

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

Consolidated Financial Statements

with Independent Auditors' Review Report
For the Nine Months Ended September 30, 2021 and 2020

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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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安侯建業聯合會計師事務所

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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, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, as well as changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, 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, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Public 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 29, 2021

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, 2021 and 2020

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2021, December 31, and September 30, 2020

(Expressed in Thousands of New Taiwan Dollars)

	September 30, 2021		December 31, 2020		September 30, 2020			September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
11000 Assets													
11000 Cash and cash equivalents (Notes 6(A) and 7)	\$ 31,745,333	2	30,817,437	2	32,329,346	2							
11500 Due from the Central Bank and call loans to banks (Notes 6(B) and 7)	233,207,915	12	114,195,668	6	83,347,122	5	21000 Deposits from the Central Bank and banks (Notes 6(M) and 7)	\$ 94,421,624	5	118,201,039	7	114,740,534	7
12000 Financial assets at fair value through profit or loss (Note 6(C))	47,518,005	2	15,597,556	1	29,046,139	2	21500 Due to the Central Bank and banks (Note 6(N))	46,565,100	2	29,040,100	2	17,058,790	1
12100 Financial assets at fair value through other comprehensive income (Notes 6(G) and (P))	149,620,086	7	117,355,850	7	114,714,511	7	22000 Financial liabilities at fair value through profit or loss (Notes 6(O) and (S))	8,522,458	1	8,639,002	-	8,961,099	1
12200 Investment in debt instruments at amortized cost (Note 6(H))	241,105,739	12	228,003,332	13	230,816,898	13	22500 Notes and bonds issued under repurchase agreement (Note 6(P))	2,061,306	-	2,055,991	-	3,028,033	-
12500 Securities purchased under resell agreements (Note 6(D))	18,052,974	1	6,132,162	-	10,644,096	1	23000 Payables (Note 6(Q))	21,857,584	1	47,787,075	3	51,605,359	3
13000 Receivables (Note 6(E))	8,071,469	-	43,448,157	2	41,556,291	2	23200 Current tax liabilities	24,687	-	3,053	-	1,500	-
13200 Current tax assets	349,583	-	306,417	-	122,855	-	23500 Deposits and remittances (Notes 6(R) and 7)	1,671,482,830	83	1,418,572,000	79	1,388,929,286	79
13500 Discounts and loans, net (Notes 6(F) and 7)	1,257,572,870	63	1,209,716,083	68	1,184,757,119	66	24000 Bank notes payable (Note 6(S))	52,250,000	3	53,250,000	3	59,250,000	3
15500 Other financial assets (Note 6(I))	12,641	-	13,781	-	14,372	-	25500 Other financial liabilities (Note 6(T))	4,458,292	-	5,492,366	-	5,908,558	-
18500 Property and equipment, net (Note 6(J))	14,433,334	1	14,514,906	1	14,489,846	1	25600 Provisions (Note 6(U))	3,357,471	-	3,393,417	-	3,158,910	-
18600 Right-of-use assets, net (Note 6(K))	1,199,449	-	1,073,757	-	1,015,074	-	26000 Lease liabilities (Note 6(V))	1,188,436	-	1,062,021	-	991,305	-
19000 Intangible assets, net	513,451	-	375,008	-	372,622	-	29300 Deferred tax liabilities (Note 6(Y))	894,212	-	901,581	-	895,743	-
19300 Deferred tax assets (Note 6(Y))	1,990,224	-	1,843,835	-	2,037,942	-	29500 Other liabilities (Note 6(W))	1,998,093	-	4,578,659	-	3,402,899	-
19500 Other assets, net (Note 6(L))	4,958,569	-	8,241,104	-	10,023,917	1	Total liabilities	1,909,082,093	95	1,692,976,304	94	1,657,932,016	94
							Equity attributable to owners of parent						
							31101 Common stock (Note 6(X))	77,431,952	4	74,885,834	4	74,885,834	4
							31500 Capital Surplus(Note 6(X))	815,900	-	815,900	-	815,900	-
							Retained earnings:						
							32001 Legal reserve (Note 6(X))	15,693,140	1	14,332,452	1	14,332,452	1
							32003 Special reserve (Note 6(X))	185,128	-	185,128	-	185,128	-
							32005 Unappropriated retained earnings (Note 6(X))	4,005,046	-	4,728,382	1	3,654,369	1
							32500 Other equity interest (Note 6(X))	3,138,383	-	3,711,053	-	3,482,451	-
							Total equity	101,269,549	5	98,658,749	6	97,356,134	6
Total assets	\$ 2,010,351,642	100	1,791,635,053	100	1,755,288,150	100	Total liabilities and equity	\$ 2,010,351,642	100	1,791,635,053	100	1,755,288,150	100

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, 2021 and 2020

(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,			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
41000 Interest income (Notes 6(AC) and 7)	\$ 6,079,723	93	5,915,176	103	17,988,615	99	19,122,309	117
51000 Less: Interest expenses (Notes 6(AC) and 7)	(1,552,802)	(24)	(1,960,576)	(34)	(4,747,270)	(26)	(7,086,368)	(44)
Net interest revenue	4,526,921	69	3,954,600	69	13,241,345	73	12,035,941	73
Net revenue other than interest								
49100 Net service fee revenue (Notes 6(AD) and 13)	1,008,473	15	736,976	13	2,468,970	14	2,107,122	13
49200 Gain on financial assets or liabilities measured at fair value through profit or loss (Note 6(AE))	(4,451)	-	180,071	3	394,342	2	787,661	5
49310 Realized gain on financial assets at fair value through other comprehensive income (Note 6(AF))	755,142	12	538,863	9	1,107,136	6	896,952	5
49450 Gain arising from derecognition of financial assets measured at amortized cost (Note 6(H))	23,299	-	780	-	103,486	1	1,849	-
49600 Foreign exchange gain	63,318	1	95,844	2	218,716	1	113,988	1
49700 (Impairment loss on assets) reversal of impairment loss on assets (Note 6(AG))	(7,078)	-	(5,843)	-	(17,110)	-	3,504	-
49800 Net other revenue other than interest income (Note 6(AH))	48,521	1	109,270	2	113,689	1	149,703	1
49831 Net securities brokering revenue	143,292	2	105,642	2	445,146	2	258,096	2
Net revenue	6,557,437	100	5,716,203	100	18,075,720	100	16,354,816	100
58200 Bad debts expense, commitment and guarantee liability provision (Note 6(AI))	(1,705,016)	(26)	(1,271,791)	(22)	(4,021,240)	(22)	(3,226,772)	(20)
Operating expense								
58500 Employee benefits expenses (Notes 6(AJ))	(2,128,773)	(33)	(1,983,480)	(35)	(6,251,283)	(35)	(6,046,302)	(37)
59000 Depreciation and amortization expense (Notes 6(AK))	(261,783)	(4)	(257,915)	(5)	(774,187)	(4)	(746,121)	(5)
59500 Other general and administrative expense (Note 6(AL))	(909,391)	(14)	(874,439)	(15)	(2,603,348)	(14)	(2,506,385)	(15)
Total operating expense	(3,299,947)	(51)	(3,115,834)	(55)	(9,628,818)	(53)	(9,298,808)	(57)
61001 Income from continuing operation before tax	1,552,474	23	1,328,578	23	4,425,662	25	3,829,236	23
61003 Less: Income tax expenses (Note 6(Y))	154,147	2	123,784	2	528,526	3	366,271	2
Net income	1,398,327	21	1,204,794	21	3,897,136	22	3,462,965	21
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	(165,472)	(2)	(331,540)	(6)	529,045	3	(710,251)	(4)
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	(165,472)	(2)	(331,540)	(6)	529,045	3	(710,251)	(4)
65300 Components of other comprehensive income that will be reclassified to profit or loss								
65301 Exchange difference on translation	(128,212)	(2)	(147,379)	(2)	(321,989)	(2)	(472,121)	(3)
65308 (Losses) gains from investments in debt instruments measured at fair value through other comprehensive income	(291,199)	(4)	180,255	3	(816,301)	(4)	898,055	5
65320 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(Y))	(28,888)	-	(25,668)	-	(71,767)	-	(87,117)	(1)
Components of other comprehensive income that will be reclassified to profit or loss	(390,523)	(6)	58,544	1	(1,066,523)	(6)	513,051	3
65000 Other comprehensive income	(555,995)	(8)	(272,996)	(5)	(537,478)	(3)	(197,200)	(1)
Total comprehensive income	\$ 842,332	13	931,798	16	3,359,658	19	3,265,765	20
Earnings per share (in NT dollar) (Note 6(AA))								
Basic earnings per share (in NT dollar)	\$ 0.18		0.16		0.50		0.45	
Diluted earnings per share (in NT dollar)	\$ 0.18		0.16		0.50		0.45	

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, 2021 and 2020

(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, 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 investment in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(1,350)	(1,350)	-	1,350	-
Balance at September 30, 2020	\$ 74,885,834	815,900	14,332,452	185,128	3,654,369	18,171,949	(1,240,563)	4,723,014	97,356,134
Balance at January 1, 2021	\$ 74,885,834	815,900	14,332,452	185,128	4,728,382	19,245,962	(1,476,771)	5,187,824	98,658,749
Net income for the nine months ended September 30, 2021	-	-	-	-	3,897,136	3,897,136	-	-	3,897,136
Other comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	-	(257,591)	(279,887)	(537,478)
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	-	3,897,136	3,897,136	(257,591)	(279,887)	3,359,658
Appropriation and distribution of retained earnings :									
Legal reserve appropriated	-	-	1,360,688	-	(1,360,688)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(748,858)	(748,858)	-	-	(748,858)
Stock dividends of ordinary share	2,546,118	-	-	-	(2,546,118)	(2,546,118)	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	35,192	35,192	-	(35,192)	-
Balance at September 30, 2021	\$ 77,431,952	815,900	15,693,140	185,128	4,005,046	19,883,314	(1,734,362)	4,872,745	101,269,549

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net income before tax	\$ 4,425,662	3,829,236
Adjustments :		
Income and expenses items:		
Depreciation expenses	652,006	639,056
Amortization expenses	122,181	107,065
Provision for bad debt expenses	3,971,449	3,222,708
Net losses on financial assets or liabilities at fair value through profit or loss	364,537	257,352
Interest expenses	4,747,270	7,086,368
Net gain arising from derecognition of financial assets measured at amortized cost	(103,486)	(1,849)
Interest income	(17,988,615)	(19,122,309)
Net change in provisions for guarantee liabilities	41,112	(293)
Net change in other provisions	81,860	4,357
Loss on disposal of property and equipment	584	1,636
Property and equipment transferred to expenses	-	5,061
Impairment loss on financial assets	17,110	-
Reversal of impairment loss on financial asset	-	(3,504)
Total adjustments to reconcile profit	<u>(8,093,992)</u>	<u>(7,804,352)</u>
Changes in Operating Assets and Liabilities :		
Changes in Operating Assets :		
(Increase) decrease in due from the Central Bank and call loans to banks	(119,021,659)	42,091,000
Increase in financial assets at fair value through profit or loss	(32,414,623)	(1,725,558)
(Increase) decrease in securities purchased under resell agreements	(11,920,812)	2,755,017
Decrease (increase) in receivables	35,377,787	(14,647,681)
Increase in discounts and loans	(51,801,573)	(55,464,875)
Decrease in other financial assets	8,251	8,405
Decrease (increase) in other assets	1,671,404	(5,346,385)
Total changes in operating assets	<u>(178,101,225)</u>	<u>(32,330,077)</u>
Changes in Operating Liabilities :		
(Decrease) increase in deposits from the Central Bank and banks	(23,779,415)	9,946,922
Increase (decrease) in financial liabilities at fair value through profit or loss	13,094	(1,037,385)
Increase in notes and bonds issued under repurchase agreement	5,315	2,159,452
(Decrease) increase in payable	(26,906,287)	20,400,747
Increase (decrease) in deposits and remittances	252,910,830	(46,120,261)
Decrease in other financial liabilities	(1,034,074)	(926,526)
Decrease in provisions for employee benefits	(158,627)	(2,979)
Total Changes in Operating Liabilities	<u>201,050,836</u>	<u>(15,580,030)</u>
Total Changes in Operating Assets and Liabilities	<u>22,949,611</u>	<u>(47,910,107)</u>
Total adjustments	<u>14,855,619</u>	<u>(55,714,459)</u>
Net cash flows generated from (used in) operations	19,281,281	(51,885,223)
Interest received	17,982,991	19,907,106
Interest paid	(4,702,639)	(7,294,758)
Income tax paid	(448,750)	(709,374)
Net cash flow generated from (used in) operating activities	<u>32,112,883</u>	<u>(39,982,249)</u>
Cash flows from investing activities :		
Acquisition of financial assets at fair value through other comprehensive income	(32,567,831)	(11,938,394)
Acquisition of financial assets at amortized cost	(202,267,917)	(148,234,850)
Proceeds from repayments of financial assets at amortized cost	189,268,485	180,489,725
Acquisition of property and equipment	(301,271)	(362,297)
Proceeds from disposal of property and equipment	46	27
Decrease in refundable deposits	1,297,779	406,986
Acquisition of intangible assets	(229,533)	(98,886)
Net cash flow (used in) generated from investing activities	<u>(44,800,242)</u>	<u>20,262,311</u>
Cash flows from financing activities :		
Increase in due to the Central Bank and banks	17,525,000	16,306,645
Proceeds from issuing bank notes payable	-	20,000,000
Repayments of bank notes payable	(1,000,000)	(14,000,000)
Increase in guarantee deposits received	-	561,859
Decrease in guarantee deposits received	(336,172)	-
Payments of lease liabilities	(311,273)	(321,564)
Decrease in other liabilities	(2,244,394)	(448,606)
Cash dividends paid	-	(1,426,397)
Net cash flows generated from financing activities	<u>13,633,161</u>	<u>20,671,937</u>
Effect of exchange rate changes on cash and cash equivalents	(17,906)	(18,214)
Net increase in cash and cash equivalents	927,896	933,785
Cash and cash equivalent at beginning of period	30,817,437	31,395,561
Cash and cash equivalent at end of period	<u>\$ 31,745,333</u>	<u>32,329,346</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 THE GENERALLY
ACCEPTED AUDITING STANDARDS AS OF SEPTEMBER 30, 2021 AND 2020**
TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
September 30, 2021 and 2020
(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, 2021, 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, 2021, December 31 and September 30, 2020, the Bank and subsidiaries has 5,512, 5,411 and 5,422 employees, respectively.

2. Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the board of directors on October 29, 2021.

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 details of impact on the Bank and subsidiaries’ adoption of the new amendments beginning January 1, 2021 are as follows:

- (i) Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2” (the Phase 2 amendments)

The Bank and subsidiaries applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Bank and subsidiaries has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening equity balances as a result of retrospective application.

The Phase 2 amendments provide practical relief from certain requirements in the standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships when a benchmark interest rate in a contract is replaced with a new alternative benchmark rate.

When the basis for determining the contractual cash flows of a financial instrument is changed as a direct consequence of interest rate benchmark reform and is made on an economically equivalent basis, the Phase 2 amendments provide a practical expedient to update the effective interest rate of a financial instrument before applying the existing requirements in the standards. The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Finally, the Phase 2 amendments provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument, and consequently, the hedge relationship can be continued without any interruption.

The details of related disclosures are disclosed in Note 4(F) and 6(AN) for risk managements..

- (ii) Other amendments

The following new amendments, effective January 1, 2021, do not have a significant impact on the Bank and subsidiaries’ consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”

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

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Bank and subsidiaries assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The following new and amended standards, which may be relevant to the Bank and subsidiaries, has been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	<p>The key amendments to IAS 1 include:</p> <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 8 “Definition of Accounting Estimates”	<p>The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.</p> <p>The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.</p>	January 1, 2023

The Bank and subsidiaries is evaluating the impact of its initial adoption of the abovementioned 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.

The Bank and subsidiaries does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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 annual consolidated financial statements.

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

(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.

(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.

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

(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, 2021	December 31, 2020	September 30, 2020
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
TBB Consulting Co., Ltd.	Taiwan	Consulting business	100	-	-

(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.

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

(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.

(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

Trade 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 trade 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.

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

(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.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(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.

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

(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.

(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).

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

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

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)

(f) Interest rate benchmark reform (policy applicable from January 1, 2021)

Modifications of financial instruments

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changes as a result of interest rate benchmark reform, then the Bank and subsidiaries update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis - i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes made to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Bank and subsidiaries first update the effective interest rate of the financial asset or financial liability to reflect the changes that are required by interest rate benchmark reform. Subsequently, the Bank and subsidiaries apply the policies on accounting for modifications set out above to the additional changes.

(G) Impairment loss on non-financial assets

The Bank and subsidiaries reviews the carrying amounts of its non-financial assets (other than contract assets and deferred tax assets) to determine whether there is any indication of impairment on the balance sheet date. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(H) Property and Equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(b) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank and subsidiaries.

(c) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Land is not depreciated.

The estimated useful lives of property and equipment for current and comparative periods are as follows:

- | | |
|---------------|-------------|
| (1) Buildings | 35-50 years |
| (2) Equipment | 3-8 years |

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.

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

(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.

(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.

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

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
- 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.

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

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.

(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.

(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.

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

(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 recognizes the pension fund provided as current pension cost on accrual basis.

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).

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

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.

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.

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

(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.

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)

The Bank and subsidiaries discloses the basic and diluted earnings per share attributable to ordinary shareholders of the bank. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the bank divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Bank divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as stock that issued for employee bonuses.

(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, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Petty cash and revolving funds	\$ 10,719,626	9,974,072	10,074,649
Foreign currencies on hand	884,679	953,700	982,124
Checks for clearing	2,546,930	3,212,602	5,437,925
Due from other banks	<u>17,594,098</u>	<u>16,677,063</u>	<u>15,834,648</u>
Total	<u>\$ 31,745,333</u>	<u>30,817,437</u>	<u>32,329,346</u>

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Due from the Central Bank	\$ 102,806,549	46,325,385	44,803,417
Deposits transferred to Central Bank	37,046	55,339	28,499
Call loans to banks	130,364,320	67,814,944	38,515,206
Trust fund indemnity reserve deposited	90,000	90,000	90,000
Securities serving as trust fund indemnity reserve deposited	(90,000)	(90,000)	(90,000)
Total	<u>\$ 233,207,915</u>	<u>114,195,668</u>	<u>83,347,122</u>

As of September 30, 2021, December 31 and September 30, 2020, in accordance with the Banking Law and the Central Bank Law, the required reserve deposited by the Bank with the Central Bank amounted to \$102,308,250, \$45,813,518 and \$44,367,530 of which \$44,053,256, \$37,579,517 and \$37,154,849 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, As of September 30, 2021, December 31 and September 30, 2020 are guaranteed by the deposit reserve of the Central Bank as required, \$35,000,000, \$30,000,000 and \$30,000,000 respectively, please refer to 6(N) for the information of due to the Central Bank and banks.

As of September 30, 2021, December 31 and September 30, 2020, the Bank's subsidiaries and overseas branches, in compliance with the Central Bank's reserve requirement set by local authorities, deposited \$117,606, \$202,049 and \$131,293 and in reserve, of which \$75,364, \$56,642 and \$50,314 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, 2021, December 31 and September 30, 2020, the required reserve with the Central Bank amounted to \$380,693, \$309,818 and \$304,594 respectively, and its use was unrestricted.

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

As of September 30, 2021, December 31 and September 30, 2020, 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, 2021, December 31 and September 30, 2020, the Bank deposited marketable securities of \$90,000 as trust fund reserves.

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Financial assets designated at fair value through profit or loss :			
Corporate bonds	\$ -	84,377	115,748
Financial assets at fair value through profit or loss, mandatorily measured at fair value :			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	7,339	55,129	29,057
Currency swap contracts	435,854	527,767	713,174
Foreign currency options-call	1,882	6,592	5,169
Stock index futures	28,744	72,747	72,658
Interest Rate Swap	7,843	28,623	40,537
Non-derivative financial assets			
Commercial paper	39,124,089	12,414,244	25,705,947
Listed stocks	449,114	271,669	60,119
Unlisted stocks	283,587	310,620	235,710
Beneficiary certificates	6,540,335	267,054	220,610
Convertible corporate bonds	159,612	51,700	299,112
Financial debentures	479,606	1,507,034	1,548,298
Total	<u>\$ 47,518,005</u>	<u>15,597,556</u>	<u>29,046,139</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)

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Currency swaps contract	\$ 126,156,009	156,328,006	194,670,971
Interest rate swaps contract	11,837,725	13,920,619	14,458,847
Option contract - buy	659,470	886,607	1,229,176
Option contract - sell	659,470	886,607	1,229,176
Forward foreign exchange contract	2,521,520	2,817,826	3,502,382

(D) Securities purchased under resell agreements

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Securities under resell agreements	\$ <u>18,052,974</u>	<u>6,132,162</u>	<u>10,644,096</u>
Face amount	<u>18,061,400</u>	<u>6,135,000</u>	<u>10,653,000</u>
Resell period	<u>2021.10.01~2021.10.28</u>	<u>2021.01.04~2021.01.25</u>	<u>2020.10.05~2020.10.29</u>
Range of resell interest rate	<u>0.21%~0.26%</u>	<u>0.23%~0.26%</u>	<u>0.28%~0.30%</u>
Resell price	\$ <u>18,056,005</u>	<u>6,132,615</u>	<u>10,645,944</u>

(E) Receivables, net

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Interest receivable	\$ 2,507,096	2,517,204	2,611,727
Acceptances receivable	1,110,477	1,283,753	1,008,483
Accrued incomes	126,124	69,435	65,554
Accounts receivable	1,040,785	1,023,164	1,080,218
Dividends receivable	26,370	-	400
Accounts receivable factoring without recourse	-	-	1,821
Spot exchange receivable-foreign currencies	5,369	35,719,388	34,338,618
Refinancing guaranty deposits	-	6,272	3,743
Guaranteed proceeds receivable from refinancing	-	6,360	4,159
Credit cards accounts receivable	982,820	1,090,030	1,082,134
Receivable price of securities purchased for customers	658,537	246,189	186,503
Settlement price	-	452,602	-
Installment receivables and leases	1,223,353	753,061	725,521
Notes receivables	514	-	-
Other receivables	<u>517,381</u>	<u>419,263</u>	<u>590,969</u>
Sub-total	8,198,826	43,586,721	41,699,850
Less: Allowance for bad debts	<u>(127,357)</u>	<u>(138,564)</u>	<u>(143,559)</u>
Total	\$ <u>8,071,469</u>	<u>43,448,157</u>	<u>41,556,291</u>

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

The outstanding contract amount of financial assets that have been written off and still have recourse as of September 30, 2021, December 31 and September 30, 2020 were \$84,528,817, \$81,728,304 and \$79,747,909 respectively.

The change in allowance for bad debts was as follows:

	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 138,564	151,590
(Reversal) provision	(10,759)	8,688
Write-off	-	(15,693)
Foreign exchange	(448)	(1,026)
Ending balance	<u>\$ 127,357</u>	<u>143,559</u>

(F) Discounts and loans, net

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Import/export bills negotiated	\$ 374,219	149,837	162,028
Bills and notes discounted	873,360	835,280	562,703
Overdrafts	37,012	22,354	29,587
Secured overdrafts	2,287,311	1,456,408	1,843,145
Short-term loans	154,158,280	142,677,907	149,526,559
Short-term secured loans	205,012,844	197,006,073	196,434,277
Margin loans receivable	2,784,148	2,504,189	2,157,284
Medium-term loans	154,886,158	154,862,508	156,223,076
Medium-term secured loans	277,314,157	260,308,203	235,072,384
Long-term loans	28,799,195	25,097,549	24,813,382
Long-term secured loans	443,148,300	433,675,772	429,248,353
Overdue loans	<u>3,472,402</u>	<u>5,699,161</u>	<u>4,550,942</u>
Sub-total	1,273,147,386	1,224,295,241	1,200,623,720
Less: Adjustment of discount and premium	(237,269)	(253,001)	(250,609)
Less: Allowance for bad debts	<u>(15,337,247)</u>	<u>(14,326,157)</u>	<u>(15,615,992)</u>
Total	<u>\$ 1,257,572,870</u>	<u>1,209,716,083</u>	<u>1,184,757,119</u>

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

The change in allowance for bad debts was as follows:

	For the nine months ended September 30,	
	2021	2020
Beginning balance	\$ 14,326,157	13,341,368
Provision	3,989,895	3,237,128
Transfer out	(10,128)	(14,440)
Write-off	(3,641,862)	(1,722,039)
Write-off recovered	692,434	790,135
Foreign exchange	(19,249)	(16,160)
Ending balance	\$ 15,337,247	15,615,992

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

	September 30, 2021	December 31, 2020	September 30, 2020
Investment in debt instruments measured at fair value through other comprehensive income :			
Government bonds	\$ 43,567,153	34,724,023	39,045,730
Corporate bonds	54,235,809	46,029,075	40,182,320
Financial debentures	31,874,306	23,339,038	23,808,044
Subtotal	<u>129,677,268</u>	<u>104,092,136</u>	<u>103,036,094</u>
Investment in equity instruments measured at fair value through other comprehensive income :			
Listed stocks	14,686,434	8,736,348	7,184,189
Unlisted stocks	5,210,544	4,478,071	4,444,475
Real Estate Investment Trust	45,840	49,295	49,753
Subtotal	<u>19,942,818</u>	<u>13,263,714</u>	<u>11,678,417</u>
Total	\$ <u>149,620,086</u>	<u>117,355,850</u>	<u>114,714,511</u>

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.

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

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 \$677,510, \$330,299, \$881,635 and \$511,208, respectively as dividend revenue for the three months and nine months ended September 30, 2021 and 2020. In which, the disposal equity instruments were recognized \$40,827, \$103,124, \$44,127 and \$117,041 as dividend revenue for the three months and nine months ended September 30, 2021 and 2020.

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 \$717,323, \$2,369,270, \$801,669, \$2,610,237. And gains (losses) on disposal are \$33,653, \$(2,351), \$35,192 and \$(1,350) for the three months and nine months ended September 30, 2021 and 2020. Therefore, accumulated gains on disposal were transferred from other equity to retained earnings.

3. Please refer to Note 6(AN) 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, 2021 and 2020. The changes in allowance for credit losses attribute to the financial assets were as follows:

	For the nine months ended September 30,	
	2021	2020
Beginning balance	\$ 66,454	52,299
Provision	16,506	9,062
Foreign exchange	(167)	(232)
Ending balance	\$ 82,793	61,129

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

(H) Investment in debt instruments at amortized cost

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Certificates of deposit with the Central Bank	\$ 190,210,000	161,705,000	153,805,000
Government bonds	26,479,417	29,584,857	30,959,711
Corporate bonds	9,488,187	13,464,156	14,411,778
Financial debentures	14,946,125	23,044,358	31,427,903
Negotiable certificates of deposit	<u>58,485</u>	<u>280,925</u>	<u>289,835</u>
Subtotal	241,182,214	228,079,296	230,894,227
Less: Accumulated impairment	<u>(76,475)</u>	<u>(75,964)</u>	<u>(77,329)</u>
Total	<u>\$ 241,105,739</u>	<u>228,003,332</u>	<u>230,816,898</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(AN) for credit risk.
2. The pledged assets provided by the above investment in debt instruments at amortized cost were shown follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Reserve for provisional seizure by the court, international card payment reserve, trust claim reserve and operating guaranty funds	\$ 876,700	812,600	961,300
Central Bank Financing Guarantee	11,300,000	-	-
Overseas branches required reserve of overdraft guarantee	58,485	-	-
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
Sponsorship of Treasury Affairs	16,200,000	-	-
Total	<u>\$ 53,635,185</u>	<u>26,012,600</u>	<u>26,161,300</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, 2021 and 2020. The changes in allowance for credit losses attribute to these financial assets were as follows:

	For the nine months ended September 30,	
	2021	2020
Beginning balance	\$ 75,964	90,411
Provision (Reversal)	604	(12,566)
Foreign exchange	(93)	(516)
Ending balance	<u>\$ 76,475</u>	<u>77,329</u>

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

	For the three months ended September 30, 2021		For the nine months ended September 30, 2021	
	The carrying amount at the date of derecognition	Gain (Loss) on disposal	The carrying amount at the date of derecognition	Gain (Loss) on disposal
Government bonds	\$ -	-	791,559	78,951
Corporate bonds	59,889	470	210,918	1,706
Financial debentures	776,075	22,829	776,075	22,829
Total	<u>\$ 835,964</u>	<u>23,299</u>	<u>1,778,552</u>	<u>103,486</u>

	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	\$ 93,399	780	227,898	1,849

For the three months and nine months ended September 30, 2021 and 2020, the following reasons that caused the Bank and subsidiaries dispose part of its financial assets measured at amortized cost for the mandatorily redemption of the bond issuers, and the purpose of fund management

(I) Other financial assets

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Overdue receivable	\$ 62,439	68,832	71,109
Less: Allowance for bad debts, overdue receivable	(49,798)	(55,051)	(56,737)
Total	<u>\$ 12,641</u>	<u>13,781</u>	<u>14,372</u>

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

The change in allowance for bad debts was as follows:

	For the nine months ended September 30,	
	2021	2020
Beginning balance	\$ 55,051	85,901
Reversal	(17,239)	(17,289)
Transfer in	10,128	14,440
Write-off	(12,846)	(42,051)
Written-off recovered	14,704	15,736
Ending balance	\$ 49,798	56,737

(J) Property and equipment, net

September 30, 2021	Cost	Revaluation increment	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,743,535	2,986,161	-	14,031	9,715,665
Buildings	7,963,007	31,184	4,544,862	14,754	3,434,575
Machinery and equipment	2,323,987	-	1,829,890	-	494,097
Transportation equipment	273,911	-	226,949	-	46,962
Miscellaneous equipment	648,135	-	539,267	-	108,868
Leasehold improvements	171,830	-	90,819	-	81,011
Construction in progress	64,945	-	-	-	64,945
Prepayment for equipment	487,211	-	-	-	487,211
Total	\$ 18,676,561	3,017,345	7,231,787	28,785	14,433,334

December 31, 2020	Cost	Revaluation increment	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,743,535	2,986,161	-	14,031	9,715,665
Buildings	7,930,240	31,184	4,404,411	14,754	3,542,259
Machinery and equipment	2,273,606	-	1,771,978	-	501,628
Transportation equipment	275,438	-	232,974	-	42,464
Miscellaneous equipment	608,684	-	521,029	-	87,655
Leasehold improvements	168,234	-	69,460	-	98,774
Construction in progress	12,246	-	-	-	12,246
Prepayment for equipment	514,215	-	-	-	514,215
Total	\$ 18,526,198	3,017,345	6,999,852	28,785	14,514,906

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

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

Change of cost

	<u>January 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2021</u>
Land	\$ 9,729,696	-	-	-	9,729,696
Buildings	7,961,424	32,767	-	-	7,994,191
Machinery and equipment	2,273,606	144,106	91,837	(1,888)	2,323,987
Transportation equipment	275,438	15,068	16,114	(481)	273,911
Miscellaneous equipment	608,684	58,374	17,389	(1,534)	648,135
Leasehold improvements	168,234	7,413	1,070	(2,747)	171,830
Construction in progress	12,246	56,534	3,835	-	64,945
Prepayment for equipment	514,215	51,690	78,658	(36)	487,211
Total	<u>\$ 21,543,543</u>	<u>365,952</u>	<u>208,903</u>	<u>(6,686)</u>	<u>21,693,906</u>

	<u>January 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2020</u>
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	<u>\$ 21,390,350</u>	<u>420,910</u>	<u>360,678</u>	<u>(2,908)</u>	<u>21,447,674</u>

Change of depreciation

	<u>January 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2021</u>
Buildings	\$ 4,404,411	140,451	-	-	4,544,862
Machinery and equipment	1,771,978	150,305	91,359	(1,034)	1,829,890
Transportation equipment	232,974	10,315	16,075	(265)	226,949
Miscellaneous equipment	521,029	36,699	17,276	(1,185)	539,267
Leasehold improvements	69,460	24,204	1,070	(1,775)	90,819
Total	<u>\$ 6,999,852</u>	<u>361,974</u>	<u>125,780</u>	<u>(4,259)</u>	<u>7,231,787</u>

	<u>January 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2020</u>
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	<u>\$ 6,863,328</u>	<u>343,452</u>	<u>274,082</u>	<u>(3,655)</u>	<u>6,929,043</u>

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

Accumulated impairment

	<u>January 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2021</u>
Land	\$ 14,031	-	-	-	14,031
Buildings	14,754	-	-	-	14,754
Total	<u>\$ 28,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,785</u>

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

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, 2021, December 31 and September 30, 2020, 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).

As of September 30, 2021, December 31 and September 30, 2020, 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:

<u>September 30, 2021</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Total</u>
Buildings	\$ 1,794,225	635,219	-	1,159,006
Machinery and equipment	27,843	27,050	-	793
Transportation equipment	73,200	40,387	-	32,813
Miscellaneous equipment	10,085	3,248	-	6,837
Total	<u>\$ 1,905,353</u>	<u>705,904</u>	<u>-</u>	<u>1,199,449</u>

<u>December 31, 2020</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Total</u>
Buildings	\$ 1,538,073	503,033	-	1,035,040
Machinery and equipment	43,406	40,895	-	2,511
Transportation equipment	67,794	36,156	-	31,638
Miscellaneous equipment	7,603	3,035	-	4,568
Total	<u>\$ 1,656,876</u>	<u>583,119</u>	<u>-</u>	<u>1,073,757</u>

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

<u>September 30, 2020</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Total</u>
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	<u>6,682</u>	<u>2,777</u>	<u>-</u>	<u>3,905</u>
Total	<u>\$ 1,544,730</u>	<u>529,656</u>	<u>-</u>	<u>1,015,074</u>

Change of cost

	<u>January 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2021</u>
Buildings	\$ 1,538,073	423,959	160,857	(6,950)	1,794,225
Machinery and equipment	43,406	-	15,563	-	27,843
Transportation equipment	67,794	17,825	12,396	(23)	73,200
Miscellaneous equipment	<u>7,603</u>	<u>4,065</u>	<u>1,583</u>	<u>-</u>	<u>10,085</u>
Total	<u>\$ 1,656,876</u>	<u>445,849</u>	<u>190,399</u>	<u>(6,973)</u>	<u>1,905,353</u>

	<u>January 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2020</u>
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	<u>5,729</u>	<u>1,145</u>	<u>192</u>	<u>-</u>	<u>6,682</u>
Total	<u>\$ 1,440,340</u>	<u>274,784</u>	<u>171,859</u>	<u>1,465</u>	<u>1,544,730</u>

Change of depreciation

	<u>January 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2021</u>
Buildings	\$ 503,033	285,944	152,985	(773)	635,219
Machinery and equipment	40,895	1,718	15,563	-	27,050
Transportation equipment	36,156	15,899	11,652	(16)	40,387
Miscellaneous equipment	<u>3,035</u>	<u>1,776</u>	<u>1,563</u>	<u>-</u>	<u>3,248</u>
Total	<u>\$ 583,119</u>	<u>305,337</u>	<u>181,763</u>	<u>(789)</u>	<u>705,904</u>

	<u>January 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2020</u>
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	<u>1,505</u>	<u>1,464</u>	<u>192</u>	<u>-</u>	<u>2,777</u>
Total	<u>\$ 388,781</u>	<u>308,926</u>	<u>167,669</u>	<u>(382)</u>	<u>529,656</u>

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

(L) Other assets, net

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Office supplies	\$ 28,562	29,165	28,921
Prepayments	4,261,717	6,229,552	8,213,876
Operating guarantee deposits and settlement fund	31,450	28,319	28,319
Guarantee deposits paid	476,076	1,773,855	815,393
Deferred assets	166	166	171
Proceeds of settlement and margin trading	160,598	180,047	937,237
Total	<u>\$ 4,958,569</u>	<u>8,241,104</u>	<u>10,023,917</u>

(M) Deposits from the Central Bank and banks

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Deposits from the Central Bank	\$ 214,901	281,121	299,177
Due from the Central Bank	9,469,000	11,802,000	12,175,800
Deposits from banks	555,287	619,499	510,094
Call loans from banks	16,163,408	36,445,088	32,305,731
Overdrafts on banks	557,483	777,971	1,174,372
Deposits transferred from Chunghwa Post Co., Ltd.	67,461,545	68,275,360	68,275,360
Total	<u>\$ 94,421,624</u>	<u>118,201,039</u>	<u>114,740,534</u>

(N) Due to the Central Bank and banks

	<u>September 30, 2021</u>			<u>Original</u>	<u>NTD</u>
	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Amount</u>
Central Bank	TWD	0.1%	2022.6.30	46,013,800	\$ 46,013,800
Agricultural Bank of Taiwan	TWD	0.83%~0.9%	2021.10.19	50,000	50,000
Sunny Commercial Bank (OBU)	USD	1.62%	2022.8.27	6,000	167,100
Bank of Kaohsiung Co.,Ltd. (OBU)	USD	1.63%	2023.6.10	12,000	334,200
Total					<u>\$ 46,565,100</u>
Unused credit lines					<u>\$ 4,647,600</u>

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

December 31, 2020					
	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>NTD Amount</u>
Central Bank	TWD	0.1%	2021.12.31	28,450,000	\$ 28,450,000
Taichung Commercial Bank Co., Ltd. (OBU)	USD	2.26%	2021.5.28	3,000	84,300
Sunny Commercial Bank (OBU)	USD	1.76%	2021.8.27	6,000	168,600
Bank of Kaohsiung Co.,Ltd. (OBU)	USD	1.77%	2023.6.10	12,000	337,200
Total					<u>\$ 29,040,100</u>
Unused credit lines					<u>\$ 2,262,400</u>

September 30, 2020					
	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>NTD Amount</u>
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%	2020.8.27	6,000	173,940
Bank of Kaohsiung Co.,Ltd. (OBU)	USD	1.77%	2023.6.10	12,000	347,880
Total					<u>\$ 17,058,790</u>
Unused credit lines					<u>\$ 14,265,960</u>

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Financial liabilities designated at fair value through profit or loss :			
Financial debentures	\$ 8,287,725	8,411,020	8,612,981
Financial liabilities held for trading :			
Derivative instruments not used for hedging			
Foreign exchange forward contracts	7,537	3,768	38,701
Currency swap contracts	215,391	181,994	253,951
Foreign currency option-put	1,881	6,599	5,169
Interest rate contract	9,924	35,621	50,297
Total	<u>\$ 8,522,458</u>	<u>8,639,002</u>	<u>8,961,099</u>

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

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, 2021, December 31 and September 30, 2020.

(P) Notes and bonds issued under repurchase agreement

Assets	September 30, 2021			
	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Financial assets at fair value through other comprehensive income	\$ 2,156,951	2,061,306	2,068,875	Prior to July 1, 2024
	-	-	-	

Assets	December 31, 2020			
	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Financial assets at fair value through other comprehensive income	\$ 2,131,570	2,055,991	2,062,593	Prior to August 24, 2023

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

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

(Q) Payables

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accrued interest	\$ 2,417,593	2,372,962	2,415,089
Accounts payable	2,580,495	3,229,502	6,471,955
Acceptances	1,119,960	1,303,348	1,017,854
Accrued expenses	2,480,685	2,559,675	2,299,752
Collection payable	10,775,742	690,663	2,989,298
Deposits received from securities borrowers	77,686	112,416	82,863
Guaranteed price deposits received from securities borrowers	105,362	150,740	90,159
Accounts payable factoring	-	-	1,821
Spot exchange payable, foreign currencies	5,160	35,716,094	34,317,574
Other payables	887,784	944,149	1,712,478
Prices payable of securities sold for customers	112,686	683,596	146,084
Dividends payable	751,471	2,624	2,633
Settlement payable	536,809	-	35,860
Other	<u>6,151</u>	<u>21,306</u>	<u>21,939</u>
Total	<u>\$ 21,857,584</u>	<u>47,787,075</u>	<u>51,605,359</u>

(R) Deposits and remittances

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Savings deposits	\$ 697,301,725	679,271,179	655,703,827
Time deposits	476,260,219	337,823,523	359,243,598
Demand deposits	475,176,716	375,308,422	352,854,153
Checking account deposits	22,308,931	25,741,910	20,842,883
Remittances	<u>435,239</u>	<u>426,966</u>	<u>284,825</u>
Total	<u>\$ 1,671,482,830</u>	<u>1,418,572,000</u>	<u>1,388,929,286</u>

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

(S) Bank notes payable

Bonds	Issue date	Maturity date	Terms of Transactions		Bond Issued		
			Interest Rate & repayment	Type	Amount		
					September 30, 2021	December 31, 2020	September 30, 2020
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.	Unsecured subordinated long-term financial debentures	\$ -	-	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
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.	"	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 maturity.	"	250,000	250,000	250,000
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.	"	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
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

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

Bonds	Terms of Transactions			Type	Bond Issued		
	Issue date	Maturity date	Interest Rate & repayment		Amount		
					September 30, 2021	December 31, 2020	September 30, 2020
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	10,000,000	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	10,000,000	10,000,000
					<u>\$ 52,250,000</u>	<u>53,250,000</u>	<u>59,250,000</u>

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. In addition, the Bank considers that the designated economic relationship is evaluated by the SLMM model method , if the amount of changes in the fair value of the corporate bonds attributable to changes in credit risk is listed in other comprehensive gains and losses , it will trigger or aggravate the accounting ratio of gains and losses. Therefore, the amount is reported in the profit and loss. The debentures are as follows:

Bonds	Terms of Transactions			Type	Bond Issued			
	Issue date	Maturity date	Interest Rate & repayment		Amount			
					September 30, 2021	December 31, 2020	September 30, 2020	
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	\$ 3,342,000	3,372,000	3,478,800	
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.	"	5,013,000	5,058,000	5,218,200	
					Valuation adjustment	(67,275)	(18,980)	(84,019)
					<u>\$ 8,287,725</u>	<u>8,411,020</u>	<u>8,612,981</u>	

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

The increase (decrease) in fair value of the financial liabilities that are attributable to changes in credit risk are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Fair value of corporate bonds	\$ 8,287,725	8,411,020	8,612,981
Fair value increase (decrease) not attributable to changes in market conditions that give rise to credit risk	75,457	55,154	22,766
Difference between the carrying value and the amount payable at the end of the contract term	(67,275)	(18,980)	(84,019)

(T) Other financial liabilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cumulative earnings on appropriated loans fund	\$ <u>4,458,292</u>	<u>5,492,366</u>	<u>5,908,558</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, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Provision for guarantee liabilities	\$ 259,414	218,351	200,539
Provision for loan commitments	61,268	52,831	35,793
Indeterminate indemnity provisions	73,181	-	-
Provision for employee benefits	<u>2,963,608</u>	<u>3,122,235</u>	<u>2,922,578</u>
Total	<u>\$ 3,357,471</u>	<u>3,393,417</u>	<u>3,158,910</u>

Change of provision

	<u>January 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Use</u>	<u>Foreign exchange</u>	<u>September 30, 2021</u>
Provision for guarantee liabilities	\$ 218,351	41,112	-	-	(49)	259,414
Provision for loan commitments	52,831	8,679	-	-	(242)	61,268
Indeterminate indemnity provisions	-	73,181	-	-	-	73,181
Provision for employee benefits	<u>3,122,235</u>	<u>163,643</u>	<u>284,888</u>	<u>37,382</u>	-	<u>2,963,608</u>
Total	<u>\$ 3,393,417</u>	<u>286,615</u>	<u>284,888</u>	<u>37,382</u>	<u>(291)</u>	<u>3,357,471</u>

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

	January 1, 2020	Increase	Decrease	Use	Foreign exchange	September 30, 2020
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	-	2,922,578
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>

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:

	September 30, 2021	December 31, 2020	September 30, 2020
Less than one year	<u>\$ 344,982</u>	<u>336,968</u>	<u>304,806</u>
More than one year	<u>\$ 843,454</u>	<u>725,053</u>	<u>686,499</u>

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Interest on lease liabilities	<u>\$ 4,608</u>	<u>4,149</u>	<u>13,478</u>	<u>12,363</u>
Expenses relating to short-term leases	<u>\$ 2,764</u>	<u>1,038</u>	<u>10,687</u>	<u>6,184</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 4,023</u>	<u>3,645</u>	<u>10,945</u>	<u>11,598</u>

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

	For the nine months ended September 30,	
	2021	2020
Total cash outflow for leases	<u>\$ 346,383</u>	<u>351,709</u>

(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.

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

(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.

(W) Other liabilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Advance interest receipts	\$ 2,954	2,707	2,162
Unearned revenue	277,513	254,962	234,026
Other advance receipts	52,825	86,658	65,457
Guarantee deposits received	1,264,519	1,600,690	1,864,141
Temporary receipts and suspense accounts	394,470	2,625,821	1,231,449
Others	<u>5,812</u>	<u>7,821</u>	<u>5,664</u>
Total	<u>\$ 1,998,093</u>	<u>4,578,659</u>	<u>3,402,899</u>

(X) Equity

(a) Common stock

As of September 30, 2021, December 31 and September 30, 2020, the Bank's authorized capital were \$80,000,000 and the paid-in capital for common shares of the Bank were \$77,431,952, \$74,885,834 and \$74,885,834, the face value of each share is \$10. The outstanding shares were 7,743,195, 7,488,584 and 7,488,584 thousand shares, respectively.

Pursuant to the resolution approved by the regular stockholders' meeting of the Bank on July 20, 2021, the Bank increased its capital from the retained earnings by \$2,546,118 and issued 254,611 thousand shares. The capital increase has been approved by Financial Supervisory Commission and came into effect on August 24, 2021. The record date of the capital increase is set on September 14, 2021. The Bank has completed the alteration of the registered capital amount on October 6, 2021.

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. The Bank has completed the alteration of the registered capital amount on August 26, 2020.

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

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.

(b) Capital surplus

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</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. The accumulated retained earnings from prior periods are added back as part of the distributable dividends, 30 to 100 percent of the aggregated retained earnings are available to be distributed and will be 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.

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.

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

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 2020 and 2019 in the shareholder's meeting on July 20, 2021 and May 29, 2020, respectively. The dividends distributed were as follows:

	2020		2019	
	Distribution rate (NT dollar)	Amount	Distribution rate (NT dollar)	Amount
Dividends to common shareholders				
Stock dividends	\$ 0.34	2,546,118	0.50	3,565,992
Cash dividends	0.10	748,858	0.20	1,426,397
Total		<u>\$ 3,294,976</u>		<u>4,992,389</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, 2021	\$ 5,187,824	(1,476,771)	3,711,053
Investment in debt instruments measured at fair value through other comprehensive income			
-Unrealized amount	(54,386)	-	(54,386)
-Realized amount	(225,501)	-	(225,501)
Foreign currency translation difference— Exchange difference	-	(257,591)	(257,591)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	(35,192)	-	(35,192)
September 30, 2021	<u>\$ 4,872,745</u>	<u>(1,734,362)</u>	<u>3,138,383</u>
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)

(Y) Income taxes

(a) The income tax expenses were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Current tax expense				
Current period	\$ 16,924	321,267	612,520	739,794
Adjustment for prior period	53	-	(1,995)	(54,603)
	<u>16,977</u>	<u>321,267</u>	<u>610,525</u>	<u>685,191</u>
Deferred tax expense				
Reversal of temporary different	137,170	(197,483)	(81,999)	(318,920)
Income tax expenses	<u>\$ 154,147</u>	<u>123,784</u>	<u>528,526</u>	<u>366,271</u>

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	\$ (25,643)	(29,476)	(64,398)	(94,424)
(Losses) gains on debt instruments at fair value through other comprehensive income	(3,245)	3,808	(7,369)	7,307
Total	<u>\$ (28,888)</u>	<u>(25,668)</u>	<u>(71,767)</u>	<u>(87,117)</u>

(d) 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.

(e) The Bank's income tax returns through 2017 and 2019 have been assessed by the Tax Authority.

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

(f) The income tax returns of the subsidiaries TBB Venture Capital Co., Ltd., and TBB International Leasing Co., Ltd. have been assessed until 2019 by the Tax Authority.

(Z) Provision for employee benefit

As of September 30, 2021, December 31 and September 30, 2020, the balance of provision for employee benefit of the Bank and subsidiaries were as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Defined benefit plan	\$ 2,005,418	2,190,568	1,993,418
Employee deposits with favorable rate	958,190	931,667	929,160
	<u>\$ 2,963,608</u>	<u>3,122,235</u>	<u>2,922,578</u>

(a) Defined benefit plan

In 2020, 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, 2020 and 2019 by the Bank and subsidiaries.

The Bank and subsidiaries recognized the expenses amounting to \$45,706, \$49,055, \$137,118 and \$147,152 for the three months and nine months ended September 30, 2021 and 2020, 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 \$38,748, \$35,522, \$117,797 and \$106,764 for the three months and nine months ended September 30, 2021 and 2020, respectively.

(c) Employee deposit with favorable rate

In 2020, 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, 2020 and 2019 by the Bank and subsidiaries.

The Bank and subsidiaries recognized expenses amounting to \$60,740, \$58,832, \$180,463 and \$174,102 for the three months and nine months ended September 30, 2021 and 2020, 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,	
	2021	2020	2021	2020
Net income	\$ <u>1,398,327</u>	<u>1,204,794</u>	<u>3,897,136</u>	<u>3,462,965</u>
Weighted average number of common stock shares outstanding (in thousands) (Note 1)	<u>7,743,195</u>	<u>7,743,195</u>	<u>7,743,195</u>	<u>7,743,195</u>
Basic earnings per shares (in dollars)	\$ <u>0.18</u>	<u>0.16</u>	<u>0.50</u>	<u>0.45</u>
Dilutive potential common shares (in thousands) (Note 1,2)	<u>10,063</u>	<u>8,279</u>	<u>24,828</u>	<u>24,841</u>
Weighted average number of shares outstanding for diluted EPS (in thousands)	<u>7,753,258</u>	<u>7,751,474</u>	<u>7,768,023</u>	<u>7,768,036</u>
Diluted earnings per shares (in dollars)	\$ <u>0.18</u>	<u>0.16</u>	<u>0.50</u>	<u>0.45</u>

Note 1: The earnings per share for the nine months ended December 31, 2020 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, 2021 and 2020, the estimated employee remuneration were \$94,251, \$76,382, \$235,402 and \$229,191, and the estimated directors' remuneration were \$9,425, \$8,463, \$26,361 and \$24,456, 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, 2020 and 2019, the employees' remuneration was accrued at \$217,393 and \$384,639 and the directors' remuneration was accrued at \$33,748 and \$50,456 respectively. There is no difference with actual distribution of 2020 and 2019 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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Interest income:				
Loans	\$ 1,247,499	1,306,516	3,693,023	4,450,934
Secured loans	3,815,027	3,519,574	11,309,249	10,925,175
Bills negotiated	443	389	1,455	1,874
Bank overdrafts	3,120	3,029	10,054	9,606
Discounts	2,482	2,431	6,683	12,559
Time deposit from Central Bank	160,241	143,896	440,519	559,184
Due from the Central Bank	24,055	20,919	65,196	77,466
Call loans to banks	149,108	92,585	398,589	492,251
Bonds	512,783	595,062	1,572,150	1,949,488
International credit card	9,312	10,542	29,813	34,140
Overdue loans	34,667	90,732	110,622	187,726
Bills	8,009	8,756	14,704	34,435
Due from Banks	48,953	51,221	155,041	178,406
Others	64,024	69,524	181,517	209,065
Subtotal	<u>6,079,723</u>	<u>5,915,176</u>	<u>17,988,615</u>	<u>19,122,309</u>
Interest expense:				
Deposits	1,328,431	1,581,125	3,929,765	5,816,971
Deposits from banks	3,741	2,252	11,960	4,934
Call loans from banks	18,999	51,882	84,799	331,323
Financial debentures	182,155	312,477	664,204	893,269
Notes and bond issued under repurchase agreement	900	1,168	3,428	3,989
Others	18,576	11,672	53,114	35,882
Subtotal	<u>1,552,802</u>	<u>1,960,576</u>	<u>4,747,270</u>	<u>7,086,368</u>
Total	<u>\$ 4,526,921</u>	<u>3,954,600</u>	<u>13,241,345</u>	<u>12,035,941</u>

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

(AD) Net service fee revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Service fee income:				
Remittance service fee	\$ 16,179	18,169	48,445	52,702
Import bills negotiated service fee	11,654	8,421	32,989	26,555
Export bills negotiated service fee	3,407	2,806	9,757	8,698
Letter of credit service fee	1,887	1,932	5,809	6,017
Certification service fee	239	566	1,044	1,507
Acceptance service fee	461	229	1,234	822
Trust service fee	269,509	226,968	846,895	551,031
Guarantee service fee	59,852	54,819	174,508	160,857
Agency service fee	7,814	29,038	24,329	77,983
Interbank service fee	19,588	22,373	67,376	65,479
Card service fee	28,667	37,592	82,553	85,535
Commission revenue of insurance premium	386,523	111,876	603,990	481,329
Custodian service fee	54,741	42,730	153,919	126,494
Foreign currency service fee	23,186	22,711	69,164	68,631
Commission of futures	873	1,353	3,173	4,122
Loan service fee	170,946	208,946	498,097	561,639
Miscellaneous fees	34,058	34,431	102,557	90,621
Subtotal	<u>1,089,584</u>	<u>824,960</u>	<u>2,725,839</u>	<u>2,370,022</u>
Service fee expense:				
Foreign currency service fee	6,014	6,206	18,976	22,420
Interbank service fee	32,017	40,040	111,247	117,692
Trust service fee	192	237	635	813
Agency service fee	424	420	1,203	1,193
IC card service fee	15,431	16,339	46,633	48,134
Check clearing service fee	2,280	2,454	7,036	7,306
Remittance service fee	1,275	1,242	3,855	3,696
Custodian service fee	16,190	13,474	43,965	40,516
Call loans service fee	2,703	2,149	8,457	5,649
Futures option fee	-	76	10	1,048
Miscellaneous fees	4,585	5,347	14,852	14,433
Subtotal	<u>81,111</u>	<u>87,984</u>	<u>256,869</u>	<u>262,900</u>
Total	<u>\$ 1,008,473</u>	<u>736,976</u>	<u>2,468,970</u>	<u>2,107,122</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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Valuation gains (losses):				
Government bonds	\$ -	-	-	(5,051)
Corporate bonds	(6,432)	(1,385)	(5,674)	4,747
Financial debentures	(251,394)	(247,523)	(223,621)	(261,198)
Listed stocks	(8,306)	(13,443)	84,616	(18,139)
Unlisted stocks	(8,286)	9,111	(34,195)	20,933
Beneficiary certificates	1,884	(10,768)	(9,458)	5,991
Private fund	(1,427)	200	3,677	(250)
Commercial paper	3,239	(1,756)	(3,546)	851
Derivative financial instruments	(85,412)	(41,005)	(176,336)	(5,236)
Subtotal	<u>(356,134)</u>	<u>(306,569)</u>	<u>(364,537)</u>	<u>(257,352)</u>
Disposal gains (losses):				
Government bonds	-	(362)	-	29,821
Corporate bonds	8,641	9,244	30,650	11,233
Financial debentures	-	-	(1,349)	(5,425)
Listed stocks	(29,282)	(7,376)	(31,909)	(25,590)
Beneficiary certificates	485	27,087	13,893	16,896
Commercial paper	(2,446)	(904)	(4,380)	(2,260)
Derivative financial instruments	341,256	426,298	694,667	918,235
Subtotal	<u>318,654</u>	<u>453,987</u>	<u>701,572</u>	<u>942,910</u>
Dividend revenue	5,374	5,225	6,224	5,318
Interest income	27,655	27,428	51,083	96,785
Total	<u>\$ (4,451)</u>	<u>180,071</u>	<u>394,342</u>	<u>787,661</u>

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Gain on disposal of government bonds	\$ 52,985	165,002	169,801	341,558
Gain on disposal of corporate bonds	24,121	3,000	25,047	3,624
Gain on disposal of financial debentures	526	40,562	30,653	40,562
Dividend revenue	677,510	330,299	881,635	511,208
Total	<u>\$ 755,142</u>	<u>538,863</u>	<u>1,107,136</u>	<u>896,952</u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Investment in debt instrument measured at fair value through other comprehensive income	\$ (7,561)	(4,660)	(16,506)	(9,062)
Investment in debt instrument measured at amortized cost	483	(1,183)	(604)	12,566
Total	<u>\$ (7,078)</u>	<u>(5,843)</u>	<u>(17,110)</u>	<u>3,504</u>

(AH) Net other revenue other than interest income

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Rental revenue of operating assets	\$ 1,612	2,294	5,463	7,084
Rental expense of operating assets	-	-	(366)	(371)
Loss on disposal and retirement of property and equipment	(190)	(1,179)	(584)	(1,636)
Loss of account error	(161)	(49)	(295)	(602)
Gold deposit book	727	1,583	2,185	3,725
Other operating expense	(30,242)	(9,255)	(116,755)	(49,206)
Other miscellaneous income	76,775	115,876	224,041	190,709
Total	<u>\$ 48,521</u>	<u>109,270</u>	<u>113,689</u>	<u>149,703</u>

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Discounted and loans	\$ 1,673,961	1,276,309	3,989,895	3,237,128
Call loans to banks	9,648	4,123	9,552	(5,819)
Due from banks, debit	-	2	-	-
Receivables and other financial assets	(5,421)	7,077	(27,998)	(8,601)
Subtotal	1,678,188	1,287,511	3,971,449	3,222,708
Provisions for guarantee liabilities	29,552	(3,060)	41,112	(293)
Provisions for loan commitments	(2,724)	(12,660)	8,679	4,357
Total	<u>\$ 1,705,016</u>	<u>1,271,791</u>	<u>4,021,240</u>	<u>3,226,772</u>

(AJ) Employee benefits expenses

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Salary expense	\$ 1,740,780	1,619,840	5,082,432	4,914,370
Labor and health insurance	126,393	120,803	391,290	365,251
Pension expense	84,266	84,389	254,349	253,350
Director's remuneration	11,163	12,056	34,686	35,182
Other employee benefits	166,171	146,392	488,526	478,149
Total	<u>\$ 2,128,773</u>	<u>1,983,480</u>	<u>6,251,283</u>	<u>6,046,302</u>

(AK) Depreciation and amortization expense

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Depreciation				
Property and equipment	\$ 115,337	111,611	346,669	330,130
Right-of-use assets	102,137	104,056	305,337	308,926
Amortization				
Computer software	44,309	42,248	122,181	107,064
Other deferred charges	-	-	-	1
Total	<u>\$ 261,783</u>	<u>257,915</u>	<u>774,187</u>	<u>746,121</u>

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

(AL) Other general and administrative expense

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Compensation loss	\$ -	20	23	75
Utilities fee	29,674	29,289	66,788	67,866
Postage and telecommunication fee	56,265	58,194	165,717	161,198
Transportation fee	4,856	7,114	14,503	20,448
Printing and advertisement fee	42,049	42,609	81,108	82,044
Repair and maintenance fee	57,434	75,772	182,424	190,238
Insurance fee	89,782	84,993	240,987	258,601
Professional service fee	52,422	53,508	160,426	155,326
Materials and supplies	41,489	25,050	122,541	70,372
Rental expenses	6,787	6,775	21,632	17,782
Duties and levies	316,038	291,784	926,708	899,285
Membership, donation and partaking	172,385	145,628	495,065	427,316
Storage, packing and processing fee	10,193	16,072	34,215	41,478
Cash transit fee	15,013	19,118	47,955	65,409
Others	15,004	18,513	43,256	48,947
Total	\$ 909,391	874,439	2,603,348	2,506,385

(AM) 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 record as fair value when original 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:

<u>Assets and Liabilities</u>	<u>September 30, 2021</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	\$ 732,701	449,114	-	283,587
Bond Investments	639,218	279,606	359,612	-
Others	45,664,424	6,439,361	39,124,089	100,974
Financial assets at fair value through other comprehensive income				
Security Investments	19,896,978	14,686,434	-	5,210,544
Bond Investments	129,677,268	80,628,197	49,049,071	-
Others	45,840	45,840	-	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	8,287,725	-	8,287,725	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	481,662	28,744	452,918	-
Liabilities:				
Financial liabilities at fair value through profit or loss	234,733	-	234,733	-

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

<u>Assets and Liabilities</u>	<u>December 31, 2020</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	\$ 582,289	271,669	-	310,620
Bond Investments	1,558,734	1,307,034	251,700	-
Others	12,681,298	162,556	12,414,244	104,498
Financial assets designated at fair value through profit or loss	84,377	-	84,377	-
Financial assets at fair value through other comprehensive income				
Security Investments	13,214,419	8,736,348	-	4,478,071
Bond Investments	104,092,136	67,247,661	36,844,475	-
Other	49,295	49,295	-	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	8,411,020	-	8,411,020	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	690,858	72,747	618,111	-
Liabilities:				
Financial liabilities at fair value through profit or loss	227,982	-	227,982	-

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

<u>Assets and Liabilities</u>	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	-
Other	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	-

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.

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

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.

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.

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

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

The Bank and subsidiaries have the stock of Lungteh Shipbuilding Co Ltd., classified as financial assets at fair value through profit or loss. In January 2021, Lungteh Shipbuilding Co Ltd. has obtained emerging stock market registration, turing to have quoted price in an active market. Therefore, the measurement of fair value was transferred from Level 3 to Level 1.

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

Changes of financial assets categorized in Level 3 :

For the nine months ended September 30, 2021								
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	\$ 415,118	(30,769)	-	63,841	-	7,200	56,429	384,561
Investments in equity instruments measured at fair value through other comprehensive income	4,478,071	-	705,409	27,064	-	-	-	5,210,544

For the nine months ended September 30, 2020								
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	\$ 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)

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,	
	2021	2020
Recognized on profit and loss (reported as unrealized gain (loss) from investments instruments measured at fair value through profit and loss)	\$ (30,769)	20,297
Recognized on other comprehensive income (reported as unrealized gain (loss) from investments instruments measured at fair value through other comprehensive income)	705,409	290,338
	For the three months ended September 30,	
	2021	2020
Recognized on profit and loss (reported as unrealized gain (loss) from investments instruments measured at fair value through profit and loss)	\$ (9,758)	8,924
Recognized on other comprehensive income (reported as unrealized gain (loss) from investments instruments measured at fair value through other comprehensive income)	282,540	224,882

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

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”. On December 31, 2020, except the amount of financial asset at fair value through other comprehensive income that is \$2,927 hasn't been evaluated, since it was purchased in December 2020. Others, 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 :

September 30, 2021					
	fair value	valuation methods	significant unobservable inputs	range	inter-relationship between significant unobservable inputs and fair value measurement
Financial asset at fair value through profit or loss					
Private fund	\$ 100,974	assets approach	liquidity discount	10%	The higher market liquidity discount, the lower fair value.
Unlisted stocks	283,587	market approach	liquidity discount	0%~39.62%	The higher market liquidity discount, the lower fair value.
Financial assets at fair value through other comprehensive income					
Unlisted stocks	5,210,544	market approach	liquidity discount	8.75%~34.65%	The higher market liquidity discount, the lower fair value.
		assets approach			
		income approach	sustainable growth rate	0%~1.36%	The higher sustainable growth rate, the higher fair value.
			cost of equity	9.95%~11.81%	The higher rate of cost of equity, the lower fair value.

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

December 31, 2020					
	fair value	valuation methods	significant unobservable inputs	range	inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss					
Private fund	\$ 104,498	assets approach	liquidity discount	10%	The higher market liquidity discount, the lower fair value.
Unlisted stocks	310,620	market approach	liquidity discount	0%~34.47%	The higher market liquidity discount, the lower fair value.
Financial assets at fair value through other comprehensive income					
Unlisted stocks	4,475,144	market approach assets approach	liquidity discount	8.94%~34.79%	The higher market liquidity discount, the lower fair value.
		income approach	sustainable growth rate	0%~1.45%	The higher sustainable growth rate, the higher fair value.
			cost of equity	8.30%~11.51%	The higher rate of cost of equity, the lower fair value.
September 30, 2020					
	fair value	valuation methods	significant unobservable inputs	range	inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss					
Private fund	\$ 97,900	assets approach	liquidity discount	10%	The higher market liquidity discount, the lower fair value.
Unlisted stocks	235,710	market approach	liquidity discount	22.54%~34.51%	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	8.98%~34.85%	The higher market liquidity discount, the lower fair value.
		income approach	sustainable growth rate	0%~1.58%	The higher sustainable growth rate, the higher fair value.
			cost of equity	8.38%~11.59%	The higher rate of cost of equity, the lower fair value.

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

- 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:

		the effects to the net income and other comprehensive income	
		Favorable changes (-5%)	Unfavorable changes (5%)
September 30, 2021			
Financial assets at fair value through profit or loss			
Unlisted stocks and private fund	\$	31,276	(31,276)
Financial assets at fair value through other comprehensive income			
Unlisted stocks		306,430	(306,430)
		the effects to the net income and other comprehensive income	
		Favorable changes (-5%)	Unfavorable changes (5%)
December 31, 2020			
Financial assets at fair value through profit or loss			
Unlisted stocks and private fund	\$	17,067	(17,067)
Financial assets at fair value through other comprehensive income			
Unlisted stocks		247,738	(247,774)

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

		the effects to the net income and other comprehensive income	
		Favorable changes (-5%)	Unfavorable changes (5%)
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)

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

		the effects to other comprehensive income	
		Favorable changes (0.3%)	Unfavorable changes (-0.3%)
September 30, 2021			
Financial assets at fair value through other comprehensive income			
Unlisted stocks	\$	3,587	(3,273)

		the effects to other comprehensive income	
		Favorable changes (0.3%)	Unfavorable changes (-0.3%)
December 31, 2020			
Financial assets at fair value through other comprehensive income			
Unlisted stocks	\$	6,616	(6,074)

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

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

2) cost of equity

	the effects to other comprehensive income	
	Favorable changes (-3%)	Unfavorable changes (3%)
September 30, 2021		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 75,458	(34,688)

	the effects to other comprehensive income	
	Favorable changes (-3%)	Unfavorable changes (3%)
December 31, 2020		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 141,859	(53,302)

	the effects to other comprehensive income	
	Favorable changes (-3%)	Unfavorable changes (3%)
September 30, 2020		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 140,175	(52,293)

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.

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

(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.

	September 30, 2021	
	Book value	Fair value
Debt instruments measured at amortized cost	\$ 241,105,739	242,453,506

	December 31, 2020	
	Book value	Fair value
Debt instruments measured at amortized cost	\$ 228,003,332	229,803,196

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

B. The fair value hierarchy of information

		September 30, 2021		
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 \$	242,453,506	36,028,578	206,424,928	-

		December 31, 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 \$	229,803,196	43,000,581	186,802,615	-

		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	-

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

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.
- 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.

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- 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.

(AN) 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.

(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.

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- 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.

(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.

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(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.
- 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.

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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.

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.

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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;
- 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;

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- 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.

- (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;

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- 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).

(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.

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(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.

(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.

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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.

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.

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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.

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.

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(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 devaluate 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.

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.

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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:

<u>September 30, 2021</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				
Accounts receivables	\$ 56,550	16,695	39,855	32,805
Interest receivable	36,572	5,386	31,186	-
Discounts and loans	22,841,602	3,994,632	18,846,970	24,997,524
Overdue receivable	62,439	19,775	42,664	-
Total impairment financial assets	<u>\$ 22,997,163</u>	<u>4,036,488</u>	<u>18,960,675</u>	<u>25,030,329</u>

<u>December 31, 2020</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				
Accounts receivables	\$ 27,269	27,269	-	26,575
Interest receivable	26,687	5,304	21,383	-
Discounts and loans	25,375,566	5,219,221	20,156,345	26,211,067
Overdue receivable	68,832	23,121	45,711	-
Total impairment financial assets	<u>\$ 25,498,354</u>	<u>5,274,915</u>	<u>20,223,439</u>	<u>26,237,642</u>

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<u>September 30, 2020</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	\$ 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>

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.

Industry	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
	Amount	%	Amount	%	Amount	%
Private business	\$ 818,731,985	64.31 %	777,673,749	63.52 %	754,297,752	62.82 %
Public business	4,130,068	0.32 %	10,940,025	0.89 %	6,810,005	0.57 %
Government institution	65,420,660	5.14 %	53,863,302	4.40 %	62,438,853	5.20 %
Nonprofit organization	2,876,514	0.23 %	2,868,681	0.23 %	2,876,437	0.24 %
Individual	308,735,526	24.25 %	305,732,834	24.98 %	299,505,651	24.95 %
Foreign financial institution	3,505,961	0.27 %	3,721,990	0.30 %	3,839,191	0.32 %
Foreign non-financial institution	67,166,920	5.28 %	67,672,995	5.53 %	69,492,681	5.79 %
Foreign individual	2,579,752	0.20 %	1,821,665	0.15 %	1,363,150	0.11 %
Total	<u>\$ 1,273,147,386</u>	<u>100.00 %</u>	<u>1,224,295,241</u>	<u>100.00 %</u>	<u>1,200,623,720</u>	<u>100.00 %</u>

B. By geographic area

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

Area	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 1,199,894,753	94.25 %	1,151,078,591	94.02 %	1,125,928,698	93.78 %
Foreign	73,252,633	5.75 %	73,216,650	5.98 %	74,695,022	6.22 %
Total	<u>\$ 1,273,147,386</u>	<u>100.00 %</u>	<u>1,224,295,241</u>	<u>100.00 %</u>	<u>1,200,623,720</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, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%
Unsecured	\$ 230,228,200	18.08 %	225,320,364	18.40 %	235,961,445	19.65 %
Stocks	8,968,852	0.70 %	9,175,475	0.75 %	8,507,493	0.71 %
Bonds	22,886,187	1.80 %	19,544,832	1.60 %	18,985,669	1.58 %
Real estate	774,782,493	60.86 %	754,931,145	61.66 %	739,113,855	61.56 %
Chattel	16,544,932	1.30 %	18,785,101	1.53 %	18,589,480	1.55 %
Notes receivable	3,558,355	0.28 %	3,724,442	0.30 %	3,397,751	0.28 %
Guarantees	206,687,512	16.23 %	183,962,821	15.04 %	166,809,568	13.90 %
Others	9,490,855	0.75 %	8,851,061	0.72 %	9,258,459	0.77 %
Total	<u>\$ 1,273,147,386</u>	<u>100.00 %</u>	<u>1,224,295,241</u>	<u>100.00 %</u>	<u>1,200,623,720</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, 2021	December 31, 2020	September 30, 2020
Issued and irrevocable loan commitments	\$ 58,446,862	61,833,395	64,821,028
Irrevocable credit card loan commitments	19,861,805	20,067,204	20,226,316
Letters of credit issued yet unused	10,260,760	8,892,012	6,695,361
Various guarantee proceeds	24,804,517	20,636,932	18,857,000
Total	<u>\$ 113,373,944</u>	<u>111,429,543</u>	<u>110,599,705</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, 2021	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	\$ 323,813	227,514	200,765	424	5,851	219,848	978,215	450	1,249	1,275	16	757	858	4,605	-	-	1,499	981,321	
Acceptances receivable	259,776	598,034	189,257	11,305	24,655	27,450	1,110,477	-	-	-	-	-	-	-	-	-	-	11,105	1,099,372
Other receivables	224,198	1,562,352	504,282	30,605	12,658	2,458,790	4,792,885	1,948	11,754	9,551	8,356	5,186	107,641	144,436	93,122	-	-	114,753	4,915,690
Discounts and loans																			
Private banking	111,147,686	114,936,170	65,993,569	4,216,861	1,479,787	7,734,179	305,508,252	16,846	80,891	188,212	27,119	83,267	10,943	407,278	5,399,748	-	-	3,661,822	307,653,456
Corporate banking	164,801,929	280,462,833	294,502,170	32,670,416	13,603,699	118,116,347	904,157,394	1,400,096	10,845,805	13,142,058	6,872,424	5,430,433	2,542,044	40,232,860	17,441,854	-	-	11,675,425	950,156,683
Other financial assets																			
Overdue receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62,439	-	49,798	12,641
Total	\$ 276,757,402	397,786,903	361,390,043	36,929,611	15,126,650	128,556,614	1,216,547,223	1,419,340	10,939,699	13,341,096	6,907,915	5,519,643	2,661,486	40,789,179	22,997,163	-	-	15,514,402	1,264,819,163
Guarantee and commitments	\$ 26,627,111	17,963,606	8,127,710	959,403	105,749	59,053,860	112,837,439	101,910	25,957	38,476	-	-	347,408	513,751	22,754	-	-	320,682	113,053,262

December 31, 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	\$ 465,192	151,235	203,982	21,460	1,927	240,049	1,083,845	1,568	717	3,049	215	138	498	6,185	-	-	-	2,045	1,087,985	
Acceptances receivable	271,727	689,404	111,845	5,812	12,400	192,565	1,283,753	-	-	-	-	-	-	-	-	-	-	-	12,837	1,270,916
Other receivables	200,365	1,071,736	443,197	38,386	9,723	2,606,887	4,370,294	2,344	19,338	11,165	7,828	1,395	81,438	123,508	53,956	-	-	123,682	4,424,076	
Discounts and loans																				
Private banking	114,964,176	108,069,036	66,948,050	4,917,753	990,763	5,026,892	300,916,670	5,485	172,716	157,123	31,627	148,272	693	515,916	6,121,914	-	-	3,467,633	304,086,867	
Corporate banking	159,077,810	276,441,887	269,775,572	33,545,450	9,752,131	107,943,286	856,536,136	2,615,868	14,235,894	13,636,440	6,744,478	1,197,555	2,520,718	40,950,953	19,253,652	-	-	10,858,524	905,882,217	
Other financial assets																				
Overdue receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	68,832	-	55,051	13,781	
Total	\$ 274,979,270	386,423,298	337,482,646	38,528,861	10,766,944	116,009,679	1,164,190,698	2,625,265	14,428,665	13,807,777	6,784,148	1,347,360	2,603,347	41,596,562	25,498,354	-	-	14,519,772	1,216,765,842	
Guarantee and commitments	\$ 26,160,471	14,889,757	5,567,518	945,234	330,756	62,931,925	110,825,661	44,927	37,019	40,993	14	-	433,734	556,687	47,195	-	-	271,182	111,158,361	

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	

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

b. Debt instruments

September 30, 2021	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	\$ 49,049,071	-	-	-	49,049,071	-	-	-	-	-	-	49,049,071	15,627
NT bonds	80,628,197	-	-	-	80,628,197	-	-	-	-	-	-	80,628,197	67,166
Investment in debt instruments at amortized cost													
Overseas bonds	15,979,917	-	-	-	15,979,917	-	-	-	-	-	-	15,979,917	6,156
NT bonds	34,933,812	-	-	-	34,933,812	-	-	-	-	-	-	34,933,812	14,132
Certificates of deposit with the Central Bank	190,210,000	-	-	-	190,210,000	-	-	-	-	-	-	190,210,000	56,172
Negotiable certificates of deposit	58,485	-	-	-	58,485	-	-	-	-	-	-	58,485	15
Total	\$ 370,859,482	-	-	-	370,859,482	-	-	-	-	-	-	370,859,482	159,268

December 31, 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	\$ 36,844,475	-	-	-	36,844,475	-	-	-	-	-	-	36,844,475	11,599
NT bonds	67,247,661	-	-	-	67,247,661	-	-	-	-	-	-	67,247,661	54,855
Investment in debt instruments at amortized cost													
Overseas bonds	24,555,550	-	-	-	24,555,550	-	-	-	-	-	-	24,555,550	10,790
NT bonds	41,537,821	-	-	-	41,537,821	-	-	-	-	-	-	41,537,821	17,333
Certificates of deposit with the Central Bank	161,705,000	-	-	-	161,705,000	-	-	-	-	-	-	161,705,000	47,754
Negotiable certificates of deposit	280,925	-	-	-	280,925	-	-	-	-	-	-	280,925	87
Total	\$ 332,171,432	-	-	-	332,171,432	-	-	-	-	-	-	332,171,432	142,418

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.

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, 2021</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	\$ 639,218	-	-
– Commercial paper	39,124,089	-	-
– Listed stocks	449,114	-	-
– Unlisted stocks	283,587	-	-
– Beneficiary certificates	6,540,335	-	-
– Derivative instrument	481,662	562,071	720,420
<u>December 31, 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	\$ 1,643,111	-	-
– Commercial paper	12,414,244	-	-
– Listed stocks	271,669	-	-
– Unlisted stocks	310,620	-	-
– Beneficiary certificates	267,054	-	-
– Derivative instruments	690,858	882,623	700,109
<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			
– Debit investments	\$ 1,963,158	-	-
– Commercial paper	25,705,947	-	-
– Listed stocks	60,119	-	-
– Unlisted stocks	235,710	-	-
– Beneficiary certificates	220,610	-	-
– Derivative instrument	860,595	1,183,778	470,287

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, 2021						
	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	\$ 38,014	3,567	32,573	74,154	64,410	138,564
Changes in financial instruments that have been identified at the beginning of the period :						
— Transferred to 12-months ECL	173	(12)	(161)	-	-	-
— Transferred to lifetime ECL	(4)	15	(11)	-	-	-
— Transferred to the credit- impaired financial assets	(86)	(63)	149	-	-	-
— The financial assets that have been derecognized	(8,235)	(188)	(2,765)	(11,188)	-	(11,188)
New financial assets originated or purchased	22,659	76	10,010	32,745	-	32,745
Other changes	(16,714)	11,261	(17,714)	(23,167)	-	(23,167)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(9,597)	(9,597)
Ending balance	<u>\$ 35,807</u>	<u>14,656</u>	<u>22,081</u>	<u>72,544</u>	<u>54,813</u>	<u>127,357</u>

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

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>

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

B. Discounts and loans

For the nine months ended September 30, 2021						
	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	\$ 3,133,215	951,010	5,219,221	9,303,446	5,022,711	14,326,157
Changes in financial instruments that have been identified at the beginning of the period :						
– Transferred to 12-months ECL	301,598	(6,172)	(295,426)	-	-	-
– Transferred to lifetime ECL	(4,102)	12,000	(7,898)	-	-	-
– Transferred to the credit- impaired financial assets	(17,268)	(15,248)	32,516	-	-	-
– The financial assets that have been derecognized	(1,389,065)	(96,999)	(797,750)	(2,283,814)	-	(2,283,814)
New financial assets originated or purchased	1,534,748	72,152	252,807	1,859,707	-	1,859,707
Write-off	-	-	(3,156,044)	(3,156,044)	-	(3,156,044)
Other changes	(377,015)	114,632	2,747,206	2,484,823	-	2,484,823
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	2,106,418	2,106,418
Ending balance	<u>\$ 3,182,111</u>	<u>1,031,375</u>	<u>3,994,632</u>	<u>8,208,118</u>	<u>7,129,129</u>	<u>15,337,247</u>

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

For the nine months ended September 30, 2020

	<u>12-month ECL</u>	<u>Lifetime ECL – not impaired</u>	<u>Lifetime ECL – impaired</u>	<u>Impaired (IFRS9)</u>	<u>Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- Performing and Non- Accrual Loans "</u>	<u>Total</u>
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>

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

C. Other financial assets

For the nine months ended September 30, 2021						
	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	\$ -	-	23,121	23,121	31,930	55,051
Changes in financial instruments that have been identified at the beginning of the period :						
– The financial assets that have been derecognized	-	-	(82)	(82)	-	(82)
New financial assets originated or purchased	-	-	8,811	8,811	-	8,811
Write-off	-	-	(12,846)	(12,846)	-	(12,846)
Other changes	-	-	771	771	-	771
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(1,907)	(1,907)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>19,775</u>	<u>19,775</u>	<u>30,023</u>	<u>49,798</u>
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>

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

D. Guarantee and commitments

	For the nine months ended September 30, 2021					
	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	\$ 106,670	880	6,699	114,249	156,933	271,182
Changes in financial instruments that have been identified at the beginning of the period :						
– Transferred to lifetime ECL	(13)	13	-	-	-	-
– Transfer to the credit- impaired financial assets	(3)	(3)	6	-	-	-
– The financial assets that have been derecognized	(38,656)	(189)	(5,520)	(44,365)	-	(44,365)
New financial assets originated or purchased	46,996	729	2,977	50,702	-	50,702
Other changes	3,682	57	1,077	4,816	-	4,816
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	38,347	38,347
Ending balance	<u>\$ 118,676</u>	<u>1,487</u>	<u>5,239</u>	<u>125,402</u>	<u>195,280</u>	<u>320,682</u>

	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 :						
– Transfer to 12-months ECL	55	(55)	-	-	-	-
– Transfer to lifetime ECL	(550)	550	-	-	-	-
– Transferred 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>

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

E. Debts investments

	For the nine months ended September 30, 2021			
	12-month ECL	Lifetime ECL — not impaired	Lifetime ECL — impaired	Total
Beginning balance	\$ 142,418	-	-	142,418
Additions	77,208	-	-	77,208
Derecognition	(57,544)	-	-	(57,544)
Other changes	(2,814)	-	-	(2,814)
Ending balance	\$ 159,268	-	-	159,268
	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	\$ 138,458	-	-	138,458

(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.

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

(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, 2021					
	0-30 days	31-90 days	91 days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	\$ 1,090,099,210	226,526,334	459,849,668	70,840,148	35,817,546	1,883,132,906
Deposits from the Central Bank and banks	770,188	-	-	-	-	770,188
Overdrafts on banks	557,483	-	-	-	-	557,483
Call loans from the Central Bank and banks	16,905,995	8,169,516	556,897	-	-	25,632,408
Due to the Central Bank and banks	50,000	-	46,180,900	334,200	-	46,565,100
Financial liabilities designated at fair value through profit or loss	-	-	-	-	8,287,725	8,287,725
Notes and bonds issued under repurchase agreement	64,992	677,700	55,454	1,263,160	-	2,061,306
Interest payable	719,923	902,942	731,774	62,951	3	2,417,593
Deposits transferred from Chunghwa Post Co., Ltd.	10,090,000	23,472,210	33,899,335	-	-	67,461,545
Demand deposits	931,465,573	-	-	-	-	931,465,573
Time deposits	129,009,400	185,240,357	378,055,602	47,275,796	863	739,582,018
Remittance	435,239	-	-	-	-	435,239
Bank notes payable	-	8,000,000	-	19,340,000	24,910,000	52,250,000
Cumulative earnings on appropriated loan fund	3,250	5,000	110,500	1,901,500	2,438,042	4,458,292
Lease liabilities	27,167	58,609	259,206	662,541	180,913	1,188,436

	December 31, 2020					
	0-30 days	31-90 days	91 days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	\$ 949,614,285	166,776,471	425,441,692	59,010,406	37,614,645	1,638,457,499
Deposits from the Central Bank and banks	900,620	-	-	-	-	900,620
Overdrafts on banks	777,971	-	-	-	-	777,971
Call loans from the Central Bank and banks	33,177,364	12,082,474	2,987,250	-	-	48,247,088
Due to the Central Bank and banks	-	-	28,702,900	337,200	-	29,040,100
Financial liabilities designated at fair value through profit or loss	-	-	-	-	8,411,020	8,411,020
Notes and bonds issued under repurchase agreement	488,948	185,344	594,313	787,386	-	2,055,991
Interest payable	550,776	891,394	872,656	58,128	8	2,372,962
Deposits transferred from Chunghwa Post Co., Ltd.	10,800,000	20,120,150	37,355,210	-	-	68,275,360
Demand deposits	813,419,351	-	-	-	-	813,419,351
Time deposits	88,025,858	133,435,966	346,582,629	36,679,797	1,433	604,725,683
Remittance	426,966	-	-	-	-	426,966
Bank notes payable	1,000,000	-	8,000,000	18,340,000	25,910,000	53,250,000
Cumulative earnings on appropriated loan fund	250	6,670	110,420	2,220,250	3,154,776	5,492,366
Lease liabilities	46,181	54,473	236,314	587,645	137,408	1,062,021

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

	September 30, 2020					Total
	0-30 days	31-90 days	91 days-1 year	1-5 years	Over 5 years	
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

(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, 2021 and December 31, 2020, the Bank and subsidiaries had no derivative financial instruments settled by net amount. As of September 30, 2020, maturity analysis for the derivative financial liabilities settled by net amount are as follows:

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

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

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, 2021</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	\$ 6,837,064	11,485,729	12,479,563	2,505,522	-	33,307,878
Cash inflow	6,842,642	11,399,118	12,375,546	2,479,683	-	33,096,989
Interest rate derivative instrument						
Cash outflow	-	1,206	7,881	2,373	8,377	19,837
Cash inflow	-	912	2,821	2,355	10,084	16,172
Total cash outflow	<u>6,837,064</u>	<u>11,486,935</u>	<u>12,487,444</u>	<u>2,507,895</u>	<u>8,377</u>	<u>33,327,715</u>
Total cash inflow	<u>6,842,642</u>	<u>11,400,030</u>	<u>12,378,367</u>	<u>2,482,038</u>	<u>10,084</u>	<u>33,113,161</u>
Net cash flow	<u>\$ (5,578)</u>	<u>86,905</u>	<u>109,077</u>	<u>25,857</u>	<u>(1,707)</u>	<u>214,554</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

<u>December 31, 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	\$ 18,587,554	20,742,526	14,038,845	8,411,846	-	61,780,771
Cash inflow	18,999,896	21,036,931	14,267,128	8,406,666	-	62,710,621
Interest rate derivative instrument						
Cash outflow	-	7,903	14,547	9,222	18,690	50,362
Cash inflow	671	1,071	6,907	6,513	15,276	30,438
Total cash outflow	<u>18,587,554</u>	<u>20,750,429</u>	<u>14,053,392</u>	<u>8,421,068</u>	<u>18,690</u>	<u>61,831,133</u>
Total cash inflow	<u>19,000,567</u>	<u>21,038,002</u>	<u>14,274,035</u>	<u>8,413,179</u>	<u>15,276</u>	<u>62,741,059</u>
Net cash flow	<u>\$ (413,013)</u>	<u>(287,573)</u>	<u>(220,643)</u>	<u>7,889</u>	<u>3,414</u>	<u>(909,926)</u>
<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>

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

(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, 2021</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	\$ 20,041,500	3,560,821	1,024,899	4,059,041	29,760,601	58,446,862
Irrevocable credit card loan commitments	2,885	122,924	67,142	176,121	19,492,733	19,861,805
Letters of credit issued yet unused	3,182,256	6,163,663	684,429	222,006	8,406	10,260,760
Other guarantees	<u>2,652,131</u>	<u>6,200,486</u>	<u>1,075,932</u>	<u>3,659,317</u>	<u>11,216,651</u>	<u>24,804,517</u>
Total	<u>\$ 25,878,772</u>	<u>16,047,894</u>	<u>2,852,402</u>	<u>8,116,485</u>	<u>60,478,391</u>	<u>113,373,944</u>

<u>December 31, 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	\$ 31,953	338,189	4,349,374	27,261,664	29,852,215	61,833,395
Irrevocable credit card loan commitments	180	336	300,316	1,150,378	18,615,994	20,067,204
Letters of credit issued yet unused	2,473,524	5,464,898	604,705	258,636	90,249	8,892,012
Other guarantees	<u>2,148,633</u>	<u>2,859,595</u>	<u>1,189,714</u>	<u>3,635,884</u>	<u>10,803,106</u>	<u>20,636,932</u>
Total	<u>\$ 4,654,290</u>	<u>8,663,018</u>	<u>6,444,109</u>	<u>32,306,562</u>	<u>59,361,564</u>	<u>111,429,543</u>

<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	<u>1,968,045</u>	<u>1,700,724</u>	<u>1,001,458</u>	<u>2,588,477</u>	<u>11,598,296</u>	<u>18,857,000</u>
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>

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

(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:

<u>September 30, 2021</u>	<u>Below 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Operating lease income (lessor)	\$ 3,565	1,362	-	4,927

<u>December 31, 2020</u>	<u>Below 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Operating lease income (lessor)	\$ 660	-	-	660

<u>September 30, 2020</u>	<u>Below 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Operating lease income (lessor)	\$ 849	96	-	945

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:

<u>September 30, 2021</u>	<u>Below 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Machinery and equipment	\$ 1,145,046	-	-	1,145,046
Transportation equipment	1,313	-	-	1,313
Right-of-use assets	510	287	-	797
Miscellaneous equipment	1,255	-	-	1,255
Total	\$ 1,148,124	287	-	1,148,411

<u>December 31, 2020</u>	<u>Below 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Machinery and equipment	\$ 1,478,133	-	-	1,478,133
Transportation equipment	2,986	-	-	2,986
Right-of-use assets	1,260	805	-	2,065
Miscellaneous equipment	26,900	-	-	26,900
Total	\$ 1,509,279	805	-	1,510,084

<u>September 30, 2020</u>	<u>Below 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Machinery and equipment	\$ 908,283	-	-	908,283
Transportation equipment	2,504	-	-	2,504
Right-of-use assets	2,521	993	-	3,514
Miscellaneous equipment	1,950	-	-	1,950
Total	\$ 915,258	993	-	916,251

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

(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.

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.

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

- 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.
 - 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.

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

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.

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.

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

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

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

(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, 2021		
Currency	Foreign currency amount (in thousands)	NT\$ amount
USD	\$ 428,958	11,946,480
JPY	2,005,560	499,585
CNY	72,434	311,539
AUD	15,549	311,446
HKD	9,856	35,255

Significant net positions of foreign currencies (Market risk)		
December 31, 2020		
Currency	Foreign currency amount (in thousands)	NT\$ amount
USD	\$ 440,115	12,367,232
JPY	2,022,710	551,188
CNY	66,291	286,709
EUR	5,401	186,821
AUD	5,013	108,531

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

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.

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

b. Assets and liabilities of foreign currency

September 30, 2021						
Currency	Monetary financial assets			Monetary financial liabilities		
	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	\$ 13,130,611	27.8500	365,687,516	12,550,884	27.8500	349,554,259
AUD	4,024,075	20.0300	80,602,222	3,935,907	20.0300	78,836,217
CNY	6,314,427	4.3010	27,158,351	6,101,802	4.3010	26,243,850
JPY	96,253,526	0.2491	23,976,753	94,869,914	0.2491	23,632,096
HKD	5,192,614	3.5770	18,573,980	4,823,546	3.5770	17,253,824
EUR	416,183	32.3200	13,451,035	417,404	32.3200	13,490,497
ZAR	3,382,791	1.8360	6,210,804	3,381,436	1.8360	6,208,316
NZD	49,550	19.1500	948,883	49,362	19.1500	945,282
GBP	25,251	37.4500	945,650	24,373	37.4500	912,769
CAD	17,839	21.8600	389,961	18,131	21.8600	396,344
SGD	10,709	20.4600	219,106	10,728	20.4600	219,495
Others (Note)	-	-	145,498	-	-	150,725

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

December 31, 2020						
Currency	Monetary financial assets			Monetary financial liabilities		
	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	\$ 12,821,180	28.1000	360,420,744	12,222,317	28.1000	343,447,108
AUD	4,711,447	21.6500	102,002,828	4,634,864	21.6500	100,344,806
CNY	10,341,263	4.3250	44,725,962	10,135,870	4.3250	43,837,638
JPY	85,399,458	0.2725	23,271,352	84,061,617	0.2725	22,906,791
HKD	5,621,662	3.6240	20,372,903	5,236,467	3.6240	18,976,956
EUR	362,909	34.5900	12,553,022	363,008	34.5900	12,556,447
ZAR	4,526,436	1.9210	8,695,284	4,524,811	1.9210	8,692,162
NZD	62,764	20.3200	1,275,364	62,734	20.3200	1,274,755
GBP	26,234	38.3500	1,006,074	26,199	38.3500	1,004,732
CAD	17,894	22.0600	394,742	17,894	22.0600	394,742
SGD	7,292	21.2700	155,101	7,483	21.2700	159,163
SEK	34,592	3.4300	118,651	33,662	3.4300	115,461
Others (Note)	-	-	83,141	-	-	93,168
	Non-monetary financial assets			Non-monetary financial liabilities		
USD	5,181	28.1000	145,586	-	-	-

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, 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
JPY	60,730,478	0.2744	16,664,443	59,410,658	0.2744	16,302,285
HKD	5,611,793	3.7400	20,988,106	5,211,469	3.7400	19,490,894
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
SGD	5,065	21.2000	107,378	6,668	21.2000	141,362
SEK	74,345	3.2400	240,878	74,854	3.2400	242,527
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.

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%.

Currency	September 30, 2021			
	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	\$ (51,665)	(55,157)	51,665	55,157
AUD	4,145	(21,693)	(4,145)	21,693
HKD	2,770	(15,361)	(2,770)	15,361
JPY	(344)	(3,294)	344	3,294
GBP	(350)	-	350	-
SGD	4	-	(4)	-
ZAR	(27)	-	27	-
SEK	18	-	(18)	-
CHF	20	-	(20)	-
CAD	68	-	(68)	-
THB	14	-	(14)	-
EUR	389	-	(389)	-
NZD	(43)	-	43	-
CNY	(50,775)	-	50,775	-
Total	\$ <u>(95,776)</u>	<u>(95,505)</u>	<u>95,776</u>	<u>95,505</u>

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

Currency	December 31, 2020			
	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	\$ (94,813)	(54,119)	94,813	54,119
AUD	4,317	(20,838)	(4,317)	20,838
HKD	2,844	(16,090)	(2,844)	16,090
JPY	2	(3,839)	(2)	3,839
GBP	(32)	-	32	-
SGD	41	-	(41)	-
ZAR	(33)	-	33	-
SEK	(32)	-	32	-
CHF	41	-	(41)	-
THB	59	-	(59)	-
EUR	24	-	(24)	-
NZD	(14)	-	14	-
CNY	(50,706)	-	50,706	-
Total	<u>\$ (138,302)</u>	<u>(94,886)</u>	<u>138,302</u>	<u>94,886</u>

Currency	September 30, 2020			
	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>

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, 2021			
		Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
Currency		Income	Equity	Income	Equity
Trading book					
TWD	\$	(376)	(3,718)	376	3,718
Banking book					
TWD		-	(52,413)	-	52,413
USD		-	(16,248)	-	16,248
AUD		-	(900)	-	900
HKD		-	(16)	-	16
CNY		-	(2,251)	-	2,251
ZAR		-	(234)	-	234
Total	\$	<u>(376)</u>	<u>(75,780)</u>	<u>376</u>	<u>75,780</u>

		December 31, 2020			
		Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
Currency		Income	Equity	Income	Equity
Trading book					
TWD	\$	(131)	(4,161)	131	4,161
Banking book					
TWD		-	(43,732)	-	43,732
USD		(2)	(10,477)	2	10,477
AUD		-	(639)	-	639
HKD		-	(35)	-	35
CNY		-	(2,587)	-	2,587
ZAR		-	(284)	-	284
Total	\$	<u>(133)</u>	<u>(61,915)</u>	<u>133</u>	<u>61,915</u>

		September 30, 2020			
		Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
Currency		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>

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

Scenario	September 30, 2021			
	Effect on NII in 1 year		Effect on EVE	
	TWD	USD	TWD	USD
Interest rate increases by 100 bp	3,827,771	(35,034)	(4,434,806)	(55,046)
Interest rate decreases by 100 bp	(5,046,881)	2,515	3,110,456	71,841

Scenario	December 31, 2020			
	Effect on NII in 1 year		Effect on EVE	
	TWD	USD	TWD	USD
Interest rate increases by 100 bp	3,709,697	(28,815)	(823,603)	(50,085)
Interest rate decreases by 100 bp	(4,860,513)	4,141	3,263,342	40,109

Scenario	September 30, 2020			
	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

(9) Interest Rate Benchmark Reform – Phase 2

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. The Bank and subsidiaries have exposures to IBORs on its financial instruments that will be reformed as part of these market-wide initiatives.

The Bank and subsidiaries anticipate that IBOR reform will impact its operational and risk management processes. The main risks to which the Bank and subsidiaries is exposed as a result of IBOR reform are operational. For example, the renegotiation of borrowing contracts through bilateral negotiation with creditors, implementing new fallback clauses with its derivative counterparties, updating of contractual terms, and revision of operational controls related to the reform.

The working group provides periodic reports to the management on exposure area and implementation of the LIBOR interest rate conversion plan.

The Bank and subsidiaries monitor the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Bank and subsidiaries consider that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The following tables show the total amounts of unreformed contracts and those with

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

appropriate fallback language on September 30 and January 1, 2021. The amounts of financial assets and liabilities are shown at their carrying amounts, and derivatives are shown at their notional amounts.

	USD LIBOR		EUR LIBOR		GBP LIBOR		JPY LIBOR		CHF LIBOR	
	Total amount of unformed contracts	Amount with appropriate fallback clause	Total amount of unformed contracts	Amount with appropriate fallback clause	Total amount of unformed contracts	Amount with appropriate fallback clause	Total amount of unformed contracts	Amount with appropriate fallback clause	Total amount of unformed contracts	Amount with appropriate fallback clause
September 30, 2021										
Financial assets										
Discounts and loans	\$ 79,053,000	18,142,000	472,000	86,000	-	-	1,959,000	11,000	-	-
Bond Investments	23,456,000	42,000	-	-	-	-	-	-	-	-
Receivables	14,000	14,000	-	-	-	-	-	-	-	-
Financial liabilities										
Due to the Central Bank and banks	1,170,000	-	-	-	-	-	-	-	-	-
Derivatives										
Interest rate swaps	9,469,000	9,469,000	-	-	-	-	-	-	-	-
January 1, 2021										
Financial assets										
Discounts and loans	76,178,000	5,849,000	906,000	102,000	7,000	-	1,809,000	193,000	10,000	-
Bond Investments	28,370,000	-	-	-	-	-	-	-	-	-
Receivables	42,000	-	-	-	-	-	-	-	-	-
Financial liabilities										
Due to the Central Bank and banks	1,461,000	-	-	-	-	-	-	-	-	-
Derivatives										
Interest rate swaps	11,802,000	-	-	-	-	-	-	-	-	-

(10) 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%.

Change	Currency	September 30, 2021	
		Income	Equity
Equity security price increases by 1 %	TWD	65,394	-
	USD	7	-
Equity security price decreases by 1 %	TWD	(65,394)	-
	USD	(7)	-
Change	Currency	December 31, 2020	
		Income	Equity
Equity security price increases by 1 %	TWD	2,053	-
	USD	52	-
Equity security price decreases by 1 %	TWD	(2,053)	-
	USD	(52)	-

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

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

B. Value at Risk of equity security

Value at Risk	From October 1, 2020 to September 30, 2021		
	Average	Maximum	Minimum
Equity security risk	7,453	14,786	3,114

Value at Risk	For the year ended December 31, 2020		
	Average	Maximum	Minimum
Equity security risk	6,749	15,917	1,668

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

(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, 2021, December 31 and September 30, 2020, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

September 30, 2021						
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	\$ 182,990	-	182,990	720,420	562,071	(1,099,510)

September 30, 2021						
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	\$ 110,877	-	110,877	-	275,787	(164,910)

December 31, 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	\$ 391,191	-	391,191	700,109	882,623	(1,191,541)

December 31, 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	\$ 101,929	-	101,929	-	1,531,091	(1,429,162)

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)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
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)

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

(AO) 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.

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

(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.

(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.

(AP) 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, 2021 and 2020 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, 2021	Cash flows	Non-cash changes			September 30, 2021
			Foreign exchange rate movement	Fair value changes	Other changes	
Financial liabilities at fair value through profit or loss	\$ 8,411,020	-	(75,000)	(48,295)	-	8,287,725
Bank notes payable	53,250,000	(1,000,000)	-	-	-	52,250,000
Lease liabilities	1,062,021	(324,751)	(8,161)	-	459,327	1,188,436
Total liabilities from financing activities	<u>\$ 62,723,041</u>	<u>(1,324,751)</u>	<u>(83,161)</u>	<u>(48,295)</u>	<u>459,327</u>	<u>61,726,161</u>

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

	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>

(AQ) 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.
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, 2021	December 31, 2020	September 30, 2020
Private fund	\$ 100,974	104,498	97,900
Asset securitization product	435,249	819,768	1,006,751
Total	<u>\$ 536,223</u>	<u>924,266</u>	<u>1,104,651</u>

- (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, 2021	December 31, 2020	September 30, 2020
Financial assets at fair value through profit or loss	\$ 100,974	104,498	97,900
Financial assets at fair value through other comprehensive income	245,298	415,351	513,234
Investments in debt instruments at amortized cost	189,951	404,417	493,517
Total	<u>\$ 536,223</u>	<u>924,266</u>	<u>1,104,651</u>

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

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, 2021, December 31 and September 30, 2020, the Bank and subsidiaries has not provided any financial support to its special purpose entities that are not included in consolidated financial reports.

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
National Revelopment Fund, Executive Yuan (Note 1)	Corporate director of the Bank
Land Bank of Taiwan (Note 2)	Corporate director of the Bank
Taiwan Business Bank Guild	Corporate director of the Bank
Small and Medium Enterprise Credit Guarantee Fund of Taiwan	Substantive related parties
Others	Management and other related parties of the Bank

Note 1: Become a related party commencing from the third quarter of 2021.

Note 2: No longer a related party commencing from the third quarter of 2021

- (B) Significant related party transactions

- (a) Due from banks

	<u>September 30, 2021</u>	
	<u>Amount</u>	<u>%</u>
Bank of Taiwan	\$ <u>218,728</u>	<u>1.24</u>
	<u>December 31, 2020</u>	
	<u>Amount</u>	<u>%</u>
Bank of Taiwan	\$ 140,960	0.85
Land Bank of Taiwan	<u>12,734</u>	<u>0.08</u>
Total	\$ <u>153,694</u>	<u>0.93</u>

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

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

Interest rates are the same as those with regular clients.

(b) Deposits from banks

	December 31, 2020	
	Amount	%
Land Bank of Taiwan	\$ 1,999	0.32

	September 30, 2020	
	Amount	%
Land Bank of Taiwan	\$ 1,939	0.38

Interest rates are the same as those with regular clients.

(c) Call loans to banks

	September 30, 2021	December 31, 2020	September 30, 2020
Bank of Taiwan	\$ 236,555	-	-

	Highest balance	Interest Income		
		For the three months ended September 30, 2021	For the nine months ended September 30, 2021	Annual interest rate
Bank of Taiwan	\$ 3,038,983	463	819	0.14%~3.8%
Land Bank of Taiwan	1,507,961	-	1,069	0.09%~3.3%
Total	\$ 4,546,944	463	1,888	

	Highest balance	Interest income		
		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	\$ 5,786,151	2,027	5,231	

Interest rates are the same as those with regular clients.

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

(d) Call loans from banks

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Bank of Taiwan	\$ 5,051,033	4,309,375	3,086,490
Land Bank of Taiwan	-	-	42,540
Total	<u>\$ 5,051,033</u>	<u>4,309,375</u>	<u>3,129,030</u>

	<u>Highest balance</u>	<u>Interest Expense</u>		
		<u>For the three months ended September 30, 2021</u>	<u>For the nine months ended September 30, 2021</u>	<u>Annual interest rate</u>
Bank of Taiwan	\$ 7,487,419	3,781	13,192	0.01%~2.7%
Land Bank of Taiwan	1,384,796	-	135	0.09%~2.35%
Total	<u>\$ 8,872,215</u>	<u>3,781</u>	<u>13,327</u>	

	<u>Highest balance</u>	<u>Interest Expense</u>		
		<u>For the three months ended September 30, 2020</u>	<u>For the nine months ended September 30, 2020</u>	<u>Annual interest rate</u>
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>	

Interest rates are the same as those with regular clients.

(e) Deposits

	<u>September 30, 2021</u>	
	<u>Amount</u>	<u>%</u>
Others	<u>\$ 1,578,200</u>	<u>0.10</u>

	<u>December 31, 2020</u>	
	<u>Amount</u>	<u>%</u>
Others	<u>\$ 1,241,158</u>	<u>0.09</u>

	<u>September 30, 2020</u>	
	<u>Amount</u>	<u>%</u>
Others	<u>\$ 1,202,860</u>	<u>0.09</u>

Interest rates are the same as those with regular clients.

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

(f) Credit

September 30, 2021							
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	40	17,353	13,924	13,924	-	none	none
Self-use home mortgages loans	121	482,934	454,394	454,394	-	real estate	none
Others	Natural person	496,723	464,599	464,599	-	real estate	none

December 31, 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	32	15,037	12,405	12,405	-	none	none
Self-use home mortgages loans	101	443,328	409,569	409,569	-	real estate	none
Others	Natural person	461,382	450,128	450,128	-	real estate	none

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

(g) Donation:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Small and Medium Enterprise Credit Guarantee Fund of Taiwan	\$ 94,466	82,482	283,400	247,446
Taiwan Business Bank Guild	-	-	2,500	2,500
Total	\$ 94,466	82,482	285,900	249,946

(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.

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

(C) Major management salary information

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Salary and other short-term employee benefits	\$ 24,964	24,131	72,973	70,589
Post-employment benefits	668	691	2,008	1,962
Total	<u>\$ 25,632</u>	<u>24,822</u>	<u>74,981</u>	<u>72,551</u>

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

9. Commitments and contingencies

(A) Significant commitments and contingencies were as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Marketable securities held for custody	\$ 9,780,986	10,522,496	10,613,634
Bills collected for others	47,154,310	43,458,651	37,909,566
Bills lent for others	39,795,991	32,385,246	32,216,353
Guarantees and letters of credit	35,065,277	29,528,944	25,552,361
Collaterals received	-	426	426
Trust liabilities	209,690,308	174,773,364	168,766,406
Items held for custody	1,188,230	1,138,192	1,093,873
Registered government bonds for sale	63,377,300	57,191,300	62,356,200
Registered short-term bills for sale	2,680,210	2,050,801	2,073,248
Guarantee notes payable	53,626,700	26,061,610	26,211,310

(B) Unrecognized contractual commitments:

As of September 30, 2021, December 31 and September 30, 2020, major constructions in progress and purchases amounted to \$1,091,306, \$1,067,016 and \$1,071,144 respectively, of which \$540,920, \$528,273 and \$543,116 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

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

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. However, the Bank and I.C.C.I couldn't reach an agreement on the exchange rate and the calculation of the compensation. 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.

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. The German Federal Court has denied the I.C.C.I interlocutory appeal on May 20, 2021. 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. In April 2021, the translation of judgement from the Court of Congo, judging that the Bank should pay around EUR\$20,060 thousand for I.C.C.I. Also, I.C.C.I must compensate Star Marine for USD\$1,130 thousand as well as make a security deposit of EUR\$14,000 thousand in the domestic bank in Congo. I.C.C.I has been paid around EUR\$14,860 thousand. According to the statement of plaintiff and considering that I.C.C.I has already received about EUR \$14,860 thousand, an addition of \$73,181 thousand has been provision for lawsuit in 2021. Please refer to Note 6(U) for more details. As of September 30, 2021, the Bank has accrued the compensation of \$258,197 and EUR\$9,660 thousand.

10. Losses from disasters: None.

11. Subsequent events: None.

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
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, 2021					
		Non-performing loans	Total loans	Non-performing loan ratio	Allowance for credit losses	Coverage ratio	
Corporate finance	Secured	2,400,765	656,170,015	0.37 %	7,735,962	322.23 %	
	Unsecured	546,507	321,775,049	0.17 %	4,070,696	744.86 %	
Consumer finance	Residence mortgages(Note 4)	302,583	138,108,380	0.22 %	1,619,390	535.19 %	
	Cash cards	-	3	- %	-	- %	
	Microcredit(Note 5)	8,273	440,265	1.88 %	11,103	134.21 %	
	Others (Note 6)	Secured	450,897	145,875,522	0.31 %	1,716,875	380.77 %
		Unsecured	308,483	10,778,152	2.86 %	183,221	59.39 %
Total loan business		4,017,508	1,273,147,386	0.32 %	15,337,247	381.76 %	
		Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio	
Credit cards business		1,121	1,013,031	0.11 %	19,069	1,701.07 %	
Account receivable factoring-without recourse (Note 7)		-	-	- %	-	- %	

Month/Year		December 31, 2020					
		Non-performing loans	Total loans	Non-performing loan ratio	Allowance for credit losses	Coverage ratio	
Corporate finance	Secured	4,333,608	619,478,813	0.70 %	7,001,414	161.56 %	
	Unsecured	646,422	309,604,313	0.21 %	3,946,125	610.46 %	
Consumer finance	Residence mortgages(Note 4)	409,214	139,113,318	0.29 %	1,557,182	380.53 %	
	Cash cards	-	7	- %	-	- %	
	Microcredit(Note 5)	14,757	495,713	2.98 %	16,518	111.93 %	
	Others (Note 6)	Secured	667,825	145,483,951	0.46 %	1,645,541	246.40 %
		Unsecured	61,010	10,119,126	0.60 %	159,377	261.23 %
total loan business		6,132,836	1,224,295,241	0.50 %	14,326,157	233.60 %	
		Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio	
Credit cards business		1,143	1,123,919	0.10 %	22,154	1,938.23 %	
Account receivable factoring-without recourse (Note 7)		-	-	- %	-	- %	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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 %	
	Others (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	- %	

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.

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

Overdue loans and receivables exempted from reporting

	September 30, 2021		December 31, 2020		September 30, 2020	
	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)	\$ 400	1,601	536	2,135	580	2,311
Pursuant to a contract under a debt liquidation plan and a debt relief plan (Note 2)	54,195	27,488	63,956	30,612	63,677	31,229
Total	\$ 54,595	29,089	64,492	32,747	64,257	33,540

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, 2021			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	25,098,474	24.78 %
2	B group. (Real estate for sale and rental with own or leased property)	10,747,458	10.61 %
3	C group. (Steel rolling and extruding)	9,568,651	9.45 %
4	D group. (Real estate development)	8,747,025	8.64 %
5	E group. (Other holding)	8,717,472	8.61 %
6	F group. (Computers manufacturing)	7,592,294	7.50 %
7	G group. (Real estate development)	6,317,002	6.24 %
8	H group. (Real estate development)	5,659,156	5.59 %
9	I group. (Liquid crystal panel and components manufacturing)	4,729,188	4.67 %
10	J group. (Air transportation)	4,435,333	4.38 %

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

December 31, 2020			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	25,103,282	25.44 %
2	C group. (Steel rolling and extruding)	9,422,041	9.55 %
3	B group. (Real estate for sale and rental with own or leased property)	9,011,609	9.13 %
4	D group. (Real estate development)	8,203,992	8.32 %
5	F group. (Computers manufacturing)	7,704,593	7.81 %
6	E group. (Other holding)	7,339,697	7.44 %
7	G group. (Real estate development)	6,311,017	6.40 %
8	J group. (Air transportation)	5,723,286	5.80 %
9	H group. (Real estate development)	5,118,016	5.19 %
10	I group. (Liquid crystal panel and components manufacturing)	4,954,000	5.02 %

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

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

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.

(c) Interest rate-sensitivity information

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

Unit : %

September 30, 2021						
Item	1~90 days	91~180 days	181days~1year	over 1 year	total	
Interest rate-sensitive assets	\$ 1,355,905,262	21,775,283	41,784,500	131,599,529	1,551,064,574	
Interest rate-sensitive liabilities	1,289,109,511	69,661,175	108,900,208	53,855,397	1,521,526,291	
Interest rate sensitivity gap	66,795,751	(47,885,892)	(67,115,708)	77,744,132	29,538,283	
Net worth						101,269,549
Ratio of interest rate-sensitive assets to liabilities (%)						101.94
Ratio of interest rate-sensitive gap to net worth (%)						29.17

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

December 31, 2020					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 1,261,749,950	15,575,973	23,133,404	119,785,773	1,420,245,100
Interest rate-sensitive liabilities	1,093,425,439	56,606,354	112,485,169	51,050,064	1,313,567,026
Interest rate sensitivity gap	168,324,511	(41,030,381)	(89,351,765)	68,735,709	106,678,074
Net worth					98,658,749
Ratio of interest rate-sensitive assets to liabilities (%)					108.12
Ratio of interest rate-sensitive gap to net worth (%)					108.13

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

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).

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

Unit : In Thousands of US Dollars, %

September 30, 2021					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 6,159,954	1,509,369	545,253	815,801	9,030,377
Interest rate-sensitive liabilities	7,002,121	1,093,641	1,237,166	-	9,332,928
Interest rate sensitivity gap	(842,167)	415,728	(691,913)	815,801	(302,551)
Net worth					3,636,250
Ratio of interest rate-sensitive assets to liabilities (%)					96.76
Ratio of interest rate-sensitive gap to net worth (%)					(8.32)

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

December 31, 2020					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 5,310,244	469,273	77,166	536,289	6,392,972
Interest rate-sensitive liabilities	6,181,947	966,658	747,211	-	7,895,816
Interest rate sensitivity gap	(871,703)	(497,385)	(670,045)	536,289	(1,502,844)
Net worth					3,510,988
Ratio of interest rate-sensitive assets to liabilities (%)					80.97
Ratio of interest rate-sensitive gap to net worth (%)					(42.80)

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)

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).

(d) Profitability

Unit: %

Item		September 30, 2021	September 30, 2020
The ratio of return on assets	Before income tax	0.23	0.22
	After income tax	0.21	0.20
The ratio of return on equity	Before income tax	4.43	3.97
	After income tax	3.90	3.59
Net income ratio		21.56	21.17

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

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

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, 2021							
	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	\$ 1,720,139,600	202,810,917	175,630,006	171,840,018	163,962,597	148,497,046	857,399,016
Major maturity capital outflow	2,074,909,481	48,543,364	114,124,019	262,953,309	230,483,126	320,939,483	1,097,866,180
Gap	(354,769,881)	154,267,553	61,505,987	(91,113,291)	(66,520,529)	(172,442,437)	(240,467,164)

Note: Listed amounts are denominated in New Taiwan dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow \$349,794,130.

December 31, 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	\$ 1,528,946,546	132,138,936	166,645,095	136,163,423	178,254,748	125,643,908	790,100,436
Major maturity capital outflow	1,894,385,819	52,672,688	103,498,741	201,839,259	212,757,375	336,728,244	986,889,512
Gap	(365,439,273)	79,466,248	63,146,354	(65,675,836)	(34,502,627)	(211,084,336)	(196,789,076)

Note: Listed amounts are denominated in New Taiwan dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow \$357,529,991.

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.

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

(2) Maturity analysis in US dollars

Unit : In Thousands of US Dollars

September 30, 2021						
	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	\$ 13,538,188	3,055,602	2,656,441	2,243,693	2,256,557	3,325,895
Major maturity capital outflow	14,084,510	3,015,906	2,894,728	1,905,525	2,001,496	4,266,855
Gap	(546,322)	39,696	(238,287)	338,168	255,061	(940,960)

Note: Listed amounts are denominated in US dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow USD \$746,308.

December 31, 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	\$ 13,175,860	4,313,385	2,837,011	1,570,635	1,179,663	3,275,166
Major maturity capital outflow	13,753,689	4,085,099	2,691,982	1,883,298	1,626,015	3,467,295
Gap	(577,829)	228,286	145,029	(312,663)	(446,352)	(192,129)

Note: Listed amounts are denominated in US dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow USD \$779,907.

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 USD \$849,604.

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

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.
- (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, 2021			Percentage accounted for consolidated net revenue or total assets
				Account	Amount	Terms	
0	Taiwan Business Bank, Ltd.	TBB International Leasing Co., Ltd.	1	Deposits and remittances	23,062	No difference with non-related parties	- %
1	TBB International Leasing Co., Ltd.	Taiwan Business Bank, Ltd.	2	Right-to-use assets	1,074	No difference with non-related parties	- %
1	TBB International Leasing Co., Ltd.	Taiwan Business Bank, Ltd.	2	Lease liabilities	1,087	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	290,397	No difference with non-related parties	0.01 %
2	TBB Venture Capital Co., Ltd.	Taiwan Business Bank, Ltd.	2	Right-to-use assets	626	No difference with non-related parties	- %
2	TBB Venture Capital Co., Ltd.	Taiwan Business Bank, Ltd.	2	Lease liabilities	640	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	95,929	No difference with non-related parties	- %
0	Taiwan Business Bank, Ltd.	TBB Consulting Co., Ltd.	1	Deposits and remittances	50,000	No difference with non-related parties	- %

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

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

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

(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 %	1,444,199	16,540	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 %	564,915	17,709	20	-	20	100.00 %	"
TBB Venture Capital Co., Ltd.	Taiwan	Investing business	100.00 %	1,043,466	49,282	100,000	-	100,000	100.00 %	"
TBB Consulting Co., Ltd	Taiwan	Consulting business	100.00 %	50,000	-	5,000	-	5,000	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.	Xi Quan Restaurant Co., Ltd	Financial receivables	No	52,487	43,935	53,540	2%~10%	2	-	To the lender for buying goods	852	None	-	357,895	1,431,582
1	TBB International Leasing Co., Ltd.	Chao-Yang International Co., Ltd	Financial receivables	No	32,690	15,091	20,000	2%~10%	2	-	To the lender for buying goods	303	None	-	357,895	1,431,582
1	TBB International Leasing Co., Ltd.	Hsin Chuan Construction Co., Ltd	Financial receivables	No	146,155	79,357	100,000	2%~10%	2	-	To the lender for buying goods	1,523	None	-	357,895	1,431,582
1	TBB International Leasing Co., Ltd.	Sian Shang Frozen Food Co., Ltd	Financial receivables	No	33,944	15,091	20,000	2%~10%	2	-	To the lender for buying goods	303	None	-	357,895	1,431,582
1	TBB International Leasing Co., Ltd.	Hsin Dan Co., Ltd	Financial receivables	No	32,351	27,080	33,000	2%~10%	2	-	To the lender for buying goods	525	None	-	357,895	1,431,582
1	TBB International Leasing Co., Ltd.	Advanced-Connectek Inc.	Financial receivables	No	30,000	17,591	30,000	2%~10%	2	-	To the lender for buying goods	332	None	-	357,895	1,431,582
1	TBB International Leasing Co., Ltd.	Pei Xian Seafood Co., Ltd	Financial receivables	No	20,000	15,091	20,000	2%~10%	2	-	To the lender for buying goods	303	None	-	357,895	1,431,582

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

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.	Yu Shen Construction Co.,Ltd	Financial receivables	No	20,000	20,000	20,000	2%~10%	2	-	To the lender for buying goods	403	None	-	357,895	1,431,582

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

(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)		
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	-	887,234	100.00 %	887,234	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.

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

(m) Other significant transactions that might have substantial influence over the decision making of the financial statement users: None.

(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	3,938,096	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	3,793,317	"
Taiwan Business Bank International Leasing Co., Ltd.	Leasing business	838,305 (CNY170 million) (Operating capital)	(a)	838,305 (CNY170 million)	-	-	838,305 (CNY170 million)	13,416 2(c)	100%	13,416 2(c)	887,234	"

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)	60,761,729

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	5.86 %

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 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, 2021	Bank Segment	Securities, Trust, Insurance agent and Others	Adjustment and Elimination	Total
Net interest revenue	\$ 4,443,479	83,436	6	4,526,921
Net revenue other than interest	<u>1,563,506</u>	<u>471,875</u>	<u>(4,865)</u>	<u>2,030,516</u>
Net revenue	6,006,985	555,311	(4,859)	6,557,437
Bad debt expense, commitment and guarantee liability provision	(1,702,413)	(2,603)	-	(1,705,016)
Operating expenses	<u>(3,128,129)</u>	<u>(172,072)</u>	<u>254</u>	<u>(3,299,947)</u>
Income from continuing operation before tax	<u>\$ 1,176,443</u>	<u>380,636</u>	<u>(4,605)</u>	<u>1,552,474</u>

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

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	1,659,563	109,719	(7,679)	1,761,603
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	(2,969,853)	(146,235)	254	(3,115,834)
Income from continuing operation before tax	<u>\$ 1,308,670</u>	<u>27,324</u>	<u>(7,416)</u>	<u>1,328,578</u>

For the nine months ended September 30, 2021	Banking Segment	Securities, Trust, Insurance agent and Others	Adjustment and Elimination	Total
Net interest revenue	\$ 13,012,270	229,057	18	13,241,345
Net revenue other than interest	3,780,997	1,137,691	(84,313)	4,834,375
Net revenue	16,793,267	1,366,748	(84,295)	18,075,720
Bad debt expense, commitment and guarantee liability provision	(4,022,937)	1,697	-	(4,021,240)
Operating expenses	(9,162,332)	(467,250)	764	(9,628,818)
Income from continuing operation before tax	<u>\$ 3,607,998</u>	<u>901,195</u>	<u>(83,531)</u>	<u>4,425,662</u>
Total assets	<u>\$ 1,995,781,744</u>	<u>18,134,137</u>	<u>(3,564,239)</u>	<u>2,010,351,642</u>
Total liabilities	<u>\$ 1,897,655,729</u>	<u>11,888,023</u>	<u>(461,659)</u>	<u>1,909,082,093</u>

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

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>\$ 3,449,592</u>	<u>443,040</u>	<u>(63,396)</u>	<u>3,829,236</u>
Total assets	<u>\$ 1,742,155,790</u>	<u>16,109,805</u>	<u>(2,977,445)</u>	<u>1,755,288,150</u>
Total liabilities	<u>\$ 1,647,461,660</u>	<u>10,893,529</u>	<u>(423,173)</u>	<u>1,657,932,016</u>

(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.)

Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2021 and 2020.

TAIWAN BUSINESS BANK, LTD.

Balance Sheets of Security Division

September 30, 2021, December 31, 2020 and September 30, 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>			<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets							Liabilities and equity						
Current Assets :							Current Liabilities :						
113200 Current financial assets at fair value through other comprehensive income	915,813	8	216,098	2	305,991	3	214010 Liabilities for bonds with attached repurchase agreements	\$ 798,146	7	830,820	7	1,858,997	17
114030 Margin loans receivable	2,756,003	24	2,482,515	22	2,135,711	21	214040 Securities financing refundable deposits	77,686	1	112,416	1	82,863	1
114040 Refinancing margin	-	-	6,272	-	3,743	-	214050 Deposits payable for securities financing	105,362	1	150,740	1	90,159	1
114050 Refinancing collateral receivable	-	-	6,360	-	4,159	-	214130 Accounts payable	649,934	6	683,961	6	182,763	2
114130 Accounts receivable	731,203	6	765,787	7	249,357	3	216000 Current lease liabilities	-	-	74	-	125	-
119000 Other current assets	<u>169,442</u>	<u>2</u>	<u>189,407</u>	<u>1</u>	<u>947,778</u>	<u>9</u>	219000 Other current liabilities	<u>208,315</u>	<u>2</u>	<u>238,032</u>	<u>1</u>	<u>975,454</u>	<u>10</u>
Total current assets	<u>4,572,461</u>	<u>40</u>	<u>3,666,439</u>	<u>32</u>	<u>3,646,739</u>	<u>36</u>	Total current liabilities	<u>1,839,443</u>	<u>17</u>	<u>2,016,043</u>	<u>16</u>	<u>3,190,361</u>	<u>31</u>
Non-current Assets :							229030 Guaranteed deposits received	20	-	20	-	20	-
123200 Non-current financial assets at fair value through other comprehensive income	6,353,253	56	7,176,579	64	6,231,756	61	229110 Inter-department accounts, credit	<u>6,589,006</u>	<u>58</u>	<u>6,352,049</u>	<u>57</u>	<u>4,296,336</u>	<u>42</u>
123300 Non-current financial assets at amortized cost	302,854	3	322,385	3	328,769	3	Total non-current liabilities	<u>6,589,026</u>	<u>58</u>	<u>6,352,069</u>	<u>57</u>	<u>4,296,356</u>	<u>42</u>
125000 Property and equipment, net	17,551	-	16,573	-	10,984	-	Total liabilities	<u>8,428,469</u>	<u>75</u>	<u>8,368,112</u>	<u>73</u>	<u>7,486,717</u>	<u>73</u>
125800 Right-of-use assets, net	-	-	74	-	-	-	301110 Assigned working capital	2,200,000	19	2,200,000	20	2,200,000	21
127000 Intangible assets	12,569	-	12,907	-	7,009	-	304020 Special reserve	185,127	2	185,127	2	185,127	2
129000 Other non-current assets	<u>32,449</u>	<u>1</u>	<u>29,176</u>	<u>1</u>	<u>29,018</u>	<u>-</u>	304040 Unappropriated retained earnings	349,471	3	284,204	3	208,626	2
Total non-current assets	<u>6,718,676</u>	<u>60</u>	<u>7,557,694</u>	<u>68</u>	<u>6,607,536</u>	<u>64</u>	305290 Other equity, other	<u>128,070</u>	<u>1</u>	<u>186,690</u>	<u>2</u>	<u>173,805</u>	<u>2</u>
Total assets	<u>\$ 11,291,137</u>	<u>100</u>	<u>11,224,133</u>	<u>100</u>	<u>10,254,275</u>	<u>100</u>	Total equity	<u>2,862,668</u>	<u>25</u>	<u>2,856,021</u>	<u>27</u>	<u>2,767,558</u>	<u>27</u>
							Total liabilities and equity	<u>\$ 11,291,137</u>	<u>100</u>	<u>11,224,133</u>	<u>100</u>	<u>10,254,275</u>	<u>100</u>

