Income	Equity
Equity security price increases by 1 %	TWD	1,457	-
Equity security price decreases by 1 %	TWD	(1,457)	-

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

B. Value at Risk of equity security

Value at Risk	From October 1, 2019 to September 30, 2020		
	Average	Maximum	Minimum
Equity security risk	5,769	15,917	1,668

Value at Risk	For the year ended December 31, 2019		
	Average	Maximum	Minimum
Equity security risk	3,255	7,623	94

Value at Risk	From October 1, 2018 to September 30, 2019		
	Average	Maximum	Minimum
Equity security risk	2,969	7,623	94

(f) Transferred financial assets that are not fully derecognized

The transactions, relating to transferred financial assets not qualifying for full derecognition, the Bank and subsidiaries conduct during daily operation mostly involve securities lending in accordance to repurchase agreements. Since the right to receive contractual cash flow has been transferred to others and the Bank and subsidiaries' obligation to repurchase the transferred assets for a fixed price at a future date is recognized under liability, for these transactions, the Bank and subsidiaries cannot use, sell or pledge those transferred financial assets in availability period, the Bank and subsidiaries have interest rate risk and credit risk, the said transferred assets are not fully derecognized.

As of September 30, 2020, December 31 and September 30, 2019, there were not any financial assets of the Bank that are not fully derecognized.

(g) Offsetting financial assets and financial liabilities

The Bank and subsidiaries have an exercisable master netting arrangement or similar agreement in place with counterparties. When both parties reach a consensus regarding net settlement, the aforesaid exercisable master netting arrangement or similar agreement can be net settled by offsetting financial assets and financial liabilities. If not, the transaction can be settled at total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The following tables present the aforementioned offsetting financial assets and financial liabilities:

September 30, 2020						
Financial assets under offsetting or general agreement of net amount settlement or similar norm						
Item	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	\$ 416,210	-	416,210	470,287	1,183,778	(1,237,855)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

September 30, 2020						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norm						
Item	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial instruments	\$ 164,648	-	164,648	-	564,374	(399,726)

December 31, 2019						
Financial assets under offsetting or general agreement of net amount settlement or similar norm						
Item	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	\$ 370,369	-	370,369	468,795	484,712	(583,138)

December 31, 2019						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norm						
Item	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial instruments	\$ 131,733	-	131,733	-	969,900	(838,167)

September 30, 2019						
Financial assets under offsetting or general agreement of net amount settlement or similar norm						
Item	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	\$ 389,428	-	389,428	498,787	1,066,311	(1,175,670)

September 30, 2019						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norm						
Item	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial instruments	\$ 131,753	-	131,753	-	602,493	(470,740)

Note : Master netting arrangements and non-cash financial collaterals are included.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(AP) Capital Management

- (a) The Bank takes business development and risk control into consideration and calculates capital adequacy per “Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks” and “Calculation Methods and Forms of Proprietary Capital and Risk Capital of Banks”. The ratio between proprietary capital and risk capital shall remain above the regulated minimum ratio.
- (b) In order to maintain adequate capital and reach a balance between risk control and business development, the Bank established “Directions Governing Capital Adequacy” as the guidance for controlling capital adequacy. The scope of the directions includes, except for the least capital requirements for credit risk, market risk and operation risk, significant risk such as banking book interest rate risk, liquidity risk and concentration risk. In addition, in order to link business strategies, capital and risk management, the Bank sets up capital management plan annually for the president’s approval and reports to Risk Management Committee and the board of directors quarterly about relevant risks and capital control status.
- (c) The Bank identifies, measures, monitors and reports various risks based on the directions, notices and relevant rules of competent authority regarding credit risk, market risk, operation risk, interest rate risk of the banking book, and liquidity risk so as to be familiar with current business environment and monitors and adjusts capital adequacy effectively.
- (d) To cope with the implementation of new Basel Accord, the Bank set up complete risk management system, risk management operation tracking procedures to provide the management with appropriate risk management information for making decisions. Therefore, the Bank is able to maintain adequate capital within the tolerable extent and to ensure the provision of proprietary capital of the Bank corresponds with the overall operating risk characteristics of the Bank.

(1) Tier 1 capital

- A. Common stock equity: The item includes common stock deducted by treasury stock, goodwill and other intangible assets, deferred tax assets based on future profit status of the Bank, unrealized gain on financial assets measured at fair value through other comprehensive income, operating reserve and deficiency of allowance for bad debts, real estate retained earning increment arising from applying the fair value or the revaluation reserve as the deemed cost when first adopting IFRSs, and 25% of the major investment on financial related business.
- B. Other Tier 1 capital: 25% of the perpetual non-accumulated subordinated financial debentures deducted by the major investment on financial related business.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(2) Tier 2 capital

The item includes perpetual accumulated subordinated financial debentures, long term subordinated debenture, real estate retained earning increment arising from applying the fair value or the revaluation reserve as the deemed cost when first adopting IFRSs, 45% of unrealized gain on financial assets measured at fair value through other comprehensive income, and 50% of the major investment on financial related business.

(AQ) Investing and financing activities not affecting current cash flow

The Bank's investing and financing activities which did not affect the current cash flow for the nine months ended September 30, 2020 and 2019 were carried out to acquire right-of-use assets under leases. Please refer to Note 6(K).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Non-cash changes			September 30, 2020
			Foreign exchange rate movement	Fair value changes	Other changes	
Financial liabilities at fair value through profit or loss	\$ 8,949,182	-	(300,000)	(36,201)	-	8,612,981
Bank notes payable	53,250,000	6,000,000	-	-	-	59,250,000
Lease liabilities	1,041,183	(333,927)	(3,097)	-	287,146	991,305
Total liabilities from financing activities	<u>\$ 63,240,365</u>	<u>5,666,073</u>	<u>(303,097)</u>	<u>(36,201)</u>	<u>287,146</u>	<u>68,854,286</u>

	January 1, 2019	Cash flows	Non-cash changes			September 30, 2019
			Foreign exchange rate movement	Fair value changes	Other changes	
Financial liabilities at fair value through profit or loss	\$ 9,162,841	-	90,150	(34,479)	-	9,218,512
Bank notes payable	47,450,000	5,800,000	-	-	-	53,250,000
Lease liabilities	912,342	(334,739)	-	-	248,907	826,510
Total liabilities from financing activities	<u>\$ 57,525,183</u>	<u>5,465,261</u>	<u>90,150</u>	<u>(34,479)</u>	<u>248,907</u>	<u>63,295,022</u>

(AR) Structured entities that not included in consolidated financial reports

- (a) The table below presents the types of structured entities that the Bank and subsidiaries do not include in consolidated financial reports but in which they hold an interest:

Types of structured entities	Nature and purpose	Interests held by the Bank and subsidiaries
Private fund	Investing in funds that cannot be freely traded on the open market	Investing in units or limited partnership interests issued by these funds.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

Types of structured entities	Nature and purpose	Interests held by the Bank and subsidiaries
Asset securitization product	Investing in commercial real estate assets securitization products	Investment in asset-backed securities issued by unconsolidated structured entities

- (b) The scales of structures entities not included in consolidated financial reports were as follow:

	September 30, 2020	December 31, 2019	September 30, 2019
Private fund	\$ 97,900	48,150	47,000
Asset securitization product	1,006,751	1,530,429	1,727,739
Total	\$ 1,104,651	1,578,579	1,774,739

- (c) The carrying amounts of interests held by the Bank and subsidiaries in these structured entities were as follows:

Assets held by the Bank and subsidiaries	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets at fair value through profit or loss	\$ 97,900	48,150	47,000
Financial assets at fair value through other comprehensive income	513,234	784,228	888,994
Investments in debt instruments at amortized cost	493,517	746,201	838,745
Total	\$ 1,104,651	1,578,579	1,774,739

The maximum amount of risk exposure to the Bank and subsidiaries endure to a loss incurred from special purpose entities that are not included in consolidated financial reports is the carrying amount of interests held by the Bank and subsidiaries.

- (d) As of September 30, 2020, December 31 and September 30, 2019, the Bank and subsidiaries has not provided any financial support to its special purpose entities that are not included in consolidated financial reports.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

7. RELATED-PARTY TRANSACTIONS

(A) Names of related parties and relationship

<u>Name of related party</u>	<u>Relationship with the Bank and subsidiaries</u>
Bank of Taiwan	Corporate director of the Bank
Ministry of Finance, R.O.C	Corporate director of the Bank
Land Bank of Taiwan	Corporate director of the Bank
Taiwan Business Bank Guild	Corporate director of the Bank
Others	Management and other related parties of the Bank

(B) Significant related party transactions

(a) Due from banks

September 30, 2020		
	<u>Amount</u>	<u>%</u>
Bank of Taiwan	\$ 169,900	1.07
Land Bank of Taiwan	5,265	0.03
Total	<u>\$ 175,165</u>	<u>1.10</u>

December 31, 2019		
	<u>Amount</u>	<u>%</u>
Bank of Taiwan	\$ 207,228	1.17
Land Bank of Taiwan	4,952	0.03
Total	<u>\$ 212,180</u>	<u>1.20</u>

September 30, 2019		
	<u>Amount</u>	<u>%</u>
Bank of Taiwan	\$ 389,584	2.47
Land Bank of Taiwan	9,160	0.06
Total	<u>\$ 398,744</u>	<u>2.53</u>

Interest rates are the same as those with regular clients.

(b) Deposits from banks

September 30, 2020		
	<u>Amount</u>	<u>%</u>
Land Bank of Taiwan	<u>\$ 1,939</u>	<u>0.38</u>

December 31, 2019		
	<u>Amount</u>	<u>%</u>
Land Bank of Taiwan	<u>\$ 1,813</u>	<u>1.94</u>

September 30, 2019		
	<u>Amount</u>	<u>%</u>
Land Bank of Taiwan	<u>\$ 2,413</u>	<u>2.03</u>

Interest rates are the same as those with regular clients.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(c) Call loans to banks

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Bank of Taiwan	\$ -	429,500	109,813
Land Bank of Taiwan	-	-	931,065
Total	<u>\$ -</u>	<u>429,500</u>	<u>1,040,878</u>

Interest Income				
	Highest balance	For the three months ended September 30, 2020	For the nine months ended September 30, 2020	Annual interest rate
Bank of Taiwan	\$ 1,759,283	781	3,731	0.19%-3.12%
Land Bank of Taiwan	4,026,868	1,246	1,500	0.15%-2.55%
Total	<u>\$ 5,786,151</u>	<u>2,027</u>	<u>5,231</u>	

Interest income				
	Highest balance	For the three months ended September 30, 2019	For the nine months ended September 30, 2019	Annual interest rate
Bank of Taiwan	\$ 7,686,125	3,716	6,840	0.174%-3.403%
Land Bank of Taiwan	4,687,359	7,298	7,903	1.4%-3.1%
Total	<u>\$ 12,373,484</u>	<u>11,014</u>	<u>14,743</u>	

Interest rates are the same as those with regular clients.

(d) Call loans from banks

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Bank of Taiwan	\$ 3,086,490	1,157,025	1,143,783
Land Bank of Taiwan	42,540	1,214,735	1,311,228
Total	<u>\$ 3,129,030</u>	<u>2,371,760</u>	<u>2,455,011</u>

Interest Expense				
	Highest balance	For the three months ended September 30, 2020	For the nine months ended September 30, 2020	Annual interest rate
Bank of Taiwan	\$ 5,446,280	2,336	3,187	0.12%-3.35%
Land Bank of Taiwan	4,512,609	181	2,074	0.1%-6%
Total	<u>\$ 9,958,889</u>	<u>2,517</u>	<u>5,261</u>	

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

	Highest balance	Interest Expense		
		For the three months ended September 30, 2019	For the nine months ended September 30, 2019	Annual interest rate
Bank of Taiwan	\$ 11,245,807	7,856	15,345	0.07%-3.2%
Land Bank of Taiwan	8,855,576	10,480	18,242	0.15%-3.25%
Total	\$ 20,101,383	18,336	33,587	

Interest rates are the same as those with regular clients.

(e) Deposits

	September 30, 2020	
	Amount	%
Others	\$ 1,202,860	0.09

	December 31, 2019	
	Amount	%
Others	\$ 1,067,540	0.07

	September 30, 2019	
	Amount	%
Others	\$ 1,260,953	0.09

Interest rates are the same as those with regular clients.

(f) Credit

September 30, 2020							
Category	Number of clients or name of related party	Highest balance	Ending balance	Performing situations		Collaterals	Transaction terms are different to regular clients
				Performing loan	Non-performing Loans		
Employee consumer loans	29	13,111	11,162	11,162	-	none	none
Self-use home mortgages loans	102	443,328	385,144	385,144	-	real estate	none
Others	Natural person	414,219	403,943	403,943	-	real estate	none

December 31, 2019							
Category	Number of clients or name of related party	Highest balance	Ending balance	Performing situations		Collaterals	Transaction terms are different to regular clients
				Performing loan	Non-performing Loans		
Employee consumer loans	149	438,488	404,626	404,626	-	none/real estate	none
Self-use home mortgages loans	113	501,692	461,965	461,965	-	real estate	none
Others	Natural person	18,810	16,849	16,849	-	real estate	none

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

September 30, 2019							
Category	Number of clients or name of related party	Highest balance	Ending balance	Performing situations		Collaterals	Transaction terms are different to regular clients
				Performing loan	Non-performing Loans		
Employee consumer loans	142	438,488	418,335	418,335	-	none/real estate	none
Self-use home mortgages loans	109	475,176	442,279	442,279	-	real estate	none
Others	Natural person	19,620	17,630	17,630	-	real estate	none

(g) Donation:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Taiwan Business Bank	\$ -	-	2,500	2,500
Guild				

(h) Guarantees: None.

(i) Service fees: None.

(j) Rental revenue: None.

(k) Derivatives financial instrument transactions: None.

(l) Sales of Non-Performing Loans Transactions: None.

(C) Major management salary information

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Salary and other short-term employee benefits	\$ 24,131	31,964	70,589	91,771
Post-employment benefits	691	756	1,962	2,267
Total	\$ 24,822	32,720	72,551	94,038

8. Pledged assets : Please refer to notes 6(H) for more details.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

9. Significant commitments and contingencies

(A) Significant commitments and contingencies were as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Marketable securities held for custody	\$ 10,613,634	12,065,026	12,522,385
Bills collected for others	37,909,566	44,164,781	44,601,608
Bills lent for others	32,216,353	30,006,439	29,159,694
Guarantees and letters of credit	25,552,361	25,557,114	26,137,481
Collaterals received	426	426	426
Trust liabilities	168,766,406	167,127,065	169,361,026
Travelers' check in custody for sale	-	50,163	50,509
Items held for custody	1,093,873	3,995,489	3,715,347
Registered government bonds for sale	62,356,200	66,587,300	67,805,900
Registered short-term bills for sale	2,073,248	1,584,150	2,029,687
Guarantee notes payable	26,211,310	26,383,110	26,221,700

(B) Unrecognized contractual commitments:

As of September 30, 2020, December 31 and September 30, 2019, major constructions in progress and purchases amounted to \$1,071,144, \$1,097,821 and \$1,061,150 respectively, of which \$543,116, \$546,673 and \$652,755 respectively, remained unpaid.

(C) In 1996, the Bank's World Trade Center Branch was sued for handling a letter of credit export collection from Chin Seen Industrial Co., which allegedly used a forged export document and failed to ship the goods to the importer, the International Comagnie de Commercialization et d'Invertissement (I.C.C.I.) of the Republic of Zaire, suffered a loss thereon. In November 1998, I.C.C.I. initiated a case with the Court of Commerce of Brussels in Belgium, requested the L/C opening bank (Banque Bruxelles Lambert, or BBL) and the Bank to jointly pay compensation of USD\$7,830 thousand plus interest, losses, and expenses for the L/C. On August 31, 2005, the Court of Commerce of Brussels rendered its judgment which the Bank has to make compensation of USD\$7,674 thousand plus interest to I.C.C.I.. The Bank has engaged a local attorney in Belgium to formally file an appeal. In February 2011, Court of Appeal in Brussels had made an intermediate adjudication which I.C.C.I. and the Bank are both responsible for the offense. Furthermore, on November 16, 2011, the judgment of the court indicated that the Bank should be responsible for 90% of the negligence proportion. In terms of the judgment of the court of the second instance, the Bank has filed an appeal on November 3, 2011. On February 6, 2013, the court overruled the Bank's appeal and the Bank lost the case. In October 2016, I.C.C.I. initiated a case with the Court of Frankfurt in Germany, applied for seizing the Bank account in Germany, and the Bank lodged guaranty money of EUR \$13,200 thousand to the court to rescind the order for attachment.

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In July 2017, I.C.C.I applied for compulsory execution to the guaranty money, the court has transferred the guaranty money to I.C.C.I. The Bank then filed a lawsuit objecting to the debt through the attorney. The case was dismissed by the Court of Frankfurt in November 2018, and remanded back to trial court in November 2019 after the Bank's appeal was granted by the High Court of Frankfurt. I.C.C.I. has filed a statement of grounds for objection to the German Federal Court on March 16, 2019. And request to revoke the "Return of the Judgment of the Frankfurt High Court". The German Federal Court requires the Bank to file a defense against I.C.C.I. of objections before July 16, 2019. The Bank has appointed a lawyer to act as an attorney in the German Federal Court and raised a pleading. In October and November 2019, the Bank received subpoenas from the court of the Democratic Republic of Congo by a third person Star Marine, who demanded I.C.C.I to pay USD\$1,130 thousand in compensation and held the Bank as jointly liable, and by I.C.C.I, which demanded the Bank to pay USD\$20,060 thousand less its reimbursed amount to make a security deposit of EUR\$14,000 thousand. The Bank has engaged local attorneys to represent itself in court. The Court of Congo will merge the two cases for court, and the court session is undetermined. As of September 30, 2020, the Bank has accrued the compensation of \$183,923 and EUR\$8,000 thousand.

- (D) Among the private equity fund contracts signed by the Bank and subsidiaries, the maximum amount of committed investment that has not been invested is:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
New Taiwan Dollar	\$ <u> - </u>	<u> 50,000 </u>	<u> 50,000 </u>

Note: The committed investment amount that has not been invested does not include the portion of the notified transaction that has not yet been delivered.

10. Significant losses from disasters: None.

11. Significant subsequent events: None.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

12. Others

(A) Information on loan quality, concentration of credit extensions, interest rate-sensitivity, profitability and maturity analysis

(a) Loan quality:

Month/Year			September 30, 2020				
			Non-performing loans	Total loans	Non-performing loan ratio	Allowance for credit losses	Coverage ratio
Corporate finance	Secured		3,177,325	592,349,407	0.54 %	7,458,573	234.74 %
	Unsecured		649,396	317,542,632	0.20 %	4,437,712	683.36 %
Consumer finance	Residence mortgages(Note 4)		414,945	140,352,790	0.30 %	1,763,720	425.05 %
	Cash cards		-	8	- %	-	- %
	Microcredit(Note 5)		17,481	534,251	3.27 %	18,276	104.55 %
	(Note 6)	Secured	681,218	140,377,644	0.49 %	1,780,808	261.42 %
		Unsecured	59,837	9,466,988	0.63 %	156,903	262.22 %
total loan business			5,000,202	1,200,623,720	0.42 %	15,615,992	312.31 %
			Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio
Credit cards business			1,789	1,117,464	0.16 %	23,796	1,330.13 %
Account receivable factoring-without recourse (Note 7)			-	1,821	- %	18	- %

Month/Year			December 31, 2019				
			Non-performing loans	Total loans	Non-performing loan ratio	Allowance for credit losses	Coverage ratio
Corporate finance	Secured		1,796,696	541,634,128	0.33 %	6,116,645	340.44 %
	Unsecured		765,400	316,615,157	0.24 %	3,901,681	509.76 %
Consumer finance	Residence mortgages(Note 4)		339,607	144,607,596	0.23 %	1,630,514	480.12 %
	Cash cards		-	13	- %	-	- %
	Microcredit(Note 5)		18,908	656,886	2.88 %	18,524	97.97 %
	Others (Note 6)	Secured	656,766	134,365,005	0.49 %	1,542,832	234.91 %
		Unsecured	50,301	8,211,965	0.61 %	131,172	260.77 %
total loan business			3,627,678	1,146,090,750	0.32 %	13,341,368	367.77 %
			Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio
Credit cards business			2,557	1,336,358	0.19 %	25,851	1,010.99 %
Account receivable factoring-without recourse (Note 7)			-	19,089	- %	191	- %

Month/Year			September 30, 2019				
Items			Non-performing loans	Total loans	Non-performing loan ratio	Allowance for credit losses	Coverage ratio
Corporate finance	Secured		1,624,169	518,033,805	0.31 %	5,655,166	348.19 %
	Unsecured		642,424	329,585,037	0.19 %	3,837,135	597.29 %
Consumer finance	Residence mortgages(Note 4)		331,192	150,353,057	0.22 %	1,565,362	472.64 %
	Cash cards		-	14	- %	-	- %
	Microcredit(Note 5)		15,380	722,697	2.13 %	15,998	104.02 %
	Others (Note 6)	Secured	764,976	136,555,321	0.56 %	1,452,582	189.89 %
		Unsecured	45,643	8,623,183	0.53 %	125,013	273.89 %
total loan business			3,423,784	1,143,873,114	0.30 %	12,651,256	369.51 %
			Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio
Credit cards business			1,894	1,291,500	0.15 %	26,271	1,387.06 %
Account receivable factoring-without recourse (Note 7)			-	720,717	- %	54,691	- %

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

- Note 1 Non-performing loans represent the amount of overdue loans as reported in accordance with the "Regulations on the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans". The credit card overdue loans represent the amount of overdue loans as reported in accordance with Jin-Kuan-Yin-(4)-Zi No. 0944000378, dated July 6, 2005.
- Note 2 Non-performing loan ratio = Non-performing loans ÷ total loans; Credit card delinquency ratio = Overdue receivables ÷ receivables
- Note 3 Coverage ratio for loans = allowance for credit losses ÷ non-performing loans; Coverage ratio for credit card business = allowance for credit losses ÷ overdue receivables.
- Note 4 For residential mortgage loans, a borrower provides his/her (or spouse's or minor child's) house as collateral in full and pledges it to the financial institution for the purpose of obtaining funds to purchase property and to construct or repair a house.
- Note 5 Microcredit loans are defined by Jin-Kuan-Yin-(4)-Zi No. 09440010950, dated December 19, 2005, and do not include credit cards or cash cards.
- Note 6 Others in consumer finance are secured and unsecured consumer loans other than residential mortgage loans, cash card loans, and microcredit loans, and do not include credit cards.
- Note 7 In accordance with Jin-Kuan-Yin-(5)-Zi No. 0945000494, dated July 19, 2005, the amounts of without-recourse factoring will be classified as overdue receivables within three months from the date that suppliers or insurance companies resolve not to compensate the loss.

Overdue loans and receivables exempted from reporting

	September 30, 2020		December 31, 2019		September 30, 2019	
	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables
Pursuant to a contract under a debt negotiation plan (Note 1)	\$ 580	2,311	833	2,906	928	3,228
Pursuant to a contract under a debt liquidation plan and a debt relief plan (Note 2)	63,677	31,229	66,053	33,173	67,988	34,130
Total	<u>\$ 64,257</u>	<u>33,540</u>	<u>66,886</u>	<u>36,079</u>	<u>68,916</u>	<u>37,358</u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

Note 1: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09510001270, dated April 25, 2006, a bank is required to make supplemental disclosure of credit information which was approved under the debt coordination mechanism of unsecured consumer debts by the Bankers Association of the R.O.C.

Note 2: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09700318940, dated September 15, 2008 and Jin-Kuan-Yin-Fa-Zi No. 10500134790, dated September 20, 2016, a bank is required to make supplemental disclosure of credit information once debtors apply for pre-negotiation, pre-conciliation, relief and liquidation under the “Consumer Debt Clearance Act.”

(b) Concentration of credit extensions

September 30, 2020			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	25,098,474	25.78 %
2	B group. (Other holding)	9,506,800	9.76 %
3	C group. (Steel rolling and extruding)	9,419,122	9.67 %
4	D group. (Real estate development)	8,226,492	8.45 %
5	E group. (Real estate for sale and rental with own or leased property)	7,226,211	7.42 %
6	F group. (Air transportation)	6,347,890	6.52 %
7	G group. (Computers manufacturing)	6,339,425	6.51 %
8	H group. (Real estate development)	6,290,279	6.46 %
9	I group. (Real estate development)	5,196,282	5.34 %
10	J group. (Liquid crystal panel and components manufacturing)	4,870,500	5.00 %

December 31, 2019			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	26,912,468	28.18 %
2	C group. (Steel rolling and extruding)	9,036,247	9.46 %
3	D group. (Real estate development)	8,752,192	9.16 %
4	B group. (Other holding)	7,897,098	8.27 %
5	E group. (Real estate for sale and rental with own or leased property)	6,865,922	7.19 %
6	F group. (Air transportation)	6,370,151	6.67 %
7	G group. (Computers manufacturing)	6,158,068	6.45 %
8	H group. (Real estate development)	5,576,407	5.84 %
9	K group. (Chemical raw materials manufacturing)	4,843,526	5.07 %
10	I group. (Real estate development)	4,775,225	5.00 %

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

September 30, 2019			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	26,910,888	28.55 %
2	C group. (Steel rolling and extruding)	9,301,434	9.87 %
3	D group. (Real estate development)	8,594,692	9.12 %
4	B group. (Other holding)	7,254,925	7.70 %
5	G group. (Computer manufacturing)	6,844,418	7.26 %
6	E group. (Real estate for sale and rental with own or leased property)	6,709,922	7.12 %
7	F group. (Air transportation)	6,304,614	6.69 %
8	J group. (Liquid crystal panel and components manufacturing)	5,324,111	5.65 %
9	K group. (Chemical raw materials manufacturing)	4,923,179	5.22 %
10	L group. (Real estate for sale and rental with own or leased property)	4,085,150	4.33 %

Note 1 The top ten enterprise groups other than government or stated-owned enterprises are ranked according to their total outstanding credit amount. If the borrowers belong to an enterprise group, the aggregate credit balance of the enterprise should be calculated and disclosed as a code number for each such borrower together with an indication of the borrowers' line of business. In addition, if the borrowers are enterprise groups, the enterprise group's industry sector with the maximum exposure to credit risk in its main industry sector should be disclosed, along with the "class" of the industry, in compliance with the Standard Industrial Classification System of the R.O.C. posted by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.

Note 2 Enterprise group is as defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings".

Note 3 Consists of loans (import/export bills negotiated, bills and notes discounted, overdrafts, short-term loans, short-term secured loans, margin loans receivable, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, overdue loans), exchange bills negotiated, accounts receivable factoring without recourse, bankers' acceptance receivable, guarantees proceeds.

Note 4 In the calculation of Credit amount to equity ratio, the domestic bank should be calculated in the net value of head office. The Foreign bank should be calculated in the net value of Taiwan branch.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(c) Interest rate-sensitivity information

(1) Analysis of interest rate-sensitive assets and liabilities (New Taiwan dollars)

Unit : %

September 30, 2020					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 1,239,472,623	26,376,626	17,500,133	122,104,461	1,405,453,843
Interest rate-sensitive liabilities	1,074,534,234	63,976,771	84,946,242	58,354,290	1,281,811,537
Interest rate sensitivity gap	164,938,389	(37,600,145)	(67,446,109)	63,750,171	123,642,306
Net worth					97,356,134
Ratio of interest rate-sensitive assets to liabilities (%)					109.65
Ratio of interest rate-sensitive gap to net worth (%)					127.00

December 31, 2019					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 1,173,468,027	48,183,340	32,004,069	127,788,145	1,381,443,581
Interest rate-sensitive liabilities	1,083,476,198	86,252,494	111,628,016	38,899,834	1,320,256,542
Interest rate sensitivity gap	89,991,829	(38,069,154)	(79,623,947)	88,888,311	61,187,039
Net worth					95,516,766
Ratio of interest rate-sensitive assets to liabilities (%)					104.63
Ratio of interest rate-sensitive gap to net worth (%)					64.06

September 30, 2019					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 1,141,476,898	20,338,409	51,709,949	138,409,961	1,351,935,217
Interest rate-sensitive liabilities	1,052,118,296	63,687,545	114,508,082	43,065,059	1,273,378,982
Interest rate sensitivity gap	89,358,602	(43,349,136)	(62,798,133)	95,344,902	78,556,235
Net worth					94,264,025
Ratio of interest rate-sensitive assets to liabilities (%)					106.17
Ratio of interest rate-sensitive gap to net worth (%)					83.34

Note 1 Listed amount refers to the Bank's amount of N.T. dollars and does not include contingent assets or liabilities.

Note 2 Interest rate-sensitive assets and liabilities refer to revenues or costs of interest-yielding assets and interest-bearing liabilities, which are affected by interest rate fluctuations.

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

Note 4 Ratio of interest rate-sensitive assets to liabilities=Interest rate-sensitive assets÷ Interest rate-sensitive liabilities (New Taiwan dollars interest-rate-sensitive assets and New Taiwan dollars interest-rate-sensitive liabilities).

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(2) Analysis of the interest-sensitive assets and liabilities (US dollars)

Unit : In Thousands of US Dollars, %

Unit: in thousands of US Dollars, %

September 30, 2020						
Item	1~90 days	91~180 days	181days~1year	over 1 year	total	
Interest rate-sensitive assets	\$ 4,607,591	497,507	165,671	566,021	5,836,790	
Interest rate-sensitive liabilities	5,998,395	1,083,584	590,256	-	7,672,235	
Interest rate sensitivity gap	(1,390,804)	(586,077)	(424,585)	566,021	(1,835,445)	
Net worth						3,358,266
Ratio of interest rate-sensitive assets to liabilities (%)						76.08
Ratio of interest rate-sensitive gap to net worth (%)						(54.65)

December 31, 2019					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 4,947,261	485,765	388,815	634,245	6,456,086
Interest rate-sensitive liabilities	4,908,555	740,209	949,016	-	6,597,780
Interest rate sensitivity gap	38,706	(254,444)	(560,201)	634,245	(141,694)
Net worth					3,184,954
Ratio of interest rate-sensitive assets to liabilities (%)					97.85
Ratio of interest rate-sensitive gap to net worth (%)					(4.45)

September 30, 2019					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 4,688,625	501,016	236,720	689,816	6,116,177
Interest rate-sensitive liabilities	4,868,960	730,476	857,050	-	6,456,486
Interest rate sensitivity gap	(180,335)	(229,460)	(620,330)	689,816	(340,309)
Net worth					3,037,297
Ratio of interest rate-sensitive assets to liabilities (%)					94.73
Ratio of interest rate-sensitive gap to net worth (%)					(11.20)

Note 1 Listed amount refers to the Bank's amount of US dollars and does not include contingent assets or liabilities.

Note 2 Interest rate-sensitive assets and interest rate-sensitive liabilities refer to the interest yielding assets and interest-bearing liabilities which the revenue and cost are affected by interest rate fluctuation.

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

Note 4 Ratio of interest rate-sensitive assets to liabilities=Interest rate-sensitive assets÷ Interest rate-sensitive liabilities (US dollars interest-rate-sensitive assets and US dollars interest-rate-sensitive liabilities).

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(d) Profitability

Unit: %

Item		September 30, 2020	September 30, 2019
The ratio of return on assets	Before income tax	0.22	0.39
	After income tax	0.20	0.33
The ratio of return on equity	Before income tax	3.97	7.28
	After income tax	3.59	6.04
Net income ratio		21.17	30.16

Note 1 The ratio of return on assets = Income before (after) income tax expense ÷ average assets.

Note 2 The ratio of return on equity = Income before (after) income tax expense ÷ average equity.

Note 3 Net income ratio = Net income after income tax expense ÷ Net revenue.

Note 4 Income before (after) income tax expense refers to income accumulated from January of the current year to the current period end.

(e) Maturity analysis for assets and liabilities

(1) Maturity analysis in New Taiwan dollars

September 30, 2020							
	Total	Amount during the maturity period from the balance sheet date to due date					
		0-10days	11-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 1,512,608,228	122,035,232	170,164,801	163,923,171	171,689,572	118,615,059	766,180,393
Major maturity capital outflow	1,898,902,133	67,171,104	94,787,103	226,270,236	244,739,809	303,988,993	961,944,888
Gap	(386,293,905)	54,864,128	75,377,698	(62,347,065)	(73,050,237)	(185,373,934)	(195,764,495)

Note: Listed amounts are denominated in New Taiwan dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow \$377,084,720.

December 31, 2019							
	Total	Amount during the maturity period from the balance sheet date to due date					
		0-10days	11-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 1,501,890,612	179,367,254	151,213,247	134,502,252	184,976,030	129,089,921	722,741,908
Major maturity capital outflow	1,874,702,427	55,886,586	112,153,255	218,860,212	230,190,070	355,711,629	901,900,675
Gap	(372,811,815)	123,480,668	39,059,992	(84,357,960)	(45,214,040)	(226,621,708)	(179,158,767)

Note: Listed amounts are denominated in New Taiwan dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow \$364,510,276.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

September 30, 2019							
	Total	Amount during the maturity period from the balance sheet date to due date					
		0-10days	11-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 1,464,876,700	145,127,427	134,005,254	160,860,921	165,455,358	129,425,069	730,002,671
Major maturity capital outflow	1,819,806,308	60,540,858	97,776,090	204,488,856	229,548,333	344,532,130	882,920,041
Gap	(354,929,608)	84,586,569	36,229,164	(43,627,935)	(64,092,975)	(215,107,061)	(152,917,370)

Note: Listed amounts are denominated in New Taiwan dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow \$351,617,589.

(2) Maturity analysis in US dollars

Unit : In Thousands of US Dollars

September 30, 2020						
	Total	Amount during the maturity period from the balance sheet date to due date				
		0-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 13,414,813	3,737,627	3,344,522	1,571,353	1,402,456	3,358,855
Major maturity capital outflow	14,056,192	3,894,051	3,546,158	1,882,646	1,252,301	3,481,036
Gap	(641,379)	(156,424)	(201,636)	(311,293)	150,155	(122,181)

Note: Listed amounts are denominated in US dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow US \$849,604.

December 31, 2019						
	Total	Amount during the maturity period from the balance sheet date to due date				
		0-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 15,355,895	3,358,162	2,608,973	3,107,881	2,619,737	3,661,142
Major maturity capital outflow	16,092,017	3,851,126	2,573,777	3,475,166	3,026,241	3,165,707
Gap	(736,122)	(492,964)	35,196	(367,285)	(406,504)	495,435

Note: Listed amounts are denominated in US dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow US \$948,394.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

September 30, 2019						
	Total	Amount during the maturity period from the balance sheet date to due date				
		0-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 14,545,544	2,790,132	2,289,139	1,510,412	4,343,444	3,612,417
Major maturity capital outflow	15,330,653	3,580,977	2,461,812	1,518,808	4,746,513	3,022,543
Gap	(785,109)	(790,845)	(172,673)	(8,396)	(403,069)	589,874

Note: Listed amounts are denominated in US dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow US \$1,006,285.

- (B) Merger of Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd.

As of January 2, 2020, the Bank merged its wholly owned subsidiaries, Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd. without consideration involved. The increase in assets arising from the merger will be used for the Bank's future operation and no major assets have been planned to be disposed of.

In addition, the operating results of Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd. have been consolidated in the Bank's income statement for the nine months ended September 30, 2019.

13. Other disclosures

- (A) Information on significant transactions:

- (a) Cumulative purchase or sale of the same investee's capital stock up to \$300,000 or 10% of paid-in capital: None.
- (b) Acquisition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (c) Disposal of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (d) Discount of commissions fees with related parties amounting to over \$5,000: None.
- (e) Receivables from related parties amounting to over \$300,000 or 10% of paid-in capital: None.
- (f) Sale of non-performing loans information: None.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(g) Types of securitization instruments and related information approved by financial assets securitization rules or real estate securitization rules: None.

(h) Business relationship and significant transactions with the subsidiaries:

No (Note 1)	Trader	Counterparty	Relationship (Note 2)	Transaction status for the nine months ended September 30, 2020			
				Account	Amount	Terms	Percentage accounted for consolidated net revenue or total assets
0	Taiwan Business Bank, Ltd.	TBB International Leasing Co., Ltd.	1	Deposits and remittances	122,262	No difference with non-related parties	0.01 %
1	TBB International Leasing Co., Ltd.	Taiwan Business Bank, Ltd.	2	Right-to-use assets	1,753	No difference with non-related parties	- %
1	TBB International Leasing Co., Ltd.	Taiwan Business Bank, Ltd.	2	Lease liabilities	1,766	No difference with non-related parties	- %
0	Taiwan Business Bank, Ltd.	TBB International Leasing Co., Ltd.	1	Net revenue other than interest	519	No difference with non-related parties	- %
0	Taiwan Business Bank, Ltd.	TBB Venture Capital Co., Ltd.	1	Deposits and remittances	203,847	No difference with non-related parties	0.01 %
2	TBB Venture Capital Co., Ltd.	Taiwan Business Bank, Ltd.	2	Right-to-use assets	967	No difference with non-related parties	- %
2	TBB Venture Capital Co., Ltd.	Taiwan Business Bank, Ltd.	2	Lease liabilities	981	No difference with non-related parties	- %
0	Taiwan Business Bank, Ltd.	TBB Venture Capital Co., Ltd.	1	Net revenue other than interest	266	No difference with non-related parties	- %
0	Taiwan Business Bank, Ltd.	Taiwan Business Bank International Leasing Co., Ltd.	1	Deposits and remittances	94,279	No difference with non-related parties	0.01 %

Note: 1.The meaning of the number is as follows.

- (1) Zero stands for the parent company
- (2) Subsidiaries are numbered in a sequence of Arabic numerals from 1 based on company category.

2.There are three kinds of relationships with counterparty

- (1) Parent company to subsidiary
- (2) Subsidiary to parent company
- (3) Between subsidiaries

(i) Other significant transactions that might have influence over the decision-making process of the financial statements users: None.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(B) Information of investees:

(a) The following is the information on investees (excluding investment in mainland China):

(Unit : thousand shares)

Name of investee	Location	Main business scope	Shareholding ratio	Book value	Investment gain (loss)	The cross holding of the Bank and its related parties				Note
						Number of shares	Number of proforma shares	Total		
								Number of shares	Shareholding ratio	
TBB International Leasing Co., Ltd.	Taiwan	Leasing business	100.00 %	1,392,169	33,510	150,000	-	150,000	100.00 %	Already written-off when preparing the consolidated financial statements
TBB (Cambodia) Microfinance Institution Plc	Cambodia	SMEs and personal finance business	100.00 %	560,349	24,565	20	-	20	100.00 %	"
TBB Venture Capital Co., Ltd.	Taiwan	Investing business	100.00 %	601,754	5,321	60,000	-	60,000	100.00 %	"

(b) Loans to others:

NO.	Creditor	Debtor	Interaction Account	Related party	Highest Amount	Ending balance	Actual drawdown amount	Range of interest rate	Nature of the loan	Dealing amount	The necessary reason for short-term loans	Allowance for bad debts	Guarantee		Limited amount for individual object	Total limited amount for loan
													Name	Value		
1	TBB International Leasing Co.,Ltd.	Chao-Yang International Co., Ltd	Financial receivables	No	30,000	22,651	30,000	2%-10%	2	-	To the lender for buying goods	638	None	-	341,257	1,365,030
1	TBB International Leasing Co.,Ltd.	Hsin Chuan Construction Co., Ltd	Financial receivables	No	100,000	79,357	100,000	2%-10%	2	-	To the lender for buying goods	2,108	None	-	341,257	1,365,030
1	TBB International Leasing Co.,Ltd.	Sian Shang Frozen Food Co.,Ltd	Financial receivables	No	31,815	23,882	55,000	2%-10%	2	-	To the lender for buying goods	674	None	-	341,257	1,365,030
1	TBB International Leasing Co.,Ltd.	ANLI LINES CORP.	Financial receivables	No	11,793	10,106	12,000	2%-10%	2	-	To the lender for buying goods	274	None	-	341,257	1,365,030

Note1 : The meaning of the number is as follows.

(1)Zero stands for issuer.

(2)Investee companies are numbered in a sequence of Arabic numerals from 1 based on company category.

Note2 : The amount of loans is still valid up to now.

Note3 : The nature of the loan nature is as follows.

(1)1 stands for business relation.

(2)2 stands for the necessity for short-term loans.

Note4 : Limited amount for individual object : 25% net worth of the latest TBB International Leasing Co.,Ltd's audited financial statements.

Note5 : Total limited amount for loan : 100% net worth of the latest TBB International Leasing Co.,Ltd's audited financial statements.

(c) Endorsements and guarantee for others: None

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(d) Acquisition of securities:

Company acquired	Type and name of the security	Relationship with the security issuer	Account	At the end of the period				Note
				Number of shares	Carrying amount	Share proportion (Note 2)	Market price (Note 1)	
Taiwan Business Bank International Leasing Co., Ltd.	Unlisted	The investee under the equity method of the subsidiary TBB International Leasing Co., Ltd.	Investment under equity method	-	843,670	100.00 %	843,670	The transaction has been written off when preparing the consolidated financial statements.

Note 1: Listed companies apply the market price to calculate the net worth of the shares possessed. Unlisted companies apply the proportion of shares calculate the net worth of the shares possessed. The net worth of preferred stock is calculated based on the liquidation price plus dividends in arrears.

Note 2: The proportion of shares the preferred stock is calculated based on the shares the Bank possessed divided by the shares issued.

- (e) Accumulative purchases or sales of the same investee companies amounting to over \$300,000 or 10% of paid-in capital: None.
- (f) Acquisition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (g) Disposition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (h) Discount of commissions and handling fees with related parties amounting to over \$5,000: None.
- (i) Receivables from related parties amounting to over \$300,000 or 10% of paid-in capital: None.
- (j) Transactions of financial derivatives: None.
- (k) Sale of non-performing loans information: None.
- (l) Types of securitization instruments and related information approved by financial assets securitization rules or real estate securitization rules: None.
- (m) Other significant transactions that might have substantial influence over the decision making of the financial statement users: None.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(C) Information on investments in Mainland China :

(a) Name and major business item of the investee in China :

Name of investee company in Mainland China	Major business	Paid-in capital	Investment method (Note 1)	Accumulated amount transferred from Taiwan, beginning of the period	Investment transferred out or recovered		Accumulated amount transferred from Taiwan, end of the period	The current profit or loss of the investee (Note 2)	Shares directly or indirectly possessed by the Bank	Investment income for the period (Notes 2 and 4)	Ending carrying value of investment	Accumulated inward remittance of earnings as of the end of period
					Transferred out	Recovered						
Taiwan Business Bank Ltd. Shanghai branch	Banking business	3,910,537 (CNY800 million) (Operating capital)	(c)	3,910,537 (CNY800 million)	-	-	3,910,537 (CNY800 million)	-	Shanghai branch of the Bank, not an investee company	Note 4	4,031,484	None
Taiwan Business Bank Ltd. Wuhan branch	Banking business	3,942,815 (CNY800 million) (Operating capital)	(c)	3,942,815 (CNY800 million)	-	-	3,942,815 (CNY800 million)	-	Wuhan branch of the Bank, not an investee company	Note 4	3,848,935	"
Taiwan Business Bank International Leasing Co., Ltd.	Leasing business	838,305 (CNY170 million) (Operating capital)	(a)	838,305 (CNY170 million)	-	-	838,305 (CNY170 million)	12,884 2(c)	100%	12,884 2(c)	843,670	"

Note 1: Investment method is divided into three categories and are listed as follows:

- (a) Directly invest in Mainland China.
- (b) Investment in Mainland China companies through a third region.
- (c) Others: establishment of oversea branches

Note 2: The column of "Investment gains (losses)":

1. If the company is still in the preparation process, and does not have any investment gain or loss, please specify.
2. The bases for recognition of investment income or loss have three methods, please specify.
 - a. The audited financial reports that are issued by an international accounting firm which is connected to an accounting firm in Taiwan.
 - b. The audited financial reports that are issued by the Taiwan parent company's designated accounting firm.
 - c. Others
3. Please specify if information regarding current gains or losses of an investee is not retrievable.

Note 3: The number is expressed in New Taiwan Dollars.

Note 4: The operating result of Shanghai and Wuhan branch have been included in the Bank.

(b) Limit of investment in China :

Name of Company	Accumulated outflow of investment from Taiwan to Mainland China, as of the end of period	Investment amount authorized by Investment Commission, MOEA	Upper limit on investment authorized by Investment Commission, MOEA
Taiwan Business Bank, Ltd.(Note)	8,691,657 (CNY 1,770 million)	8,691,657 (CNY 1,770 million)	58,413,680

Note: The investment amount in China of the subsidiary TBB International Leasing Co, Ltd is included.

(D) Information of major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Bank of Taiwan		1,214,173,562	16.21 %
National Development Fund, Executive Yuan		439,330,543	5.87 %

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

14. SEGMENT INFORMATION

(A) General information

The chief operating decision maker is the general manager of the Bank and subsidiaries who is in charge of all major projects' approval, budget review and performance measurement. In order to express operating activities legitimately, the reportable segments of the Bank are Bank segment, Securities segment, Trust segment, Insurance agency segment and Others. Securities segment, Trust segment, Insurance agency segment and Other segments don't meet the quantitative thresholds, therefore regarded as the same reporting segment. The main operations of the banking segment are engaged in the deposits, remittance and loans in New Taiwanese Dollars or foreign currencies, as well as securities investments. The major operating activities of securities segment are securities brokerage, financing, ancillary business of futures trading and providing clients a platform for securities investment. The trust segment mainly provides customers relevant financial services, including securities under writing, custodian bank service, new type trust business and specific trust funds investing in domestic or foreign securities. Insurance agency segment (It was subsidiary, Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Property Insurance Agency Co., Ltd., in 2019.) primarily provides life and property insurance products to clients. Other segments include all the business of subsidiaries, which main operations are leasing, financing, and venture capital. The profit or loss of the operating segments of the Bank and subsidiaries is measured by income from continuing operation before tax. The reported amount is consistent with the financial statements which were provided to the chief operating decision maker in order to use it as the base of resource allocation and performance measurement.

(B) Segment information

For the three months ended September 30, 2020	Bank Segment	Securities, Trust, Insurance agent and Others	Adjustment and Elimination	Total
Net interest revenue	\$ 3,887,959	66,632	9	3,954,600
Net revenue other than interest	<u>1,659,563</u>	<u>109,719</u>	<u>(7,679)</u>	<u>1,761,603</u>
Net revenue	5,547,522	176,351	(7,670)	5,716,203
Bad debt expense, commitment and guarantee liability provision	(1,268,999)	(2,792)	-	(1,271,791)
Operating expenses	<u>(2,969,853)</u>	<u>(146,235)</u>	<u>254</u>	<u>(3,115,834)</u>
Income from continuing operation before tax	<u><u>\$ 1,308,670</u></u>	<u><u>27,324</u></u>	<u><u>(7,416)</u></u>	<u><u>1,328,578</u></u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

For the three months ended September 30, 2019	Bank Segment	Securities, Trust, Insurance agent and Others	Adjustment and Elimination	Total
Net interest revenue	\$ 4,298,804	85,797	32	4,384,633
Net revenue other than interest	<u>1,418,932</u>	<u>193,440</u>	<u>(102,905)</u>	<u>1,509,467</u>
Net revenue	5,717,736	279,237	(102,873)	5,894,100
Bad debt expense, commitment and guarantee liability provision	(246,622)	(5,668)	-	(252,290)
Operating expenses	<u>(3,055,668)</u>	<u>(141,294)</u>	<u>854</u>	<u>(3,196,108)</u>
Income from continuing operation before tax	<u><u>\$ 2,415,446</u></u>	<u><u>132,275</u></u>	<u><u>(102,019)</u></u>	<u><u>2,445,702</u></u>

For the nine months ended September 30, 2020	Banking Segment	Securities, Trust, Insurance agent and Others	Adjustment and Elimination	Total
Net interest revenue	\$ 11,817,455	218,459	27	12,035,941
Net revenue other than interest	<u>3,762,582</u>	<u>620,481</u>	<u>(64,188)</u>	<u>4,318,875</u>
Net revenue	15,580,037	838,940	(64,161)	16,354,816
Bad debt expense, commitment and guarantee liability provision	(3,239,616)	12,844	-	(3,226,772)
Operating expenses	<u>(8,890,829)</u>	<u>(408,744)</u>	<u>765</u>	<u>(9,298,808)</u>
Income from continuing operation before tax	<u><u>\$ 3,449,592</u></u>	<u><u>443,040</u></u>	<u><u>(63,396)</u></u>	<u><u>3,829,236</u></u>
Total assets	<u><u>\$ 1,742,155,790</u></u>	<u><u>16,109,805</u></u>	<u><u>(2,977,445)</u></u>	<u><u>1,755,288,150</u></u>
Total liabilities	<u><u>\$ 1,647,461,660</u></u>	<u><u>10,893,529</u></u>	<u><u>(423,173)</u></u>	<u><u>1,657,932,016</u></u>

For the nine months ended September 30, 2019	Banking Segment	Securities, Trust, Insurance agent and Others	Adjustment and Elimination	Total
Net interest revenue	\$ 12,536,505	250,478	105	12,787,088
Net revenue other than interest	<u>4,670,191</u>	<u>783,178</u>	<u>(300,680)</u>	<u>5,152,689</u>
Net revenue	17,206,696	1,033,656	(300,575)	17,939,777
Bad debt expense, commitment and guarantee liability provision	(1,912,918)	(15,078)	-	(1,927,996)
Operating expenses	<u>(9,083,476)</u>	<u>(414,726)</u>	<u>2,561</u>	<u>(9,495,641)</u>
Income from continuing operation before tax	<u><u>\$ 6,210,302</u></u>	<u><u>603,852</u></u>	<u><u>(298,014)</u></u>	<u><u>6,516,140</u></u>
Total assets	<u><u>\$ 1,688,814,237</u></u>	<u><u>19,061,606</u></u>	<u><u>(3,311,737)</u></u>	<u><u>1,704,564,106</u></u>
Total liabilities	<u><u>\$ 1,597,056,636</u></u>	<u><u>13,977,043</u></u>	<u><u>(733,598)</u></u>	<u><u>1,610,300,081</u></u>

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(CONT'D)

(C) Significant client information:

No single customer represents 10% or more of the Bank and subsidiaries' operating revenue. Therefore, no disclosure of major customer information is required.

(English Translation of Financial Statements Originally Issued in Chinese.)

Balance Sheets of Security Division

September 30, 2020, December 31, 2019 and September 30, 2019

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2020		December 31, 2019		September 30, 2019				September 30, 2020		December 31, 2019		September 30, 2019	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and equity		Amount	%	Amount	%	Amount	%
Current Assets :								Current Liabilities :							
113200	Current financial assets at fair value through other comprehensive income	305,991	3	1,304,312	11	1,606,406	12	214010	Liabilities for bonds with attached repurchase agreements	\$ 1,858,997	17	868,581	7	867,665	6
								214040	Securities financing refundable deposits	82,863	1	101,709	1	87,693	1
114030	Margin loans receivable	2,135,711	21	2,207,911	18	1,953,600	15	214050	Deposits payable for securities financing	90,159	1	110,417	1	95,661	1
114040	Refinancing margin	3,743	-	5,312	-	-	-	214130	Accounts payable	182,763	2	320,480	3	378,288	3
114050	Refinancing collateral receivable	4,159	-	5,776	-	-	-	216000	Current lease liabilities	125	-	271	-	345	-
114130	Accounts receivable	249,357	3	415,208	3	469,715	4	219000	Other current liabilities	975,454	10	43,506	-	35,753	-
119000	Other current assets	947,778	9	12,513	-	14,152	-		Total current liabilities	3,190,361	31	1,444,964	12	1,465,405	11
	Total current assets	3,646,739	36	3,951,032	32	4,043,873	31	229030	Guaranteed deposits received	20	-	20	-	20	-
	Non-current Assets :							226000	Non-current lease liabilities	-	-	67	-	135	-
123200	Non-current financial assets at fair value through other comprehensive income	6,231,756	61	8,098,184	65	8,395,662	66	229110	Inter-department accounts, credit	4,296,336	42	8,402,678	68	8,806,804	69
									Total non-current liabilities	4,296,356	42	8,402,765	68	8,806,959	69
123300	Non-current financial assets at amortized cost	328,769	3	328,705	3	328,693	3		Total liabilities	7,486,717	73	9,847,729	80	10,272,364	80
125000	Property and equipment, net	10,984	-	6,007	-	5,848	-	301110	Assigned working capital	2,200,000	21	2,200,000	18	2,200,000	17
125800	Right-of-use assets, net	-	-	331	-	472	-	304020	Special reserve	185,127	2	185,127	1	185,127	1
127000	Intangible assets	7,009	-	2,736	-	1,881	-	304040	Unappropriated retained earnings	208,626	2	103,319	1	72,756	1
129000	Other non-current assets	29,018	-	30,764	-	31,509	-	305290	Other equity, other	173,805	2	81,584	-	77,691	1
	Total non-current assets	6,607,536	64	8,466,727	68	8,764,065	69		Total equity	2,767,558	27	2,570,030	20	2,535,574	20
	Total assets	\$ 10,254,275	100	12,417,759	100	12,807,938	100		Total liabilities and equity	\$ 10,254,275	100	12,417,759	100	12,807,938	100

(English Translation of Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards.

TAIWAN BUSINESS BANK, LTD.

Statements of Comprehensive Income of Security Division

For the three and nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		For the three months ended September 30,				For the nine months ended September 30,			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
Revenues :									
401000	Brokerage handling fee revenue	\$ 115,410	67	59,652	55	281,655	64	161,414	53
401110	Handling fees from securities financing	343	-	220	-	877	-	679	-
410000	Gains on sale of operating securities	-	-	-	-	-	-	567	-
421200	Interest revenue	40,223	24	46,081	43	123,501	28	138,493	45
421750	Realized gains on financial assets measured at fair value through other comprehensive income - bonds	13,666	8	547	1	25,785	6	736	-
424100	Future commission revenue	1,353	1	1,105	1	4,122	1	3,994	1
425300	Impairment loss (impairment gain and reversal of impairment loss)	617	-	293	-	1,524	1	921	1
428000	Other operating income	156	-	96	-	241	-	215	-
		<u>171,768</u>	<u>100</u>	<u>107,994</u>	<u>100</u>	<u>437,705</u>	<u>100</u>	<u>307,019</u>	<u>100</u>
Expenses :									
501000	Brokerage handling fee expenses	7,556	4	3,966	4	18,054	4	10,521	3
503000	Refinancing processing fee expenses	43	-	23	-	161	-	55	-
521200	Financial costs	760	1	740	1	2,733	1	4,339	1
528000	Other operating expenditure	231	-	274	-	716	-	837	-
530000	Operating expenses	72,690	42	61,064	57	202,803	46	177,209	58
602000	Other (gains) and losses	159	-	14,491	13	4,612	1	41,302	14
		<u>81,439</u>	<u>47</u>	<u>80,558</u>	<u>75</u>	<u>229,079</u>	<u>52</u>	<u>234,263</u>	<u>76</u>
	Net income	<u>90,329</u>	<u>53</u>	<u>27,436</u>	<u>25</u>	<u>208,626</u>	<u>48</u>	<u>72,756</u>	<u>24</u>
805000	Other comprehensive income :								
805615	Unrealized gains from investment in debt instruments measured at fair value through other comprehensive income	4,523	3	(21,871)	(20)	92,221	21	24,913	8
805699	Add: Income tax related to components of other comprehensive income	-	-	-	-	-	-	-	-
805000	Other comprehensive income (net amount after tax)	<u>4,523</u>	<u>3</u>	<u>(21,871)</u>	<u>(20)</u>	<u>92,221</u>	<u>21</u>	<u>24,913</u>	<u>8</u>
	Total comprehensive income	<u>\$ 94,852</u>	<u>56</u>	<u>5,565</u>	<u>5</u>	<u>300,847</u>	<u>69</u>	<u>97,669</u>	<u>32</u>