

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2023 and 2022**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Taiwan Business Bank, Ltd. and subsidiaries as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, as well as the changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, 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 the Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. 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 Standards on Auditing of the Republic of China 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, 2023 and 2022, and of its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 30, 2023 and 2022 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.

The engagement partners on the reviews resulting in this independent auditors' review report are LEE, FENG HUI and TSAI, PEI JU.

KPMG

Taipei, Taiwan (Republic of China)
November 2, 2023

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES**Consolidated Balance Sheets****September 30, 2023, December 31, 2022, and September 30, 2022****(Expressed in Thousands of New Taiwan Dollars)**

		September 30, 2023		December 31, 2022		September 30, 2022				September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Assets								Liabilities and Equity							
11000	Cash and cash equivalents (Notes 6(a) and 7)	\$ 40,656,689	2	49,260,262	2	25,661,708	1	Liabilities							
11500	Due from the Central Bank and call loans to banks (Notes 6(b) and 7)	139,191,834	6	148,557,744	7	138,736,362	7	21000	Deposits from the Central Bank and banks (Notes 6(n) and 7)	\$ 179,626,817	8	194,966,177	9	135,154,891	7
12000	Financial assets at fair value through profit or loss (Note 6(c))	71,292,765	3	33,913,114	2	23,069,452	1	21500	Due to the Central Bank and banks (Note 6(o))	1,260,983	-	1,131,025	-	1,006,420	-
12100	Financial assets at fair value through other comprehensive income (Notes 6(g) and (q))	187,717,051	8	160,000,410	8	158,464,081	8	22000	Financial liabilities at fair value through profit or loss (Notes 6(p) and (t))	10,217,421	1	9,925,525	-	10,501,243	1
12200	Investment in debt instruments at amortized cost (Note 6(h))	255,721,072	12	236,774,247	11	248,550,969	12	22500	Notes and bonds issued under repurchase agreement (Note 6(q))	2,571,494	-	2,462,991	-	2,474,973	-
12500	Securities purchased under resell agreements (Note 6(d))	7,414,755	-	797,893	-	1,719,290	-	23000	Payables (Note 6(r))	29,068,525	1	21,493,131	1	24,611,048	1
13000	Receivables (Note 6(e))	11,233,469	1	9,057,109	-	8,879,696	1	23200	Current tax liabilities	32,190	-	1,101,015	-	756,634	-
13200	Current tax assets	349,355	-	350,069	-	349,483	-	23500	Deposits and remittances (Notes 6(s) and 7)	1,784,675,542	82	1,673,580,263	81	1,679,617,647	83
13500	Discounts and loans, net (Notes 6(f) and 7)	1,438,494,076	66	1,400,112,365	68	1,377,418,983	68	24000	Bank notes payable (Note 6(t))	56,550,000	3	52,250,000	4	52,250,000	3
15000	Investments accounted for using equity method (Note 6(i))	-	-	808	-	1,167	-	25500	Other financial liabilities (Note 6(u))	2,764,254	-	2,910,581	-	3,200,414	-
15500	Other financial assets (Note 6(j))	8,611	-	10,315	-	24,190	-	25600	Provisions (Note 6(v))	2,633,006	-	2,676,102	-	3,284,232	-
18500	Property and equipment, net (Note 6(k))	14,083,708	1	14,121,833	1	14,163,060	1	26000	Lease liabilities (Note 6(w))	1,264,404	-	1,239,919	-	1,200,883	-
18600	Right-of-use assets, net (Note 6(l))	1,240,731	-	1,212,593	-	1,183,935	-	29300	Deferred tax liabilities (Note 6(z))	892,930	-	879,056	-	879,056	-
19000	Intangible assets, net	811,505	-	757,216	-	758,714	-	29500	Other liabilities (Note 6(x))	3,336,844	-	3,763,082	-	5,398,782	-
19300	Deferred tax assets (Note 6(z))	1,753,604	-	1,777,199	-	1,783,609	-		Total liabilities	<u>2,074,894,410</u>	<u>95</u>	<u>1,968,378,867</u>	<u>95</u>	<u>1,920,336,223</u>	<u>95</u>
19500	Other assets, net (Note 6(m))	20,137,102	1	15,782,948	1	19,074,000	1		Equity attributable to owners of parent						
								31101	Common stock (Note 6(y))	82,224,061	4	80,296,934	4	80,296,934	4
								31500	Capital Surplus (Note 6(y))	815,900	-	815,900	-	815,900	-
									Retained earnings:						
								32001	Legal reserve (Note 6(y))	20,028,865	1	17,239,615	1	17,239,615	1
								32003	Special reserve (Note 6(y))	3,954,803	-	185,128	-	185,128	-
								32005	Unappropriated retained earnings (Note 6(y))	9,545,730	-	9,339,356	-	5,839,374	-
								32500	Other equity interest (Note 6(y))	(1,357,442)	-	(3,769,675)	-	(4,874,475)	-
									Total equity	<u>115,211,917</u>	<u>5</u>	<u>104,107,258</u>	<u>5</u>	<u>99,502,476</u>	<u>5</u>
Total assets		<u>\$ 2,190,106,327</u>	<u>100</u>	<u>2,072,486,125</u>	<u>100</u>	<u>2,019,838,699</u>	<u>100</u>	Total liabilities and equity		<u>\$ 2,190,106,327</u>	<u>100</u>	<u>2,072,486,125</u>	<u>100</u>	<u>2,019,838,699</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2023 and 2022

(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			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
41000	Interest income (Notes 6(ad) and 7)	\$ 12,608,314	153	9,058,606	116	36,483,256	151	22,871,902	110
51000	Less: Interest expenses (Notes 6(ad) and 7)	(7,944,463)	(96)	(3,741,263)	(48)	(22,173,328)	(92)	(7,734,737)	(37)
	Net interest revenue	4,663,851	57	5,317,343	68	14,309,928	59	15,137,165	73
	Net revenue other than interest								
49100	Net service fee revenue (Notes 6(ae) and 13)	1,266,253	15	948,752	12	3,549,436	15	3,063,982	15
49200	(Loss) gain on financial assets or liabilities measured at fair value through profit or loss (Note 6(af))	1,352,121	16	263,165	3	4,443,722	19	(225,852)	(1)
49310	Realized gain on financial assets at fair value through other comprehensive income (Note 6(ag))	670,652	8	761,787	10	1,234,660	5	1,462,641	7
49450	Gain arising from derecognition of financial assets measured at amortized cost (Note 6(h))	53	-	155	-	131	-	665	-
49600	Foreign exchange gain	174,820	2	444,908	6	274,102	1	987,068	5
49700	(Impairment loss) reversal of impairment loss on assets (Note 6(ah))	(1,176)	-	5,447	-	(13,269)	-	7,071	-
49750	Share of profit of associates and joint ventures accounted for using equity method (Notes 6(h) and 6(ai))	-	-	(610)	-	(808)	-	(833)	-
49800	Net other revenue other than interest income (Note 6(aj))	8,356	-	6,459	-	70,218	-	70,699	-
49831	Net securities brokering revenue	116,788	2	78,317	1	284,501	1	249,343	1
	Net revenue	8,251,718	100	7,825,723	100	24,152,621	100	20,751,949	100
58200	Bad debts expense, commitment and guarantee liability provision (Note 6(ak))	(1,385,535)	(17)	(638,612)	(8)	(2,215,048)	(9)	(1,604,071)	(8)
	Operating expenses								
58500	Employee benefits expenses (Note 6(al))	(2,600,702)	(31)	(2,443,827)	(31)	(7,321,178)	(30)	(6,856,107)	(33)
59000	Depreciation and amortization expense (Note 6(am))	(317,985)	(4)	(305,003)	(4)	(949,255)	(4)	(922,288)	(4)
59500	Other general and administrative expense (Note 6(an))	(1,374,701)	(17)	(1,020,655)	(13)	(3,659,920)	(15)	(2,879,724)	(14)
	Total operating expense	(4,293,388)	(52)	(3,769,485)	(48)	(11,930,353)	(49)	(10,658,119)	(51)
61001	Income from continuing operation before tax	2,572,795	31	3,417,626	44	10,007,220	42	8,489,759	41
61003	Less: Income tax expenses (Note 6(z))	406,263	5	488,369	6	1,638,331	7	1,399,858	7
	Net income	2,166,532	26	2,929,257	38	8,368,889	35	7,089,901	34
65000	Other comprehensive income:								
65200	Components of other comprehensive income that will not be reclassified to profit or loss								
65204	Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	767,934	9	(1,252,648)	(16)	3,229,733	13	(2,628,147)	(13)
65220	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(z))	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	767,934	9	(1,252,648)	(16)	3,229,733	13	(2,628,147)	(13)
65300	Components of other comprehensive income that will be reclassified to profit or loss								
65301	Exchange difference on translation	606,001	7	1,009,462	13	727,540	3	1,989,805	10
65308	Losses from investments in debt instruments measured at fair value through other comprehensive income	(933,837)	(11)	(2,049,057)	(26)	(271,008)	(1)	(7,468,702)	(36)
65320	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(z))	121,986	1	197,113	3	147,526	1	366,033	2
	Components of other comprehensive income that will be reclassified to profit or loss	(449,822)	(5)	(1,236,708)	(16)	309,006	1	(5,844,930)	(28)
65000	Other comprehensive income	318,112	4	(2,489,356)	(32)	3,538,739	14	(8,473,077)	(41)
	Total comprehensive income	\$ 2,484,644	30	439,901	6	11,907,628	49	(1,383,176)	(7)
	Earnings per share (in NT dollar) (Note 6(ab))								
	Basic earnings per share (in NT dollar)	\$ 0.26		0.36		1.02		0.86	
	Diluted earnings per share (in NT dollar)	\$ 0.26		0.36		1.01		0.86	

See accompanying notes to consolidated financial statements.

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

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Attributable to owners of parent								
	Share capital	Retained earnings				Other equity interest			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2022	\$ 77,431,952	815,900	15,693,140	185,128	5,227,632	21,105,900	(1,807,265)	4,113,485	101,659,972
Net income for the nine months ended September 30, 2022	-	-	-	-	7,089,901	7,089,901	-	-	7,089,901
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	-	1,591,844	(10,064,921)	(8,473,077)
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	7,089,901	7,089,901	1,591,844	(10,064,921)	(1,383,176)
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	1,546,475	-	(1,546,475)	-	-	-	-
Cash dividends of common share	-	-	-	-	(774,320)	(774,320)	-	-	(774,320)
Stock dividends of common share	2,864,982	-	-	-	(2,864,982)	(2,864,982)	-	-	-
Disposal of investment in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(1,292,382)	(1,292,382)	-	1,292,382	-
Balance at September 30, 2022	\$ 80,296,934	815,900	17,239,615	185,128	5,839,374	23,264,117	(215,421)	(4,659,054)	99,502,476
Balance at January 1, 2023	\$ 80,296,934	815,900	17,239,615	185,128	9,339,356	26,764,099	(597,833)	(3,171,842)	104,107,258
Net income for the nine months ended September 30, 2023	-	-	-	-	8,368,889	8,368,889	-	-	8,368,889
Other comprehensive income for the nine months ended September 30, 2023	-	-	-	-	-	-	582,032	2,956,707	3,538,739
Total comprehensive income for the nine months ended September 30, 2023	-	-	-	-	8,368,889	8,368,889	582,032	2,956,707	11,907,628
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	2,789,250	-	(2,789,250)	-	-	-	-
Special reserve appropriated	-	-	-	3,769,675	(3,769,675)	-	-	-	-
Cash dividends of common share	-	-	-	-	(802,969)	(802,969)	-	-	(802,969)
Stock dividends of common share	1,927,127	-	-	-	(1,927,127)	(1,927,127)	-	-	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	1,126,506	1,126,506	-	(1,126,506)	-
Balance at September 30, 2023	\$ 82,224,061	815,900	20,028,865	3,954,803	9,545,730	33,529,398	(15,801)	(1,341,641)	115,211,917

See accompanying notes to consolidated financial statements.

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

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the nine months ended September 30	
	2023	2022
Cash flows from operating activities:		
Net income before tax	\$ 10,007,220	8,489,759
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	737,988	738,029
Amortization expense	211,267	184,259
Provision for bad debt expense	2,174,458	1,577,345
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(755,743)	778,595
Interest expenses	22,173,328	7,734,737
Net gain arising from derecognition of financial assets measured at amortised cost	(131)	(665)
Interest income	(36,483,256)	(22,871,902)
Net change in provisions for guarantee liabilities	52,831	(3,880)
Net change in other provisions	(11,679)	30,606
Share of loss of associates and joint ventures accounted for using equity method	808	833
Loss on disposal of property and equipment	1,284	588
Impairment loss (reversal of impairment loss) on financial assets	13,269	(7,071)
Other items	(21)	(3,805)
Total adjustments to reconcile profit (loss)	(11,885,597)	(11,842,331)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in due from the central bank and call loans to banks	9,369,678	19,371,189
Increase (decrease) in financial assets at fair value through profit or loss	(36,499,480)	17,523,445
Increase (decrease) in securities purchased under resell agreements	(6,616,862)	6,111,984
Increase in receivables	(1,249,413)	(642,635)
Increase in discounts and loans	(40,547,557)	(76,758,104)
Decrease in other financial assets	10,329	4,567
Increase in other assets	(3,721,781)	(5,720,648)
Total changes in operating assets	(79,255,086)	(40,110,202)
Changes in operating liabilities:		
(Decrease) increase in deposits from the central bank and banks	(15,339,360)	32,614,576
Increase in financial liabilities at fair value through profit or loss	167,468	1,364,115
Increase in notes and bonds issued under repurchase agreement	108,503	414,280
Increase (decrease) in payable	2,226,331	(1,041,692)
Increase in deposits and remittances	111,095,279	10,960,825
Decrease in other financial liabilities	(146,327)	(1,164,880)
Decrease in provisions for employee benefits	(85,459)	(165,151)
Total changes in operating liabilities	98,026,435	42,982,073
Total changes in operating assets and liabilities	18,771,349	2,871,871
Total adjustments	6,885,752	(8,970,460)
Cash inflow (outflow) generated from operations	16,892,972	(480,701)
Interest received	35,517,038	22,323,866
Interest paid	(17,953,238)	(5,943,807)
Income taxes paid	(2,474,659)	(566,112)
Net Cash flows from operating activities	31,982,113	15,333,246
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(24,766,573)	(11,034,427)
Acquisition of financial assets at amortised cost	(199,758,186)	(161,576,822)
Proceeds from repayments of financial assets at amortised cost	180,805,741	192,073,204
Acquisition of investments accounted for using equity method	-	(2,000)
Acquisition of property and equipment	(414,772)	(211,917)
Proceeds from disposal of property and equipment	58	72
Decrease (increase) in refundable deposits	94,905	(1,316,236)
Acquisition of intangible assets	(229,740)	(229,150)
Net cash flows (used in) from investing activities	(44,268,567)	17,702,724
Cash flows from (used in) financing activities:		
Increase (decrease) in due to the central bank and banks	129,958	(49,255,170)
Proceeds from issuing bank notes payable	9,000,000	-
Repayments of bank notes payable	(4,700,000)	-
(Decrease) increase in guarantee deposits received	(514,326)	3,748,393
Payment of lease liabilities	(349,905)	(327,301)
Increase (decrease) in other liabilities	88,088	(1,089,984)
Net cash flows from (used in) financing activities	3,653,815	(46,924,062)
Effect of exchange rate changes on cash and cash equivalents	29,066	105,768
Net decrease in cash and cash equivalents	(8,603,573)	(13,782,324)
Cash and cash equivalents at beginning of period	49,260,262	39,444,032
Cash and cash equivalents at end of period	\$ 40,656,689	25,661,708

See accompanying notes to consolidated financial statements.

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

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2023 and 2022

(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, 2023, 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, 2023, December 31 and September 30, 2022, the Bank and subsidiaries has 5,677, 5,581 and 5,595 employees, respectively.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issuance by the board of directors on November 2, 2023.

(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. which have already been adopted.

The Bank and subsidiaries has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Bank and subsidiaries has initially adopted the (following) new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023 :

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

(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, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

The Bank and subsidiaries does not expect the following 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 21 “Lack of Exchangeability”

(4) Summary of material 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, the Regulations Governing the Preparation of Financial Reports by Securities Firms (hereinafter referred to as "the Regulations"), and IAS 34 “Interim Financial Reporting” endorsed and issued into effect by the 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 FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of annual consolidated financial statements.

Except as described below, the significant accounting policies adopted in the accompanying consolidated financial statements are the same as the consolidated financial statements as of and for the year ended December 31, 2022. Please refer to Note 4 of the consolidated financial statements as of and for the year ended December 31, 2022 for the detail disclosures of significant accounting policies.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements:

	Established location	Main business scope	Shareholding (Holding %)		
			September 30, 2023	December 31, 2022	September 30, 2022
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	100	100

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of IAS 34 “Interim Financial Reporting”.

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. Income tax expenses for the period and deferred income tax expenses are apportioned based on the proportion of expected income tax expenses for the year and deferred income tax expense. 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.

(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 next period.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period is as follows. Those assumptions and estimation have been updated to reflect the impact of economic uncertainty, such as natural disasters and inflation.

(a) Impairment losses on loans

The impairment of loans of the Bank and subsidiaries were 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 determines 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.

(c) Fair value of financial instruments

Financial instruments without active market or quoted market prices are measured using the valuation models or counterparty prices. When using the valuation model, all the inputs data are using the observable factors as much as possible and the inputs cannot be adjusted manually. In principle, the models used the factors can be long-term stably accessed in the market. In order to avoid the data source changed causing the gap of the financial report between the difference financial years, the models need to be adjusted and verified repeatedly to ensure the output can be measured the value of financial instruments properly.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	September 30, 2023	December 31, 2022	September 30, 2022
Petty cash and revolving funds	\$ 10,823,885	14,042,641	10,617,885
Foreign currencies on hand	1,019,876	988,995	884,447
Checks for clearing	10,625,163	11,029,785	2,970,517
Due from other banks	<u>18,187,765</u>	<u>23,198,841</u>	<u>11,188,859</u>
Total	<u><u>\$ 40,656,689</u></u>	<u><u>49,260,262</u></u>	<u><u>25,661,708</u></u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Due from the Central Bank	\$ 88,298,930	85,208,065	66,573,244
Deposits transferred to Central Bank	52,586	39,664	53,887
Call loans to banks	50,840,318	63,310,015	72,109,231
Trust fund indemnity reserve deposited	120,000	110,000	110,000
Securities serving as trust fund indemnity reserve deposited	(120,000)	(110,000)	(110,000)
Total	<u><u>\$ 139,191,834</u></u>	<u><u>148,557,744</u></u>	<u><u>138,736,362</u></u>

As of September 30, 2023, December 31 and September 30, 2022, in accordance with the Banking Law and the Central Bank Law, the required reserve deposited by the Bank with the Central Bank amounted to \$87,820,168, \$84,763,295 and \$66,136,238 of which \$49,444,440, \$47,637,794 and \$46,176,086 respectively, were restricted and such restriction may only be lifted when the required reserve is adjusted to a lower amount.

As of September 30, 2023, December 31 and September 30, 2022, the Bank's subsidiaries and overseas branches, in compliance with the Central Bank's reserve requirement set by local authorities, deposited \$139,195, \$134,809 and \$135,084 and in reserve, of which \$48,869, \$52,137 and \$66,702 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, 2023, December 31 and September 30, 2022, the required reserve with the Central Bank amounted to \$339,567, \$309,961 and \$301,922 respectively, and its use was unrestricted.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of September 30, 2023, December 31 and September 30, 2022, 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, 2023, December 31 and September 30, 2022, the Bank deposited marketable securities of \$120,000, \$110,000 and \$110,000 as trust fund reserves.

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial assets at fair value through profit or loss, mandatorily measured at fair value :			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ 11,116	27,271	15,070
Currency swap contracts	2,052,211	1,088,827	590,643
Foreign currency options-buy	13,593	17,813	11,780
Stock index futures	26,872	26,860	29,457
Interest rate swap	3,406	5,896	4,649
Non-derivative financial assets			
Commercial paper	67,094,930	30,907,810	19,303,993
Listed stocks	955,197	752,713	687,563
Unlisted stocks	450,932	471,554	379,463
Beneficiary certificates	484,508	414,370	1,846,834
Financial debentures	200,000	200,000	200,000
Total	<u>\$ 71,292,765</u>	<u>33,913,114</u>	<u>23,069,452</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)

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Currency swaps contract	\$ 219,054,975	260,470,257	259,941,727
Interest rate swaps contract	12,919,551	12,665,622	12,257,936
Option contract - buy	1,373,768	1,229,230	1,195,010
Option contract - sell	1,373,768	1,229,230	1,195,010
Forward foreign exchange contract	1,825,377	2,786,130	3,074,450

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Securities purchased under resell agreements

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Securities under resell agreements	\$ <u>7,414,755</u>	<u>797,893</u>	<u>1,719,290</u>
Face amount	<u>7,437,000</u>	<u>800,000</u>	<u>1,720,000</u>
Resell period	<u>2023.10.02~2023.10.23</u>	<u>2023.01.05</u>	<u>2022.10.03~2022.10.14</u>
Range of resell interest rate	<u>1.35%~1.38%</u>	<u>1.24%</u>	<u>1.10%-1.15%</u>
Resell price	\$ <u>7,421,381</u>	<u>798,576</u>	<u>1,719,835</u>

(e) Receivables, net

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Interest receivable	\$ 5,061,027	4,123,259	3,379,918
Acceptances receivable	1,027,961	791,284	995,843
Accrued income	515,728	140,805	267,154
Accounts receivable	1,386,360	1,262,213	1,334,016
Spot exchange receivable-foreign currencies	4,992	9,096	10,273
Refinancing guaranty deposits	276	1,505	1,161
Guaranteed proceeds receivable from refinancing	230	1,158	1,200
Credit cards accounts receivable	1,195,534	1,098,733	1,032,802
Receivable price of securities purchased for customers	198,053	179,159	270,096
Settlement price	-	-	56,671
Installment receivables and leases	1,662,739	1,320,741	1,229,551
Other receivables	<u>294,822</u>	<u>233,198</u>	<u>406,400</u>
Sub-total	11,347,722	9,161,151	8,985,085
Less: Allowance for bad debts	<u>(114,253)</u>	<u>(104,042)</u>	<u>(105,389)</u>
Total	<u>\$ 11,233,469</u>	<u>9,057,109</u>	<u>8,879,696</u>

The outstanding contract amount of financial assets that have been written off and still have recourse as of September 30, 2023, December 31 and September 30, 2022 were \$83,693,069, \$85,659,528 and \$85,747,768 respectively.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The change in allowance for bad debts was as follows:

	For the nine months ended September 30,	
	2023	2022
Beginning balance	\$ 104,042	118,111
Provision (reversal)	10,730	(16,235)
Write-off	(610)	-
Foreign exchange	91	3,513
Ending balance	<u><u>\$ 114,253</u></u>	<u><u>105,389</u></u>

(f) Discounts and loans, net

	September 30, 2023	December 31, 2022	September 30, 2022
Import/export bills negotiated	\$ 188,031	111,492	191,332
Bills and notes discounted	496,430	631,574	605,846
Overdrafts	29,304	30,781	32,699
Secured overdrafts	1,679,329	934,845	1,350,552
Short-term loans	170,207,478	175,758,201	175,851,480
Short-term secured loans	217,375,912	222,836,626	216,794,726
Margin loans receivable	3,033,318	2,672,159	2,549,457
Medium-term loans	187,720,132	182,824,935	178,790,300
Medium-term secured loans	307,472,415	293,811,922	293,263,029
Long-term loans	36,170,645	36,127,193	33,995,245
Long-term secured loans	531,279,904	500,599,070	489,480,598
Overdue loans	<u>1,803,680</u>	<u>2,154,653</u>	<u>2,249,025</u>
Sub-total	1,457,456,578	1,418,493,451	1,395,154,289
Less: Adjustment of discount and premium	(274,020)	(302,470)	(318,837)
Less: Allowance for bad debts	<u>(18,688,482)</u>	<u>(18,078,616)</u>	<u>(17,416,469)</u>
Total	<u><u>\$ 1,438,494,076</u></u>	<u><u>1,400,112,365</u></u>	<u><u>1,377,418,983</u></u>

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The change in allowance for bad debts was as follows:

	For the nine months ended September 30,	
	2023	2022
Beginning balance	\$ 18,078,616	15,576,817
Provision	2,185,743	1,609,331
Transfer out	(8,988)	(16,323)
Write-off	(2,750,986)	(1,848,635)
Write-off recovered	1,166,556	2,020,472
Foreign exchange	17,541	74,807
Ending balance	<u><u>\$ 18,688,482</u></u>	<u><u>17,416,469</u></u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Investment in debt instruments measured at fair value through other comprehensive income :			
Government bonds	\$ 51,432,985	48,754,854	47,541,581
Corporate bonds	77,453,246	60,445,796	63,705,531
Financial debentures	36,948,928	32,639,581	32,505,819
Negotiable certificates of deposit	631,617	-	-
Subtotal	<u>166,466,776</u>	<u>141,840,231</u>	<u>143,752,931</u>
Investment in equity instruments measured at fair value through other comprehensive income :			
Listed stocks	15,425,671	12,676,936	9,232,754
Unlisted stocks	5,683,441	5,337,461	5,332,883
Real Estate Investment Trust	141,163	145,782	145,513
Subtotal	<u>21,250,275</u>	<u>18,160,179</u>	<u>14,711,150</u>
Total	<u><u>\$ 187,717,051</u></u>	<u><u>160,000,410</u></u>	<u><u>158,464,081</u></u>

(i) 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 (q) for more details.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) 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 \$670,591, \$761,463, \$1,234,455 and \$1,457,705, respectively as dividend revenue for the three months and nine months ended September 30, 2023 and 2022.

In which, the disposal equity instruments were recognized \$427,162, \$514,145, \$485,932 and \$734,393 as dividend revenue for the three months and nine months ended September 30, 2023 and 2022.

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 \$8,118,481, \$7,329,011, \$9,463,218 and \$11,503,063. And gains (losses) on disposal are \$656,659, \$(664,856), \$1,126,506 and \$(1,292,382) for the three months and nine months ended September 30, 2023 and 2022. Therefore, accumulated gains on disposal were transferred from other equity to retained earnings.

- (iii) Please refer to Note 6(ap) for the credit risk (including the impairment in debt instruments) and market risk information.
- (iv) The Bank and subsidiaries assessed the impairment of financial assets measured at fair value through other comprehensive income as of September 30, 2023 and 2022. The changes in allowance for credit losses attribute to the financial assets were as follows:

	For the nine months ended September 30,	
	2023	2022
Beginning balance	\$ 90,852	87,792
Provision	7,737	4,488
Foreign exchange	920	2,069
Ending balance	\$ 99,509	94,349

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Investment in debt instruments at amortized cost

	September 30, 2023	December 31, 2022	September 30, 2022
Certificates of deposit with the Central Bank	\$ 198,240,000	195,595,000	206,880,000
Government bonds	29,571,137	24,370,304	23,363,755
Corporate bonds	13,030,050	7,481,434	5,808,774
Financial debentures	14,892,710	9,337,858	12,508,316
Negotiable certificates of deposit	67,799	64,523	66,822
Subtotal	255,801,696	236,849,119	248,627,667
Less: Accumulated impairment	(80,624)	(74,872)	(76,698)
Total	<u>\$ 255,721,072</u>	<u>236,774,247</u>	<u>248,550,969</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.

(i) Please refer to Note 6(ap) for credit risk.

(ii) The pledged assets provided by the above investment in debt instruments at amortized cost were shown follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Reserve for provisional seizure by the court, international card payment reserve, trust claim reserve and operating guaranty funds	\$ 1,022,100	854,500	885,900
Overseas branches required reserve of overdraft guarantee	67,799	64,523	66,822
Daylight overdraft guarantee (Certificates of deposit with the Central Bank)	2,000,000	2,000,000	2,000,000
Guarantee for borrowing US dollars	29,000,000	29,000,000	29,000,000
Guarantee for borrowing JPY dollars	200,000	200,000	200,000
Sponsorship of Treasury Affairs	-	20,000,000	20,000,000
Total	<u>\$ 32,289,899</u>	<u>52,119,023</u>	<u>52,152,722</u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iii) The Bank and subsidiaries assessed the impairment of investment in debt instruments at amortized cost as of September 30, 2023 and 2022. The changes in allowance for credit losses attribute to these financial assets were as follows:

	For the nine months ended September 30,	
	2023	2022
Beginning balance	\$ 74,872	87,478
Provision (reversal)	5,532	(11,559)
Foreign exchange	220	779
Ending balance	<u>\$ 80,624</u>	<u>76,698</u>

- (iv) Disposal gain (loss) on disposal investment in assets at amortized cost :

	For the three months ended September 30, 2023		For the nine months ended September 30, 2023	
	The carrying amount at the date of derecognition	Gain (Loss) on disposal	The carrying amount at the date of derecognition	Gain (Loss) on disposal
Corporate bonds	\$ <u>5,057</u>	<u>53</u>	<u>12,136</u>	<u>131</u>

	For the three months ended September 30, 2022		For the nine months ended September 30, 2022	
	The carrying amount at the date of derecognition	Gain (Loss) on disposal	The carrying amount at the date of derecognition	Gain (Loss) on disposal
Corporate bonds	\$ <u>22,211</u>	<u>155</u>	<u>79,584</u>	<u>665</u>

For the three months and nine months ended September 30, 2023 and 2022, it is due to the advanced redemption of the issuer.

- (i) Investments accounted for using equity method

- (i) Associates

The Bank and subsidiaries had significant influence on Media Talk Consultants Co., Ltd. by investing 2 million dollars on December 22, 2021 and holding 20% equity on it. The establishment registration was completed on January 19, 2022. In addition, since Media Fund 1, which was planned to be raised, was not as well funded as expected and the accumulated losses of Media Talk Consultants Co., Ltd. had exceeded 70% of the paid-in capital at the end of 2022, it has ceased its operation with effect from May 1, 2023, after prudent assessment.

The Bank and subsidiaries' financial information for investments accounted for using the equity method are individually insignificant was as follows :

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount of individually insignificant associates' equity	\$ <u>-</u>	<u>808</u>	<u>1,167</u>

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Attributable to the Bank and subsidiaries:				
Net income	\$ -	(610)	(808)	(833)
Total comprehensive income	<u>\$ -</u>	<u>(610)</u>	<u>(808)</u>	<u>(833)</u>

(ii) Guarantee

As of September 30, 2023, the Bank and subsidiaries did not provide any investments accounted for using the equity method as collateral for its loans.

(j) Other financial assets, net

	<u>September 30,</u>	<u>December 31,</u>	<u>September 30,</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
Overdue receivable	\$ 20,699	58,786	81,366
Less: Allowance for bad debts, overdue receivable	(12,088)	(48,471)	(57,176)
Total	<u>\$ 8,611</u>	<u>10,315</u>	<u>24,190</u>

The change in allowance for bad debts was as follows:

	<u>For the nine months ended</u>	
	<u>September 30,</u>	
	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 48,471	51,392
Reversal	(17,614)	(16,138)
Transfer in	8,988	16,323
Write-off	(42,989)	(8,680)
Written-off recovered	15,232	14,279
Ending balance	<u>\$ 12,088</u>	<u>57,176</u>

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Property and equipment, net

<u>September 30, 2023</u>	<u>Cost</u>	<u>Revaluation increment</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Total</u>
Land	\$ 6,746,952	2,984,621	-	14,031	9,717,542
Buildings	8,127,756	31,184	4,932,878	14,754	3,211,308
Machinery and equipment	2,711,143	-	2,107,734	-	603,409
Transportation equipment	264,166	-	226,079	-	38,087
Miscellaneous equipment	664,923	-	562,283	-	102,640
Leasehold improvements	205,129	-	124,738	-	80,391
Construction in progress	53,832	-	-	-	53,832
Prepayment for equipment	276,499	-	-	-	276,499
Total	<u>\$ 19,050,400</u>	<u>3,015,805</u>	<u>7,953,712</u>	<u>28,785</u>	<u>14,083,708</u>

<u>December 31, 2022</u>	<u>Cost</u>	<u>Revaluation increment</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Total</u>
Land	\$ 6,743,535	2,986,161	-	14,031	9,715,665
Buildings	8,116,339	31,184	4,790,018	14,754	3,342,751
Machinery and equipment	2,696,721	-	2,012,107	-	684,614
Transportation equipment	272,344	-	230,440	-	41,904
Miscellaneous equipment	658,114	-	557,596	-	100,518
Leasehold improvements	205,430	-	119,731	-	85,699
Construction in progress	20,225	-	-	-	20,225
Prepayment for equipment	130,457	-	-	-	130,457
Total	<u>\$ 18,843,165</u>	<u>3,017,345</u>	<u>7,709,892</u>	<u>28,785</u>	<u>14,121,833</u>

<u>September 30, 2022</u>	<u>Cost</u>	<u>Revaluation increment</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Total</u>
Land	\$ 6,743,535	2,986,161	-	14,031	9,715,665
Buildings	8,067,437	31,184	4,741,181	14,754	3,342,686
Machinery and equipment	2,748,573	-	2,025,354	-	723,219
Transportation equipment	273,012	-	229,356	-	43,656
Miscellaneous equipment	655,393	-	556,471	-	98,922
Leasehold improvements	206,066	-	111,378	-	94,688
Construction in progress	30,078	-	-	-	30,078
Prepayment for equipment	114,146	-	-	-	114,146
Total	<u>\$ 18,838,240</u>	<u>3,017,345</u>	<u>7,663,740</u>	<u>28,785</u>	<u>14,163,060</u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Change of cost

	<u>January 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2023</u>
Land	\$ 9,729,696	3,417	1,540	-	9,731,573
Buildings	8,147,523	11,417	-	-	8,158,940
Machinery and equipment	2,696,721	126,636	114,545	2,331	2,711,143
Transportation equipment	272,344	5,459	14,105	468	264,166
Miscellaneous equipment	658,114	23,660	17,730	879	664,923
Leasehold improvements	205,430	20,289	20,777	187	205,129
Construction in progress	20,225	34,807	1,200	-	53,832
Prepayment for equipment	130,457	231,472	86,054	624	276,499
Total	<u>\$ 21,860,510</u>	<u>457,157</u>	<u>255,951</u>	<u>4,489</u>	<u>22,066,205</u>

	<u>January 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2022</u>
Land	\$ 9,729,696	-	-	-	9,729,696
Buildings	8,049,138	49,483	-	-	8,098,621
Machinery and equipment	2,393,432	416,054	70,319	9,406	2,748,573
Transportation equipment	272,502	6,074	6,540	976	273,012
Miscellaneous equipment	647,036	13,704	9,228	3,881	655,393
Leasehold improvements	162,953	41,828	1,389	2,674	206,066
Construction in progress	40,547	25,814	36,283	-	30,078
Prepayment for equipment	573,971	26,664	486,998	509	114,146
Total	<u>\$ 21,869,275</u>	<u>579,621</u>	<u>610,757</u>	<u>17,446</u>	<u>21,855,585</u>

Change of depreciation

	<u>January 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2023</u>
Buildings	\$ 4,790,018	142,860	-	-	4,932,878
Machinery and equipment	2,012,107	206,909	113,372	2,090	2,107,734
Transportation equipment	230,440	9,422	14,075	292	226,079
Miscellaneous equipment	557,596	21,791	17,591	487	562,283
Leasehold improvements	119,731	26,121	20,777	(337)	124,738
Total	<u>\$ 7,709,892</u>	<u>407,103</u>	<u>165,815</u>	<u>2,532</u>	<u>7,953,712</u>

	<u>January 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2022</u>
Buildings	\$ 4,592,658	148,523	-	-	4,741,181
Machinery and equipment	1,865,901	221,402	69,793	7,844	2,025,354
Transportation equipment	225,193	9,958	6,500	705	229,356
Miscellaneous equipment	539,601	22,940	9,134	3,064	556,471
Leasehold improvements	83,416	28,119	1,389	1,232	111,378
Total	<u>\$ 7,306,769</u>	<u>430,942</u>	<u>86,816</u>	<u>12,845</u>	<u>7,663,740</u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Accumulated impairment

	<u>January 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2023</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, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2022</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, 2023, the appreciation from revaluation of properties all amounted to \$3,015,805. Reserve for land incremental tax all amounted to \$878,623 (Recognized under deferred tax liabilities).

As of September 30, 2023, December 31 and September 30, 2022, land which was occupied all amounted to \$5,496. Except for a portion of the land that had been negotiated with the occupant to collect the rent; the Bank intends to participate in land auction, urban renewal or by other appropriate means in due course.

(I) Right-of-use assets

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, 2023</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Total</u>
Buildings	\$ 1,982,606	798,096	-	1,184,510
Machinery and equipment	26,178	26,162	-	16
Transportation equipment	89,264	39,725	-	49,539
Miscellaneous equipment	13,000	6,334	-	6,666
Total	<u>\$ 2,111,048</u>	<u>870,317</u>	<u>-</u>	<u>1,240,731</u>

<u>December 31, 2022</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Total</u>
Buildings	\$ 1,857,074	706,516	-	1,150,558
Machinery and equipment	26,497	26,408	-	89
Transportation equipment	77,477	22,728	-	54,749
Miscellaneous equipment	12,403	5,206	-	7,197
Total	<u>\$ 1,973,451</u>	<u>760,858</u>	<u>-</u>	<u>1,212,593</u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>September 30, 2022</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Total</u>
Buildings	\$ 1,802,834	667,683	-	1,135,151
Machinery and equipment	26,497	26,327	-	170
Transportation equipment	61,425	19,865	-	41,560
Miscellaneous equipment	11,997	4,943	-	7,054
Total	<u>\$ 1,902,753</u>	<u>718,818</u>	<u>-</u>	<u>1,183,935</u>

Change of cost

	<u>January 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2023</u>
Buildings	\$ 1,857,074	335,765	224,550	14,317	1,982,606
Machinery and equipment	26,497	-	319	-	26,178
Transportation equipment	77,477	13,353	1,733	167	89,264
Miscellaneous equipment	12,403	2,756	2,159	-	13,000
Total	<u>\$ 1,973,451</u>	<u>351,874</u>	<u>228,761</u>	<u>14,484</u>	<u>2,111,048</u>

	<u>January 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2022</u>
Buildings	\$ 1,795,803	485,938	488,246	9,339	1,802,834
Machinery and equipment	27,842	-	1,345	-	26,497
Transportation equipment	74,819	35,483	49,246	369	61,425
Miscellaneous equipment	10,337	2,147	487	-	11,997
Total	<u>\$ 1,908,801</u>	<u>523,568</u>	<u>539,324</u>	<u>9,708</u>	<u>1,902,753</u>

Change of depreciation

	<u>January 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2023</u>
Buildings	\$ 706,516	309,912	224,546	6,214	798,096
Machinery and equipment	26,408	73	319	-	26,162
Transportation equipment	22,728	18,692	1,741	46	39,725
Miscellaneous equipment	5,206	2,317	1,189	-	6,334
Total	<u>\$ 760,858</u>	<u>330,994</u>	<u>227,795</u>	<u>6,260</u>	<u>870,317</u>

	<u>January 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Foreign Exchange</u>	<u>September 30, 2022</u>
Buildings	\$ 683,580	289,289	313,179	7,993	667,683
Machinery and equipment	27,272	396	1,341	-	26,327
Transportation equipment	45,301	16,786	42,468	246	19,865
Miscellaneous equipment	3,353	1,961	371	-	4,943
Total	<u>\$ 759,506</u>	<u>308,432</u>	<u>357,359</u>	<u>8,239</u>	<u>718,818</u>

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Other assets, net

	September 30, 2023	December 31, 2022	September 30, 2022
Office supplies	\$ 29,245	29,019	28,932
Prepayments	10,270,826	8,168,184	4,859,984
Operating guarantee deposits and settlement fund	33,631	31,753	31,753
Guarantee deposits paid	2,546,641	2,641,545	1,730,641
Deferred assets	293	128	131
Temporary payments and suspense accounts	7,070,697	4,675,748	12,185,612
Proceeds of settlement and margin trading	317	60,139	95,802
Other assets	<u>185,452</u>	<u>176,432</u>	<u>141,145</u>
Total	<u>\$ 20,137,102</u>	<u>15,782,948</u>	<u>19,074,000</u>

(n) Deposits from the Central Bank and banks

	September 30, 2023	December 31, 2022	September 30, 2022
Deposits from the Central Bank	\$ 263,477	232,262	198,934
Due from the Central Bank	15,496,800	14,133,500	14,637,200
Deposits from banks	619,227	705,261	611,973
Call loans from banks	27,902,131	31,549,533	26,915,439
Overdrafts on banks	530,637	1,084,076	529,800
Deposits transferred from Chunghwa Post Co., Ltd.	134,814,545	147,261,545	92,261,545
Total	<u>\$ 179,626,817</u>	<u>194,966,177</u>	<u>135,154,891</u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Due to the Central Bank and banks

September 30, 2023					
	Currency	Interest Rate	Maturity Date	Original Amount	NTD Amount
Agricultural Bank of Taiwan	TWD	1.584%	2024.10.13	350,000	\$ 350,000
Mega International Commercial Bank	TWD	1.750%	2024.09.15	30,000	30,000
First Commercial Bank	TWD	1.750%~1.875%	2023.10.25~2024.02.08	90,000	90,000
Bank of Kaohsiung Co.,Ltd. (OBU)	USD	7.240%	2026.06.10	2,500	80,713
Sunny Commercial Bank (OBU)	USD	6.329%~6.629%	2024.07.05	20,000	645,700
First Commercial Bank	USD	7.20%	2023.11.18	1,000	32,285
Chang Hwa Commercial Bank ,Ltd. (OBU)	USD	7.130%	2024.04.27	1,000	32,285
Total					\$ 1,260,983
Unused credit lines					\$ 1,732,790

December 31, 2022					
	Currency	Interest Rate	Maturity Date	Original Amount	NTD Amount
Agricultural Bank of Taiwan	TWD	1.332%	2023.10.13	100,000	\$ 100,000
First Commercial Bank	TWD	1.450%~1.575%	2023.2.16~2023.4.25	140,000	140,000
Bank of Kaohsiung Co., Ltd. (OBU)	USD	5.50%	2023.6.10	10,000	307,250
Sunny Commercial Bank (OBU)	USD	5.642%~5.887%	2023.8.4~2023.8.26	9,000	276,525
KGI Commercial Bank Co., Ltd. (OBU)	USD	5.326%~6.261%	2023.1.10~2023.4.7	7,000	215,075
Bank of Panshin	USD	6.60%	2023.5.10~2023.8.18	3,000	92,175
Total					\$ 1,131,025
Unused credit lines					\$ 1,447,949

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

September 30, 2022					
	Currency	Interest Rate	Maturity Date	Original Amount	NTD Amount
First Commercial Bank	TWD	1.115%-1.24%	2023.2.16	20,000	\$ 20,000
Bank of Kaohsiung Co., Ltd. (OBU)	USD	3.955%	2023.6.10	10,000	318,200
Sunny Commercial Bank (OBU)	USD	4.053%-4.584%	2022.08.04~2023.08.26	10,000	318,200
KGI Commercial Bank Co., Ltd. (OBU)	USD	3.89%-4.6%	2023.01.10~2023.06.02	8,000	254,560
Bank of Panshin	USD	4.39%-4.5%	2023.05.10-2023.08.18	3,000	95,460
Total					\$ 1,006,420
Unused credit lines					\$ 1,474,396

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

	September 30, 2023	December 31, 2022	September 30, 2022
Financial liabilities designated at fair value through profit or loss :			
Financial debentures	\$ 9,870,309	9,367,595	9,579,939
Financial liabilities held for trading :			
Derivative instruments not used for hedging			
Foreign exchange forward contracts	26,696	10,932	116,998
Currency swap contracts	304,906	524,421	788,587
Foreign currency option-sell	13,642	17,864	11,865
Interest rate contract	1,868	4,713	3,854
Total	\$ 10,217,421	9,925,525	10,501,243

Please refer to 6(t) 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, 2023, December 31 and September 30, 2022.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Notes and bonds issued under repurchase agreement

	September 30, 2023			
		Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Assets	Par value			
Financial assets at fair value through other comprehensive income	\$ 2,785,431	2,571,494	2,579,532	Prior to July 1, 2024

	December 31, 2022			
		Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Assets	Par value			
Financial assets at fair value through other comprehensive income	\$ 2,616,634	2,462,991	2,472,765	Prior to July 1, 2024

	September 30, 2022			
		Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Assets	Par value			
Financial assets at fair value through other comprehensive income	\$ 2,631,083	2,474,973	2,483,792	Prior to July 1, 2024

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Payables

	September 30, 2023	December 31, 2022	September 30, 2022
Accrued interest	\$ 8,642,742	4,435,668	4,249,910
Accounts payable	10,646,378	11,042,992	2,984,166
Acceptances	1,056,508	802,824	1,012,420
Accrued expenses	3,586,613	3,277,743	2,878,896
Collection payable	3,215,218	676,888	12,057,335
Deposits received from securities borrowers	57,123	116,196	103,705
Guaranteed price deposits received from securities borrowers	67,281	108,289	113,998
Spot exchange payable, foreign currencies	7,983	13,625	10,222
Other payables	787,918	834,692	874,533
Prices payable of securities sold for customers	98,320	137,155	318,472
Dividends payable	805,690	2,724	2,725
Settlement payable	92,229	40,444	-
Other	4,522	3,891	4,666
Total	<u>\$ 29,068,525</u>	<u>21,493,131</u>	<u>24,611,048</u>

(s) Deposits and remittances

	September 30, 2023	December 31, 2022	September 30, 2022
Savings deposits	\$ 758,412,480	737,659,280	722,457,825
Time deposits	541,740,754	436,771,576	469,418,587
Demand deposits	458,762,494	465,429,114	465,403,251
Checking account deposits	25,512,397	33,292,182	21,817,668
Remittances	247,417	428,111	520,316
Total	<u>\$ 1,784,675,542</u>	<u>1,673,580,263</u>	<u>1,679,617,647</u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Bank notes payable

Terms of Transactions				Bond Issued			
Bonds	Issue date	Maturity date	Interest Rate & repayment	Type	September 30, 2023	Amount December 31, 2022	September 30, 2022
2015-2A	08/31/2015	08/31/2023	The debentures bear an annual interest rate of 2.05%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	\$ -	4,700,000	4,700,000
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
2016-2	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.	"	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
2018-2	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.	"	5,450,000	5,450,000	5,450,000
2019-1A	03/21/2019	03/21/2026	The debentures bear an annual interest rate of 1.20%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	1,000,000	1,000,000	1,000,000
2019-1B	03/21/2019	03/21/2029	The debentures bear an annual interest rate of 1.30%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	4,800,000	4,800,000	4,800,000
2020-1	03/25/2020	03/25/2030	The debentures bear an annual interest rate of 0.80%. 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

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Terms of Transactions				Bond Issued			
Bonds	Issue date	Maturity date	Interest Rate & repayment	Type	September 30, 2023	December 31, 2022	September 30, 2022
2021-1	11/17/2021	None	The debentures bear an annual interest rate of 1.60%.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	\$ 8,000,000	8,000,000	8,000,000
2023-1	06/20/2023	06/20/2030	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.	Unsecured subordinated long-term financial debentures	8,000,000	-	-
2023-2	09/27/2023	09/27/2025	The debentures bear an annual interest rate of 1.47%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured senior financial debentures	1,000,000	-	-
					\$ 56,550,000	52,250,000	52,250,000

The Bank issued \$120,000 and \$180,000 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:

Terms of Transactions				Bond Issued			
Bonds	Issue date	Maturity date	Interest Rate & repayment	Type	September 30, 2023	December 31, 2022	September 30, 2022
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	\$ 3,874,200	3,687,000	3,818,400
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.	"	5,811,300	5,530,500	5,727,600
				Valuation adjustment	184,809	150,095	33,939
					\$ 9,870,309	9,367,595	9,579,939

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	September 30, 2023	December 31, 2022	September 30, 2022
Fair value of corporate bonds	\$ 9,870,309	9,367,595	9,579,939
Fair value increase not attributable to changes in market conditions that give rise to market risk	301,388	170,133	248,230
Difference between the carrying value and the amount payable at the end of the contract term	184,809	150,095	33,939

(u) Other financial liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Cumulative earnings on appropriated loans fund	<u>\$ 2,764,254</u>	<u>2,910,581</u>	<u>3,200,414</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.

(v) Provisions

	September 30, 2023	December 31, 2022	September 30, 2022
Provision for guarantee liabilities	\$ 290,054	237,076	254,800
Provision for loan commitments	89,059	100,236	103,861
Indeterminate indemnity provisions	75,181	74,619	73,181
Provision for employee benefits	<u>2,178,712</u>	<u>2,264,171</u>	<u>2,852,390</u>
Total	<u>\$ 2,633,006</u>	<u>2,676,102</u>	<u>3,284,232</u>

Change of provision

	January 1, 2023	Increase	Decrease	Use	Foreign exchange	September 30, 2023
Provision for guarantee liabilities	\$ 237,076	52,831	-	-	147	290,054
Provision for loan commitments	100,236	-	12,241	-	1,064	89,059
Indeterminate indemnity provisions	74,619	562	-	-	-	75,181
Provision for employee benefits	<u>2,264,171</u>	<u>150,710</u>	<u>191,537</u>	<u>44,632</u>	-	<u>2,178,712</u>
Total	<u>\$ 2,676,102</u>	<u>204,103</u>	<u>203,778</u>	<u>44,632</u>	<u>1,211</u>	<u>2,633,006</u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	January 1, 2022	Increase	Decrease	Use	Foreign exchange	September 30, 2022
Provision for guarantee liabilities	\$ 258,065	-	3,880	-	615	254,800
Provision for loan commitments	71,423	30,606	-	-	1,832	103,861
Indeterminate indemnity provisions	73,181	-	-	-	-	73,181
Provision for employee benefits	3,017,541	158,815	280,420	43,546	-	2,852,390
Total	<u>\$ 3,420,210</u>	<u>189,421</u>	<u>284,300</u>	<u>43,546</u>	<u>2,447</u>	<u>3,284,232</u>

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

(w) Lease liabilities

Lease liabilities as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Less than one year	<u>\$ 374,636</u>	<u>387,320</u>	<u>387,173</u>
More than one year	<u>\$ 889,768</u>	<u>852,599</u>	<u>813,710</u>

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30, 2023	2022	For the nine months ended September 30, 2023	2022
Interest on lease liabilities	<u>\$ 4,283</u>	<u>4,302</u>	<u>13,016</u>	<u>12,453</u>
Expenses relating to short-term leases	<u>\$ 5,142</u>	<u>4,739</u>	<u>13,527</u>	<u>12,406</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 4,650</u>	<u>4,113</u>	<u>12,744</u>	<u>11,621</u>

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

	For the nine months ended September 30, 2023	2022
Total cash outflow for leases	<u>\$ 376,176</u>	<u>351,328</u>

(i) 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.

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) 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.

(x) Other liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Advance interest receipts	\$ 4,735	6,396	5,680
Unearned revenue	393,876	315,153	298,286
Other advance receipts	56,622	62,411	71,354
Guarantee deposits received	2,858,449	3,372,775	5,016,621
Others	23,162	6,347	6,841
Total	<u>\$ 3,336,844</u>	<u>3,763,082</u>	<u>5,398,782</u>

(y) Equity

(i) Common stock

As of September 30, 2023, December 31 and September 30, 2022, the Bank's authorized capital were all \$100,000,000, and the paid-in capital for common shares of the Bank were \$82,224,061, \$80,296,934 and \$80,296,934, respectively, with a par value of \$10 per share. The outstanding shares were 8,222,406, 8,029,693 and 8,029,693 thousand shares, respectively.

Pursuant to the resolution approved by the regular stockholders' meeting of the Bank on June 16, 2023, the Bank increased its capital from the retained earnings by \$1,927,127 and issued 192,713 thousand shares. The capital increase has been approved by the Financial Supervisory Commission and came into effect on August 16, 2023. The base date of the capital increase was September 8, 2023. The Bank has completed the alternation of registered capital amount on September 27, 2023.

Pursuant to the resolution approved by the regular stockholders' meeting of the Bank on June 17, 2022, the Bank increased its capital from the retained earnings by \$2,864,982 and issued 286,498 thousand shares. The capital increase has been approved by the Financial Supervisory Commission and came into effect on July 12, 2022. The base date of the capital increase was August 8, 2022. The Bank has completed the alteration of the registered capital amount on August 26, 2022.

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

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

	September 30, 2023	December 31, 2022	September 30, 2022
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.

(iii) 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% 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 NTDS\$ 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.

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.

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

On June 16, 2023 and June 17, 2022, the shareholder's meetings resolved to distribute the 2022 and 2021 earnings, respectively. The earnings were appropriated as follows:

	2022		2021	
	Distribution rate (NT dollar)	Amount	Distribution rate (NT dollar)	Amount
Dividends to common shareholders				
Stock dividends	\$ 0.24	1,927,127	0.37	2,864,982
Cash dividends	0.10	802,969	0.10	774,320
Total		\$ 2,730,096		3,639,302

(iv) 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, 2023	\$ (3,171,842)	(597,833)	(3,769,675)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(88)	280	192
Investment in financial assets measured at fair value through other comprehensive income			
-Unrealized amount	2,957,000	-	2,957,000
-Realized amount	(205)	-	(205)
Foreign currency translation difference—Exchange difference	-	581,752	581,752
Disposal of investments in equity instruments measured at fair value through other comprehensive income	(1,126,506)	-	(1,126,506)
September 30, 2023	\$ (1,341,641)	(15,801)	(1,357,442)
January 1, 2022	\$ 4,113,485	(1,807,265)	2,306,220
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(2,803)	20,701	17,898
Investment in financial assets measured at fair value through other comprehensive income			
-Unrealized amount	(10,057,182)	-	(10,057,182)
-Realized amount	(4,936)	-	(4,936)
Foreign currency translation difference—Exchange difference	-	1,571,143	1,571,143
Disposal of investments in equity instruments measured at fair value through other comprehensive income	1,292,382	-	1,292,382
September 30, 2022	\$ (4,659,054)	(215,421)	(4,874,475)

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(z) Income taxes

(i) The income tax expenses were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current tax expense				
Current period	\$ 582,110	763,759	1,667,666	1,599,629
Adjustment for prior period	-	-	60,929	5,401
Additional surtax on undistributed retained earnings	-	-	1,949	-
Income Basic Tax	<u>3,753</u>	<u>-</u>	<u>15,024</u>	<u>-</u>
	585,863	763,759	1,745,568	1,605,030
Deferred tax expense				
Origination and reversal of temporary different	(180,480)	(275,390)	(110,056)	(205,172)
Changes in unrecognized deductible temporary different	880	-	2,819	-
Income tax expenses	<u>\$ 406,263</u>	<u>488,369</u>	<u>1,638,331</u>	<u>1,399,858</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ 121,201	201,893	145,508	397,961
Losses on debt instruments at fair value through other comprehensive income	785	(4,780)	2,018	(31,928)
Total	<u>\$ 121,986</u>	<u>197,113</u>	<u>147,526</u>	<u>366,033</u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Uncertainty over income tax treatments

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

(iv) The Bank's income tax returns through 2017, 2019 and 2021 have been assessed by the Tax Authority.

(v) The income tax returns of the subsidiaries TBB Venture Capital Co., Ltd., TBB Consulting Co., Ltd., and TBB International Leasing Co., Ltd. have been assessed until 2021 by the Tax Authority.

(aa) Provision for employee benefit

As of September 30, 2023, December 31 and September 30, 2022, the balance of provision for employee benefit of the Bank and subsidiaries was as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Defined benefit plan	\$ 1,096,471	1,211,918	1,771,098
Employee deposits with favorable rate	<u>1,082,241</u>	<u>1,052,253</u>	<u>1,081,292</u>
	<u>\$ 2,178,712</u>	<u>2,264,171</u>	<u>2,852,390</u>

(i) Defined benefit plan

In 2022, 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, 2022 and 2021 by the Bank and subsidiaries.

The Bank and subsidiaries recognized the expenses amounting to \$40,245, \$42,959, \$120,766 and \$128,872 for the three months and nine months ended September 30, 2023 and 2022, respectively.

(ii) 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 \$46,325, \$42,860, \$138,311 and \$127,190 for the three months and nine months ended September 30, 2023 and 2022, respectively.

(iii) Employee deposit with favorable rate

In 2022, 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, 2022 and 2021 by the Bank and subsidiaries.

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Bank and subsidiaries recognized expenses amounting to \$64,269, \$64,043, \$192,292 and \$190,768 for the three months and nine months ended September 30, 2023 and 2022, respectively.

(ab) Earnings per share

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income	\$ <u>2,166,532</u>	<u>2,929,257</u>	<u>8,368,889</u>	<u>7,089,901</u>
Weighted average number of common shares outstanding (in thousands) (Note 1)	<u>8,222,406</u>	<u>8,222,406</u>	<u>8,222,406</u>	<u>8,222,406</u>
Basic earnings per share (in dollars) (Note 1)	\$ <u>0.26</u>	<u>0.36</u>	<u>1.02</u>	<u>0.86</u>
Dilutive potential common shares (in thousands) (Note 1 and 2)	<u>27,358</u>	<u>14,947</u>	<u>59,432</u>	<u>38,880</u>
Weighted average number of common shares outstanding for diluted earnings per share (in thousands) (Note 1)	<u>8,249,764</u>	<u>8,237,353</u>	<u>8,281,838</u>	<u>8,261,286</u>
Diluted earnings per share (in dollars) (Note 1)	\$ <u>0.26</u>	<u>0.36</u>	<u>1.01</u>	<u>0.86</u>

Note 1: The earnings per share for the three months and nine months ended September 30, 2022 has applied retrospective adjustments.

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

(ac) 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, 2023 and 2022, the estimated employee remuneration were \$361,125, \$218,102, \$784,497 and \$478,411, and the estimated directors' remuneration were \$27,614, \$20,972, \$65,459 and \$49,079, 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, 2022 and 2021, the employees' remuneration was accrued at \$451,457 and \$371,068 and the directors' remuneration was accrued at \$75,243 and \$37,107, respectively.

There is no difference with actual distribution for 2022 and 2021 remuneration. The information is available at the Market Observation Post System website.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ad) Net interest revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest income:				
Loans	\$ 3,479,591	2,275,216	9,731,438	5,281,649
Secured loans	6,562,462	5,146,890	18,974,976	13,571,062
Bills negotiated	1,394	1,391	4,899	2,944
Bank overdrafts	6,855	3,495	19,009	9,923
Discounts	9,589	4,832	25,663	9,655
Time deposit from Central Bank	524,459	338,224	1,526,164	816,482
Due from the Central Bank	120,744	56,856	346,875	120,852
Call loans to banks	366,367	341,546	1,595,632	689,260
Bonds	1,302,665	714,548	3,366,517	1,846,120
International credit card	8,623	8,851	25,931	26,673
Overdue loans	42,685	41,971	347,160	172,488
Bills	24,054	6,084	60,385	24,293
Due from Banks	62,539	29,755	159,961	76,189
Others	<u>96,287</u>	<u>88,947</u>	<u>298,646</u>	<u>224,312</u>
Subtotal	<u>12,608,314</u>	<u>9,058,606</u>	<u>36,483,256</u>	<u>22,871,902</u>
Interest expense:				
Deposits	7,098,142	3,188,338	19,929,623	6,624,559
Deposits from banks	329	473	538	1,438
Call loans from banks	570,149	332,271	1,504,848	470,233
Financial debentures	225,494	191,546	607,215	568,391
Notes and bond issued under repurchase agreement	12,746	2,833	25,714	4,977
Others	<u>37,603</u>	<u>25,802</u>	<u>105,390</u>	<u>65,139</u>
Subtotal	<u>7,944,463</u>	<u>3,741,263</u>	<u>22,173,328</u>	<u>7,734,737</u>
Total	<u><u>\$ 4,663,851</u></u>	<u><u>5,317,343</u></u>	<u><u>14,309,928</u></u>	<u><u>15,137,165</u></u>

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ae) Net service fee revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Service fee income:				
Remittance service fee	\$ 16,629	16,242	48,610	47,627
Import bills negotiated service fee	10,290	11,203	30,993	36,661
Export bills negotiated service fee	2,330	2,935	7,527	9,943
Letter of credit service fee	2,326	2,587	6,059	7,209
Certification service fee	634	194	1,662	870
Acceptance service fee	679	237	1,849	1,009
Trust service fee	143,070	122,214	384,841	463,908
Guarantee service fee	69,592	61,126	197,604	184,128
Agency service fee	7,030	7,391	19,817	27,053
Interbank service fee	28,061	26,669	82,887	81,648
Card service fee	40,739	27,303	122,422	76,176
Insurance commission	696,713	432,589	1,970,108	1,161,322
Custodian service fee	49,428	47,595	145,294	151,977
Foreign currency service fee	19,245	20,731	57,277	63,758
Commission of futures	982	921	2,307	2,198
Loan service fee	243,558	209,681	652,825	655,202
Miscellaneous fees	<u>49,183</u>	<u>53,560</u>	<u>157,599</u>	<u>375,598</u>
Subtotal	<u>1,380,489</u>	<u>1,043,178</u>	<u>3,889,681</u>	<u>3,346,287</u>
Service fee expense:				
Foreign currency service fee	7,125	7,120	23,337	21,823
Interbank service fee	50,182	45,287	143,018	131,644
Trust service fee	476	236	1,212	596
Agency service fee	340	396	1,019	1,187
IC card service fee	30,112	16,139	88,221	49,146
Check clearing service fee	2,166	2,096	6,149	6,592
Remittance service fee	1,242	1,355	3,660	4,135
Custodian service fee	15,763	14,104	45,565	45,165
Call loans service fee	984	1,948	10,018	4,813
Futures option fee	-	7	1	27
Miscellaneous fees	<u>5,846</u>	<u>5,738</u>	<u>18,045</u>	<u>17,177</u>
Subtotal	<u>114,236</u>	<u>94,426</u>	<u>340,245</u>	<u>282,305</u>
Total	<u><u>\$ 1,266,253</u></u>	<u><u>948,752</u></u>	<u><u>3,549,436</u></u>	<u><u>3,063,982</u></u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Valuation gains (losses):				
Corporate bonds	\$ -	-	-	(5,636)
Financial debentures	(356,407)	(309,179)	(346,107)	(326,185)
Listed stocks and emerging stocks	(153,335)	62,773	25,117	143,000
Unlisted stocks	17,184	40,170	(42,251)	83,060
Beneficiary certificates	(1,981)	3,448	1,473	(4,562)
Private fund	(2,921)	14,643	(11,186)	3,796
Commercial paper	(3,796)	8,299	(21,663)	9,456
Derivative financial instruments	<u>551,069</u>	<u>1,156</u>	<u>1,150,360</u>	<u>(681,524)</u>
Subtotal	<u>49,813</u>	<u>(178,690)</u>	<u>755,743</u>	<u>(778,595)</u>
Disposal gains (losses):				
Corporate bonds	-	-	-	6,437
Financial debentures	-	-	-	(4,097)
Listed stocks and emerging stocks	28,157	(12,896)	174,696	(34,902)
Unlisted stocks	-	-	(17,017)	(270)
Beneficiary certificates	2,296	(5,821)	6,202	(23,173)
Commercial paper	(531)	352	(99)	(3,196)
Derivative financial instruments	<u>1,024,202</u>	<u>408,655</u>	<u>2,889,921</u>	<u>476,028</u>
Subtotal	<u>1,054,124</u>	<u>390,290</u>	<u>3,053,703</u>	<u>416,827</u>
Dividend revenue	12,381	6,325	28,397	14,603
Interest income	<u>235,803</u>	<u>45,240</u>	<u>605,879</u>	<u>121,313</u>
Total	<u>\$ 1,352,121</u>	<u>263,165</u>	<u>4,443,722</u>	<u>(225,852)</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Gain on disposal of government bonds	\$ -	276	-	4,480
Gain on disposal of corporate bonds	61	120	205	626
Loss on disposal of financial debentures	-	(72)	-	(170)
Dividend revenue	<u>670,591</u>	<u>761,463</u>	<u>1,234,455</u>	<u>1,457,705</u>
Total	<u>\$ 670,652</u>	<u>761,787</u>	<u>1,234,660</u>	<u>1,462,641</u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Investment in debt instrument measured at fair value through other comprehensive income	\$ 2,164	1,345	(7,737)	(4,488)
Investment in debt instrument measured at amortized cost	(3,340)	4,102	(5,532)	11,559
Total	<u>\$ (1,176)</u>	<u>5,447</u>	<u>(13,269)</u>	<u>7,071</u>

(ai) Share of profit of associates and joint ventures accounted for using equity method

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Investment income - Media Talk Consulting Co., Ltd.	\$ -	(610)	(808)	(833)

(aj) Net other revenue other than interest income

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Rental revenue of operating assets	\$ 2,440	2,026	7,535	6,157
Rental expense of operating assets	-	-	(435)	(385)
Loss on disposal and retirement of property and equipment	(655)	(287)	(1,284)	(588)
Loss of account error	(21)	(29)	(109)	(71)
Gold deposit book	250	641	1,197	2,213
Other operating expense	(2,267)	(9,809)	(32,970)	(28,878)
Other miscellaneous income	8,609	13,917	96,284	92,251
Total	<u>\$ 8,356</u>	<u>6,459</u>	<u>70,218</u>	<u>70,699</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Discounted and loans	\$ 1,371,535	679,517	2,185,743	1,609,331
Call loans to banks	(1,216)	(7,677)	(4,401)	387
Receivables and other financial assets	(438)	(14,183)	(6,884)	(32,373)
Subtotal	1,369,881	657,657	2,174,458	1,577,345
Provisions for guarantee liabilities	22,014	(9,870)	52,831	(3,880)
Provisions for loan commitments	(6,360)	(9,175)	(12,241)	30,606
Total	<u>\$ 1,385,535</u>	<u>638,612</u>	<u>2,215,048</u>	<u>1,604,071</u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
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(al) Employee benefits expenses

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Salary expense	\$ 2,173,422	2,029,799	6,044,322	5,626,616
Labor and health insurance	139,720	134,972	430,656	406,862
Pension expense	86,417	85,706	258,572	255,609
Directors' remuneration	31,541	24,711	76,889	60,371
Other employee benefits	169,602	168,639	510,739	506,649
Total	<u>\$ 2,600,702</u>	<u>2,443,827</u>	<u>7,321,178</u>	<u>6,856,107</u>

(am) Depreciation and amortization expense

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Depreciation				
Property and equipment	\$ 135,112	136,429	406,994	429,597
Right-of-use assets	110,160	103,762	330,994	308,432
Amortization				
Computer software	72,666	64,775	211,212	184,215
Other deferred charges	47	37	55	44
Total	<u>\$ 317,985</u>	<u>305,003</u>	<u>949,255</u>	<u>922,288</u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(an) Other general and administrative expense

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Compensation loss	\$ 3	26	261	30
Utilities fee	32,604	29,839	69,756	65,145
Postage and telecommunication fee	86,320	59,022	210,746	183,131
Transportation fee	10,728	8,305	26,298	19,939
Printing and advertisement fee	129,136	50,981	238,965	137,817
Repair and maintenance fee	149,787	54,146	301,668	183,648
Insurance fee	97,729	93,661	321,772	281,833
Professional service fee	69,083	61,951	191,455	167,856
Materials and supplies	36,525	34,693	106,805	86,784
Rental expenses	9,792	8,852	26,271	24,027
Duties and levies	522,243	414,251	1,515,961	1,132,747
Membership, donation and partaking	178,868	158,735	510,000	461,434
Storage, packing and processing fee	15,592	10,997	38,170	33,683
Cash transit fee	14,997	15,246	47,128	49,604
Others	21,294	19,950	54,664	52,046
Total	<u>\$ 1,374,701</u>	<u>1,020,655</u>	<u>3,659,920</u>	<u>2,879,724</u>

(ao) Financial Instruments

(i) 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.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Based on fair value measurement

a) The fair value hierarchy of information

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

Assets and Liabilities	September 30, 2023			
	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	\$ 1,406,129	955,197	-	450,932
Bond Investments	200,000	-	200,000	-
Others	67,579,438	298,265	67,094,930	186,243
Financial assets at fair value through other comprehensive income				
Security Investments	21,109,112	15,425,671	-	5,683,441
Bond Investments	165,835,159	95,578,625	70,256,534	-
Others	772,780	141,163	631,617	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	9,870,309	-	9,870,309	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	2,107,198	26,872	2,080,326	-
Liabilities:				
Financial liabilities at fair value through profit or loss	347,112	-	347,112	-

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Assets and Liabilities	December 31, 2022			
	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	\$ 1,224,267	752,713	-	471,554
Bond Investments	200,000	-	200,000	-
Others	31,322,180	250,691	30,907,810	163,679
Financial assets at fair value through other comprehensive income				
Security Investments	18,014,397	12,676,936	-	5,337,461
Bond Investments	141,840,231	91,536,068	50,304,163	-
Other	145,782	145,782	-	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	9,367,595	-	9,367,595	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	1,166,667	26,860	1,139,807	-
Liabilities:				
Financial liabilities at fair value through profit or loss	557,930	-	557,930	-

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Assets and Liabilities	September 30, 2022			
	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	\$ 1,067,026	687,563	-	379,463
Bond Investments	200,000	-	200,000	-
Others	21,150,827	1,679,319	19,303,993	167,515
Financial assets at fair value through other comprehensive income				
Security Investments	14,565,637	9,232,754	-	5,332,883
Bond Investments	143,752,931	93,730,674	50,022,257	-
Other	145,513	145,513	-	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	9,579,939	-	9,579,939	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	651,599	29,457	622,142	-
Liabilities:				
Financial liabilities at fair value through profit or loss	921,304	-	921,304	-

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.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

i) 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.

ii) 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.

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

d) Transfers between Level 1 and Level 2

There were no transfers between Level 1 and 2 for the nine months ended September 30, 2023 and 2022.

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, 2023								
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	\$ 635,233	(53,437)	-	118,731	-	29,887	33,465	637,175
Investments in equity instruments measured at fair value through other comprehensive income	5,337,461	-	345,980	-	-	-	-	5,683,441

For the nine months ended September 30, 2022								
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 (Note)	
Financial assets at fair value through profit or loss	\$ 508,481	86,857	-	139,380	-	94,256	93,484	546,978
Investments in equity instruments measured at fair value through other comprehensive income	4,974,579	-	358,304	-	-	-	-	5,332,883

Note: The invested stock is registered in the emerging market. Therefore, the measurement of fair value was transferred out from Level 3.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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,	
	2023	2022
Recognized on profit and loss (reported as unrealized gain (loss) from investments instruments measured at fair value through profit and loss)	\$ (78,492)	86,497
Recognized on other comprehensive income (reported as unrealized gain (loss) from investments instruments measured at fair value through other comprehensive income)	345,980	358,304
	For the three months ended September 30,	
	2023	2022
Recognized on profit and loss (reported as unrealized gain (loss) from investments instruments measured at fair value through profit and loss)	\$ (10,793)	54,813
Recognized on other comprehensive income (reported as unrealized gain (loss) from investments instruments measured at fair value through other comprehensive income)	169,675	(379,701)

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
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g) Quantified information of the fair value measurement of significant unobservable inputs (Level 3)

The Bank and subsidiaries' financial instruments that use Level 3 inputs to measure fair value include financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. Without active market quotation, the Bank and subsidiaries takes 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, 2023					
	<u>fair value</u>	<u>valuation methods</u>	<u>significant unobservable inputs</u>	<u>range</u>	<u>inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial asset at fair value through profit or loss					
Private fund	\$ 186,243	assets approach	liquidity discount	0.00%~10.00%	The higher market liquidity discount, the lower fair value.
Unlisted stocks	450,932	market approach	liquidity discount	0.00%~42.74%	The higher market liquidity discount, the lower fair value.
Financial assets at fair value through other comprehensive income					
Unlisted stocks	5,683,441	market approach	liquidity discount	11.94%~29.61%	The higher market liquidity discount, the lower fair value.
		assets approach			
		income approach	sustainable growth rate	0.00%~1.53%	The higher sustainable growth rate, the higher fair value.
		income approach	cost of equity	10.53%~12.17%	The higher rate of cost of equity, the lower fair value.
December 31, 2022					
	<u>fair value</u>	<u>valuation methods</u>	<u>significant unobservable inputs</u>	<u>range</u>	<u>inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss					
Private fund	\$ 163,679	assets approach	liquidity discount	0.00%~10.00%	The higher market liquidity discount, the lower fair value.
Unlisted stocks	471,554	market approach	liquidity discount	0.00%~36.67%	The higher market liquidity discount, the lower fair value.
Financial assets at fair value through other comprehensive income					
Unlisted stocks	5,337,461	market approach	liquidity discount	8.62%~29.95%	The higher market liquidity discount, the lower fair value.
		assets approach			
		income approach	sustainable growth rate	0.00%~1.55%	The higher sustainable growth rate, the higher fair value.
		income approach	cost of equity	10.96%~12.68%	The higher rate of cost of equity, the lower fair value.

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September 30, 2022					
	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	\$ 167,515	assets approach	liquidity discount	0.00%~10.00%	The higher market liquidity discount, the lower fair value.
Unlisted stocks	379,463	market approach	liquidity discount	0.00%~36.67%	The higher market liquidity discount, the lower fair value.
Financial assets at fair value through other comprehensive income					
Unlisted stocks	5,332,883	market approach	liquidity discount	8.69%~34.45%	The higher market liquidity discount, the lower fair value.
		assets approach			
		income approach	sustainable growth rate	0.00%~1.49%	The higher sustainable growth rate, the higher fair value.
		income approach	cost of equity	10.74%~12.46%	The higher rate of cost of equity, the lower fair value.

- h) Sensitivity analysis of reasonably possible alternative assumptions for fair value measurement in Level 3.

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

- i) 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 income is as follows:

			the effects to the net income and other comprehensive income	
			Favorable changes (-5%)	Unfavorable changes (+5%)
September 30, 2023				
Financial assets at fair value through profit or loss				
Unlisted stocks and private fund	\$	38,363		(38,363)
Financial assets at fair value through other comprehensive income				
Unlisted stocks		330,769		(330,769)

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
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		the effects to the net income and other comprehensive income	
		Favorable changes (-5%)	Unfavorable changes (+5%)
December 31, 2022			
Financial assets at fair value through profit or loss			
Unlisted stocks and private fund	\$	36,225	(36,225)
Financial assets at fair value through other comprehensive income			
Unlisted stocks		309,605	(309,605)
		the effects to the net income and other comprehensive income	
		Favorable changes (-5%)	Unfavorable changes (+5%)
September 30, 2022			
Financial assets at fair value through profit or loss			
Unlisted stocks and private fund	\$	32,109	(32,109)
Financial assets at fair value through other comprehensive income			
Unlisted stocks		308,311	(308,311)

ii) **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, 2023			
Financial assets at fair value through other comprehensive income			
Unlisted stocks	\$	3,301	(3,107)

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
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		the effects to other comprehensive income	
		Favorable changes (+0.3%)	Unfavorable changes (-0.3%)
December 31, 2022			
Financial assets at fair value through other comprehensive income			
Unlisted stocks	\$	2,975	(2,781)
		the effects to other comprehensive income	
		Favorable changes (+0.3%)	Unfavorable changes (-0.3%)
September 30, 2022			
Financial assets at fair value through other comprehensive income			
Unlisted stocks	\$	3,104	(2,911)
2. cost of equity			
		the effects to other comprehensive income	
		Favorable changes (-3%)	Unfavorable changes (+3%)
September 30, 2023			
Financial assets at fair value through other comprehensive income			
Unlisted stocks	\$	69,439	(33,145)
		the effects to other comprehensive income	
		Favorable changes (-3%)	Unfavorable changes (+3%)
December 31, 2022			
Financial assets at fair value through other comprehensive income			
Unlisted stocks	\$	61,250	(30,146)
		the effects to other comprehensive income	
		Favorable changes (-3%)	Unfavorable changes (+3%)
September 30, 2022			
Financial assets at fair value through other comprehensive income			
Unlisted stocks	\$	64,225	(31,246)

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

4) Not based on fair value measurement

a) Fair value information

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

September 30, 2023		
	Book value	Fair value
Debt instruments measured at amortized cost \$	255,721,072	255,346,140

December 31, 2022		
	Book value	Fair value
Debt instruments measured at amortized cost \$	236,774,247	236,657,427

September 30, 2022		
	Book value	Fair value
Debt instruments measured at amortized cost \$	248,550,969	248,094,896

b) The fair value hierarchy of information

September 30, 2023				
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 \$	255,346,140	42,095,086	213,251,054	-

December 31, 2022				
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 \$	236,657,427	31,336,817	205,320,610	-

September 30, 2022				
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 \$	248,094,896	28,001,504	220,093,392	-

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

c) Valuation techniques

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

- i) 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.
- ii) 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.
- iii) 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.
- iv) 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.
- v) 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.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ap) Financial Risk Information

(i) 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.

(ii) Risk management organization structure

1) Risk Management Committee

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

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

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

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(iii) 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.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

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:

- i) 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.

- ii) 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.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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 considers 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

- i) The borrowers failed to pay the principal and interest overdue for more than 30 days, less than 90 days;
- ii) 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;

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
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- iii) 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 is except;
 - iv) The bank knows (if it has received the notice from court) that the collaterals are compulsory executed by other banks;
 - v) Borrowers were notified the refund by the Bank and did not conduct refund notice;
 - vi) The letter of credit insurance fund notice due to the related company's overdue debt in other bank, the creditor to stop the delivery;
 - vii) Because the borrowers have been involved in litigation and unfavorable judgments, their ability of credit performance is affected;
 - viii) The customer is classified as an early warning account by the Bank or has bad credit that aware by others.
- b) Debt instrument investments
 - i) The latest credit rating on the report date was non-investment grade and fell more than two levels than the original rating, or;
 - ii) Investment target evaluation loss is up to 30% of investment cost.
- 4) The credit risk has not increased significantly or judged as low credit risk on the report date

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

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
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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
 - i) Significant financial difficulty of the issuer or the borrower;
 - ii) A breach of contract, such as a default or past due event ;
 - iii) 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;
 - iv) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
 - v) The disappearance of an active market for that financial asset because of financial difficulties;
 - vi) The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses;
- b) Debt instrument investments
 - i) Significant financial difficulty of the issuer;
 - ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - iii) The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses.
 - iv) 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.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- b) After the collateral and the assets of the principal and subordinate debtors have been priced low or deducted from the first-order mortgage, they cannot be repaid, the execution costs are close or may exceed the Bank's reimbursable amount, and the implementation is not beneficial.
- c) The collateral and the property of the principal and subordinate debtors were auctioned off at no cost and were not bought by anyone, and there was no one have substantial benefits.
- d) Overdue loan and non-accrual loan have exceeded the liquidation period for two years.

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

7) Modification of contractual cash flow of financial assets

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

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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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

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In order to assess the expected credit losses of credit assets, the Bank and subsidiaries is 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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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

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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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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

9) Credit risk hedging or diminishing.

a) Collaterals

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

b) Limit of credit risk and the control of credit risk concentration

i) 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.

ii) 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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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
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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 has been credit derogated and the collateral for mitigating potential losses are as follows:

September 30, 2023	Carrying amount	Allowance impairment	Exposure (measured at amortized cost)	Value of collateral
Impairment financial assets :				
Receivables				
Accounts receivables	\$ 118,072	14,087	103,985	111,714
Interest receivable	52,128	11,507	40,621	-
Discounts and loans	21,484,057	4,625,205	16,858,852	22,319,207
Overdue receivable	20,699	11,478	9,221	-
Total impairment financial assets	<u><u>\$ 21,674,956</u></u>	<u><u>4,662,277</u></u>	<u><u>17,012,679</u></u>	<u><u>22,430,921</u></u>

December 31, 2022	Carrying amount	Allowance impairment	Exposure (measured at amortized cost)	Value of collateral
Impairment financial assets :				
Receivables				
Accounts receivables	\$ 75,222	10,034	65,188	73,243
Interest receivable	42,578	7,050	35,528	-
Discounts and loans	20,309,083	4,784,155	15,524,928	22,707,890
Overdue receivable	58,786	15,898	42,888	-
Total impairment financial assets	<u><u>\$ 20,485,669</u></u>	<u><u>4,817,137</u></u>	<u><u>15,668,532</u></u>	<u><u>22,781,133</u></u>

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<u>September 30, 2022</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	\$ 70,069	2,377	67,692	70,069
Interest receivable	34,446	7,006	27,440	-
Discounts and loans	19,169,929	4,495,265	14,674,664	21,879,820
Overdue receivable	<u>81,366</u>	<u>23,095</u>	<u>58,271</u>	<u>-</u>
Total impairment financial assets	<u><u>\$ 19,355,810</u></u>	<u><u>4,527,743</u></u>	<u><u>14,828,067</u></u>	<u><u>21,949,889</u></u>

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

11) Credit risk concentration

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

a) By industry

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

<u>Industry</u>	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Private business	\$ 906,307,932	62.18 %	894,970,270	63.09 %	860,236,074	61.66 %
Public business	23,773,869	1.63 %	6,415,252	0.45 %	4,230,770	0.30 %
Government institution	48,185,000	3.31 %	70,682,095	4.98 %	72,698,095	5.21 %
Nonprofit organization	2,708,235	0.18 %	2,919,516	0.21 %	2,887,998	0.21 %
Individual	373,488,542	25.63 %	346,079,715	24.40 %	335,593,289	24.05 %
Foreign financial institution	7,944,321	0.55 %	6,899,993	0.49 %	6,638,510	0.48 %
Foreign non-financial institution	93,187,683	6.39 %	87,153,772	6.14 %	109,309,378	7.83 %
Foreign individual	1,860,996	0.13 %	3,372,838	0.24 %	3,560,175	0.26 %
Total	<u><u>\$ 1,457,456,578</u></u>	<u><u>100.00 %</u></u>	<u><u>1,418,493,451</u></u>	<u><u>100.00 %</u></u>	<u><u>1,395,154,289</u></u>	<u><u>100.00 %</u></u>

b) By geographic area

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

<u>Area</u>	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Domestic	\$ 1,354,463,578	92.93 %	1,321,066,848	93.13 %	1,275,646,226	91.43 %
Foreign	<u>102,993,000</u>	<u>7.07 %</u>	<u>97,426,603</u>	<u>6.87 %</u>	<u>119,508,063</u>	<u>8.57 %</u>
Total	<u><u>\$ 1,457,456,578</u></u>	<u><u>100.00 %</u></u>	<u><u>1,418,493,451</u></u>	<u><u>100.00 %</u></u>	<u><u>1,395,154,289</u></u>	<u><u>100.00 %</u></u>

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c) By collateral

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

Collateral	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%
Unsecured	\$ 263,054,382	18.05 %	271,796,900	19.16 %	271,570,527	19.47 %
Stocks	8,593,613	0.59 %	8,846,336	0.63 %	8,304,707	0.60 %
Bonds	20,983,452	1.44 %	23,134,859	1.63 %	20,099,203	1.44 %
Real estate	911,578,048	62.54 %	878,535,410	61.93 %	860,258,990	61.66 %
Chattel	14,252,623	0.98 %	15,849,874	1.12 %	15,529,115	1.11 %
Notes receivable	2,210,836	0.15 %	2,414,280	0.17 %	2,420,432	0.17 %
Guarantees	227,635,209	15.62 %	208,721,552	14.71 %	208,581,801	14.95 %
Others	9,148,415	0.63 %	9,194,240	0.65 %	8,389,514	0.60 %
Total	<u>\$ 1,457,456,578</u>	<u>100.00 %</u>	<u>1,418,493,451</u>	<u>100.00 %</u>	<u>1,395,154,289</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, 2023	December 31, 2022	September 30, 2022
Issued and irrevocable loan commitments	\$ 107,124,453	64,987,007	74,862,228
Irrevocable credit card loan commitments	17,981,514	18,839,955	19,226,826
Letters of credit issued yet unused	9,187,202	8,129,149	10,143,955
Various guarantee proceeds	27,913,672	22,056,496	24,064,589
Total	<u>\$ 162,206,841</u>	<u>114,012,607</u>	<u>128,297,598</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.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- b) The credit quality analyses of the financial assets
- i) Credit quality analysis of discounts and loans, receivables, guarantee and commitments

September 30, 2023	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	\$ 386,536	220,179	177,937	16	3,455	401,837	1,189,960	1,117	1,731	2,577	-	148	1	5,574	-	1,049	1,194,485
Acceptances receivable	431,934	513,247	45,998	1,945	-	34,837	1,027,961	-	-	-	-	-	-	-	-	10,279	1,017,682
Other receivables	550,093	2,416,910	649,780	59,820	31,754	3,934,918	7,643,275	4,520	3,012	3,456	778	1,526	105,640	118,932	170,200	102,925	7,829,482
Discounts and loans																	
Private banking	147,625,866	140,852,925	70,888,674	3,419,174	1,025,571	5,912,588	369,724,798	1,071,446	112,772	292,378	17,949	82,049	23,659	1,600,253	4,024,487	4,557,469	370,792,069
Corporate banking	278,491,518	377,592,407	250,967,127	42,633,945	15,976,735	95,190,923	1,060,852,655	179,300	1,082,059	677,868	387,832	354,133	1,113,623	3,794,815	17,459,570	14,131,013	1,067,976,027
Other financial assets																	
Overdue receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,699	12,088	8,611
Total	\$ 427,485,947	521,595,668	322,729,516	46,114,900	17,037,515	105,475,103	1,440,438,649	1,256,383	1,199,574	976,279	406,559	437,856	1,242,923	5,519,574	21,674,956	18,814,823	1,448,818,356
Guarantee and commitments	\$ 30,884,566	14,458,776	7,869,097	410,669	247,418	108,045,532	161,916,058	2,787	152,468	165	-	1,366	-	156,786	133,997	379,113	161,827,728

December 31, 2022	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	\$ 426,421	227,850	196,313	79	4,913	238,053	1,093,629	1,688	1,452	1,618	-	326	20	5,104	-	569	1,098,164
Acceptances receivable	375,279	232,317	119,969	25,670	-	38,049	791,284	-	-	-	-	-	-	-	-	7,913	783,371
Other receivables	401,011	1,898,488	493,641	35,741	24,719	3,526,312	6,379,912	408	945	1,952	897	2,387	149,816	156,405	117,800	95,560	6,558,557
Discounts and loans																	
Private banking	130,698,330	132,157,479	70,280,524	3,199,945	1,062,127	6,962,188	344,360,593	56,031	137,190	252,638	22,912	111,432	36,101	616,304	4,475,656	4,181,307	345,271,246
Corporate banking	245,799,786	365,067,368	272,870,989	26,218,577	15,363,104	125,044,694	1,050,364,518	288,453	355,127	556,056	930,623	562,350	150,344	2,842,953	15,833,427	13,897,309	1,055,143,589
Other financial assets																	
Overdue receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,786	48,471	10,315
Total	\$ 377,700,827	499,583,502	343,961,436	29,480,012	16,454,863	135,809,296	1,402,989,936	346,580	494,714	812,264	954,432	676,495	336,281	3,620,766	20,485,669	18,231,129	1,408,865,242
Guarantee and commitments	\$ 26,669,887	15,125,762	5,916,207	174,424	45,746	65,833,294	113,765,320	43,098	11,091	421	-	98	-	54,708	192,579	337,312	113,675,295

September 30, 2022	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	\$ 358,844	203,191	200,029	107	5,664	261,910	1,029,745	451	922	1,330	-	334	20	3,057	-	556	1,032,246
Acceptances receivable	352,500	466,614	132,108	10,875	-	33,746	995,843	-	-	-	-	-	-	-	-	9,959	985,884
Other receivables	315,955	1,798,912	503,716	30,915	28,248	3,175,800	5,853,546	223	788	1,780	527	2,125	172,196	177,639	104,515	94,874	6,040,826
Discounts and loans																	
Private banking	124,981,248	127,554,392	70,116,247	3,061,828	1,120,629	7,174,051	334,008,395	26,188	146,917	287,755	23,296	146,283	22,949	653,388	4,491,681	3,909,848	335,243,616
Corporate banking	222,004,355	358,615,430	286,823,231	27,334,322	14,149,775	129,733,623	1,038,660,736	211,120	234,269	500,827	928,813	500,294	286,518	2,661,841	14,678,248	13,506,621	1,042,494,204
Other financial assets																	
Overdue receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	81,366	57,176	24,190
Total	\$ 348,012,902	488,638,539	357,775,331	30,438,047	15,304,316	140,379,130	1,380,548,265	237,982	382,896	791,692	952,636	649,036	481,683	3,495,925	19,355,810	17,579,034	1,385,820,966
Guarantee and commitments	\$ 28,660,096	16,017,038	7,266,132	382,251	38,310	75,767,533	128,131,360	16,209	9,760	102	-	2,733	-	28,804	137,434	358,661	127,938,937

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) Debt instruments

September 30, 2023	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	\$ 70,256,533	-	-	-	70,256,533	-	-	-	-	-	-	70,256,533	20,021
NT bonds	95,578,626	-	-	-	95,578,626	-	-	-	-	-	-	95,578,626	79,247
Negotiable certificates of deposit	631,617	-	-	-	631,617	-	-	-	-	-	-	631,617	241
Investment in debt instruments at amortized cost													
Overseas bonds	21,727,401	-	-	-	21,727,401	-	-	-	-	-	-	21,727,401	4,074
NT bonds	35,766,496	-	-	-	35,766,496	-	-	-	-	-	-	35,766,496	17,982
Certificates of deposit with the Central Bank	198,240,000	-	-	-	198,240,000	-	-	-	-	-	-	198,240,000	58,543
Negotiable certificates of deposit	67,799	-	-	-	67,799	-	-	-	-	-	-	67,799	25
Total	\$ 422,268,472	-	-	-	422,268,472	-	-	-	-	-	-	422,268,472	180,133

December 31, 2022	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	\$ 50,304,163	-	-	-	50,304,163	-	-	-	-	-	-	50,304,163	15,793
NT bonds	91,536,068	-	-	-	91,536,068	-	-	-	-	-	-	91,536,068	75,059
Investment in debt instruments at amortized cost													
Overseas bonds	10,420,185	-	-	-	10,420,185	-	-	-	-	-	-	10,420,185	3,247
NT bonds	30,769,411	-	-	-	30,769,411	-	-	-	-	-	-	30,769,411	13,846
Certificates of deposit with the Central Bank	195,595,000	-	-	-	195,595,000	-	-	-	-	-	-	195,595,000	57,763
Negotiable certificates of deposit	64,523	-	-	-	64,523	-	-	-	-	-	-	64,523	16
Total	\$ 378,689,350	-	-	-	378,689,350	-	-	-	-	-	-	378,689,350	165,724

September 30, 2022	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	\$ 50,022,257	-	-	-	50,022,257	-	-	-	-	-	-	50,022,257	16,531
NT bonds	93,730,674	-	-	-	93,730,674	-	-	-	-	-	-	93,730,674	77,818
Investment in debt instruments at amortized cost													
Overseas bonds	12,850,958	-	-	-	12,850,958	-	-	-	-	-	-	12,850,958	4,362
NT bonds	28,829,887	-	-	-	28,829,887	-	-	-	-	-	-	28,829,887	11,224
Certificates of deposit with the Central Bank	206,880,000	-	-	-	206,880,000	-	-	-	-	-	-	206,880,000	61,095
Negotiable certificates of deposit	66,822	-	-	-	66,822	-	-	-	-	-	-	66,822	17
Total	\$ 392,380,598	-	-	-	392,380,598	-	-	-	-	-	-	392,380,598	171,047

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

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- iii) The Maximum credit risk exposure for financial instruments are not subject to impairment regulations are as follows:

September 30, 2023	Maximum credit risk exposure	Collateral	Enhancement of other credit
Financial assets at fair value through profit or loss			
— Debt investments	\$ 200,000	-	-
— Commercial paper	67,094,930	-	-
— Listed stocks	955,197	-	-
— Unlisted stocks	450,932	-	-
— Beneficiary certificates	484,508	-	-
— Derivative instrument	2,107,198	2,136,890	793,612
December 31, 2022	Maximum credit risk exposure	Collateral	Enhancement of other credit
Financial assets at fair value through profit or loss			
— Debt investments	\$ 200,000	-	-
— Commercial paper	30,907,810	-	-
— Listed stocks	752,713	-	-
— Unlisted stocks	471,554	-	-
— Beneficiary certificates	414,370	-	-
— Derivative instruments	1,166,667	2,527,996	727,720
September 30, 2022	Maximum credit risk exposure	Collateral	Enhancement of other credit
Financial assets at fair value through profit or loss			
— Debit investments	\$ 200,000	-	-
— Commercial paper	19,303,993	-	-
— Listed stocks	687,563	-	-
— Unlisted stocks	379,463	-	-
— Beneficiary certificates	1,846,834	-	-
— Derivative instrument	651,599	4,293,627	670,305

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

a) Receivables

For the nine months ended September 30, 2023						
	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	\$ 29,630	10,712	17,084	57,426	46,616	104,042
Changes in financial instruments that have been identified at the beginning of the period :						
— Transferred to 12-months ECL	230	(32)	(198)	-	-	-
— Transferred to lifetime ECL	(42)	55	(13)	-	-	-
— Transferred to the credit- impaired financial assets	(68)	(55)	123	-	-	-
— The financial assets that have been derecognized	(12,631)	(83)	(4,219)	(16,933)	-	(16,933)
New financial assets originated or purchased	25,742	180	6,549	32,471	-	32,471
Other changes	(3,987)	(3,288)	6,268	(1,007)	-	(1,007)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(4,320)	(4,320)
Ending balance	<u>\$ 38,874</u>	<u>7,489</u>	<u>25,594</u>	<u>71,957</u>	<u>42,296</u>	<u>114,253</u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2022						
	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	\$ 31,774	6,068	28,695	66,537	51,574	118,111
Changes in financial instruments that have been identified at the beginning of the period :						
— Transferred to 12-months ECL	136	(41)	(95)	-	-	-
— Transferred to lifetime ECL	(6)	18	(12)	-	-	-
— Transferred to the credit- impaired financial assets	(16)	(13)	29	-	-	-
— The financial assets that have been derecognized	(13,946)	(85)	(2,940)	(16,971)	-	(16,971)
New financial assets originated or purchased	11,627	118	3,662	15,407	-	15,407
Other changes	7,086	6,119	(19,956)	(6,751)	-	(6,751)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(4,407)	(4,407)
Ending balance	<u>\$ 36,655</u>	<u>12,184</u>	<u>9,383</u>	<u>58,222</u>	<u>47,167</u>	<u>105,389</u>

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Discounts and loans

For the nine months ended September 30, 2023						
	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	\$ 5,882,540	138,138	4,784,155	10,804,833	7,273,783	18,078,616
Changes in financial instruments that have been identified at the beginning of the period :						
— Transferred to 12-months ECL	126,829	(12,621)	(114,208)	-	-	-
— Transferred to lifetime ECL	(22,637)	30,348	(7,711)	-	-	-
— Transferred to the credit- impaired financial assets	(34,726)	(13,874)	48,600	-	-	-
— The financial assets that have been derecognized	(2,351,959)	(89,501)	(694,705)	(3,136,165)	-	(3,136,165)
New financial assets originated or purchased	2,073,350	5,016	176,334	2,254,700	-	2,254,700
Write-off	-	-	(2,721,628)	(2,721,628)	-	(2,721,628)
Other changes	(761,146)	286,021	3,154,368	2,679,243	-	2,679,243
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	1,533,716	1,533,716
Ending balance	<u>\$ 4,912,251</u>	<u>343,527</u>	<u>4,625,205</u>	<u>9,880,983</u>	<u>8,807,499</u>	<u>18,688,482</u>

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2022						
	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	\$ 4,166,467	129,977	3,635,336	7,931,780	7,645,037	15,576,817
Changes in financial instruments that have been identified at the beginning of the period :						
— Transferred to 12-months ECL	178,003	(51,528)	(126,475)	-	-	-
— Transferred to lifetime ECL	(8,296)	21,802	(13,506)	-	-	-
— Transferred to the credit- impaired financial assets	(15,340)	(4,235)	19,575	-	-	-
— The financial assets that have been derecognized	(1,879,165)	(62,071)	(633,481)	(2,574,717)	-	(2,574,717)
New financial assets originated or purchased	2,585,163	9,403	258,293	2,852,859	-	2,852,859
Write-off	-	-	(1,782,422)	(1,782,422)	-	(1,782,422)
Other changes	770,109	84,752	3,137,945	3,992,806	-	3,992,806
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(648,874)	(648,874)
Ending balance	<u>\$ 5,796,941</u>	<u>128,100</u>	<u>4,495,265</u>	<u>10,420,306</u>	<u>6,996,163</u>	<u>17,416,469</u>

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

c) Other financial assets

For the nine months ended September 30, 2023						
	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	\$ -	-	15,898	15,898	32,573	48,471
Changes in financial instruments that have been identified at the beginning of the period :						
— The financial assets that have been derecognized	-	-	(10)	(10)	-	(10)
New financial assets originated or purchased	-	-	7,131	7,131	-	7,131
Write-off	-	-	(43,049)	(43,049)	-	(43,049)
Other changes	-	-	31,508	31,508	-	31,508
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(31,963)	(31,963)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>11,478</u>	<u>11,478</u>	<u>610</u>	<u>12,088</u>
For the nine months ended September 30, 2022						
	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	\$ -	-	25,545	25,545	25,847	51,392
Changes in financial instruments that have been identified at the beginning of the period :						
— The financial assets that have been derecognized	-	-	(5)	(5)	-	(5)
New financial assets originated or purchased	-	-	6,252	6,252	-	6,252
Write-off	-	-	(8,680)	(8,680)	-	(8,680)
Other changes	-	-	(17)	(17)	-	(17)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	8,234	8,234
Ending balance	<u>\$ -</u>	<u>-</u>	<u>23,095</u>	<u>23,095</u>	<u>34,081</u>	<u>57,176</u>

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

d) Guarantee and commitments

For the nine months ended September 30, 2023						
	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	\$ 178,812	57	61,625	240,494	96,818	337,312
Changes in financial instruments that have been identified at the beginning of the period :						
— Transferred to 12-months ECL	28	(28)	-	-	-	-
— The financial assets that have been derecognized	(65,813)	(25)	(5,986)	(71,824)	-	(71,824)
New financial assets originated or purchased	75,662	1,090	29	76,781	-	76,781
Other changes	(31,303)	-	(12,761)	(44,064)	-	(44,064)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	80,908	80,908
Ending balance	<u>\$ 157,386</u>	<u>1,094</u>	<u>42,907</u>	<u>201,387</u>	<u>177,726</u>	<u>379,113</u>
For the nine months ended September 30, 2022						
	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	\$ 149,354	69	6,786	156,209	173,279	329,488
Changes in financial instruments that have been identified at the beginning of the period :						
— Transfer to 12-months ECL	2,005	-	(2,005)	-	-	-
— Transfer to lifetime ECL	(46)	46	-	-	-	-
— Transferred to the credit- impaired financial assets	(456)	-	456	-	-	-
— The financial assets that have been derecognized	(67,260)	(81)	(2,854)	(70,195)	-	(70,195)
New financial assets originated or purchased	83,171	58	-	83,229	-	83,229
Other changes	21,324	-	53,096	74,420	-	74,420
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(58,281)	(58,281)
Ending balance	<u>\$ 188,092</u>	<u>92</u>	<u>55,479</u>	<u>243,663</u>	<u>114,998</u>	<u>358,661</u>

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
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e) Debts investments

For the nine months ended September 30, 2023				
	12-month ECL	Lifetime ECL — not impaired	Lifetime ECL — impaired	Total
Beginning balance	\$ 165,724	-	-	165,724
Additions	80,960	-	-	80,960
Derecognition	(66,211)	-	-	(66,211)
Other changes	(340)	-	-	(340)
Ending balance	<u><u>\$ 180,133</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>180,133</u></u>

For the nine months ended September 30, 2022				
	12-month ECL	Lifetime ECL — not impaired	Lifetime ECL — impaired	Total
Beginning balance	\$ 175,270	-	-	175,270
Additions	58,864	-	-	58,864
Derecognition	(64,554)	-	-	(64,554)
Other changes	1,467	-	-	1,467
Ending balance	<u><u>\$ 171,047</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>171,047</u></u>

14) Collateral management policy

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

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

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
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(iv) 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

- i) In accordance with the target and limit for liquidity risk management approved by the board of directors and monitor all liquidity risk positions.
- ii) 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.
- iii) 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

- i) Finance Department is in charge of daily capital deployment to ensure that the capital is sufficient to cope with various demands for capital.
- ii) 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.
- iii) 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.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- c) Measurement
 - i) 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.
 - ii) 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.
 - iii) 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.
 - iv) 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.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
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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, 2023					
	0-30 days	31-90 days	91 days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	\$ 1,128,235,413	244,712,657	563,263,181	58,483,198	52,532,096	2,047,226,545
Deposits from the Central Bank and banks	882,704	-	-	-	-	882,704
Overdrafts on banks	530,637	-	-	-	-	530,637
Call loans from the Central Bank and banks	34,406,859	8,992,072	-	-	-	43,398,931
Due to the Central Bank and banks	90,000	32,285	707,985	430,713	-	1,260,983
Financial liabilities designated at fair value through profit or loss	-	-	-	-	9,870,309	9,870,309
Notes and bonds issued under repurchase agreement	1,270,765	595,184	705,545	-	-	2,571,494
Interest payable	1,588,127	3,225,313	3,713,726	115,537	39	8,642,742
Deposits transferred from Chunghwa Post Co., Ltd.	18,400,000	34,505,210	81,909,335	-	-	134,814,545
Demand deposits	940,680,947	-	-	-	-	940,680,947
Time deposits	130,084,496	194,603,760	475,487,328	43,567,012	4,582	843,747,178
Remittance	247,417	-	-	-	-	247,417
Bank notes payable	-	2,700,000	390,000	12,660,000	40,800,000	56,550,000
Cumulative earnings on appropriated loan fund	2,750	4,170	80,000	1,009,330	1,668,004	2,764,254
Lease liabilities	50,711	54,663	269,262	700,606	189,162	1,264,404

	December 31, 2022					
	0-30 days	31-90 days	91 days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	\$ 1,097,763,808	221,732,162	480,666,633	92,838,661	49,342,955	1,942,344,219
Deposits from the Central Bank and banks	937,523	-	-	-	-	937,523
Overdrafts on banks	1,084,076	-	-	-	-	1,084,076
Call loans from the Central Bank and banks	27,012,375	18,670,658	-	-	-	45,683,033
Due to the Central Bank and banks	92,175	111,450	927,400	-	-	1,131,025
Financial liabilities designated at fair value through profit or loss	-	-	-	-	9,367,595	9,367,595
Notes and bonds issued under repurchase agreement	458,662	157,550	1,292,066	554,713	-	2,462,991
Interest payable	317,254	1,288,484	2,711,772	118,148	10	4,435,668
Deposits transferred from Chunghwa Post Co., Ltd.	9,820,000	21,196,335	75,185,210	41,060,000	-	147,261,545
Demand deposits	954,030,572	-	-	-	-	954,030,572
Time deposits	103,528,154	180,237,487	392,763,469	42,587,346	5,124	719,121,580
Remittance	428,111	-	-	-	-	428,111
Bank notes payable	-	-	7,400,000	6,600,000	38,250,000	52,250,000
Cumulative earnings on appropriated loan fund	2,250	3,750	118,500	1,198,580	1,587,501	2,910,581
Lease liabilities	52,656	66,448	268,216	719,874	132,725	1,239,919

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	September 30, 2022					
	0-30 days	31-90 days	91 days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	\$ 1,108,184,295	222,773,412	433,150,068	74,871,234	49,756,068	1,888,735,077
Deposits from the Central Bank and banks	810,907	-	-	-	-	810,907
Overdrafts on banks	529,800	-	-	-	-	529,800
Call loans from the Central Bank and banks	26,813,581	12,955,832	1,783,226	-	-	41,552,639
Due to the Central Bank and banks	-	-	1,006,420	-	-	1,006,420
Financial liabilities designated at fair value through profit or loss	-	-	-	-	9,579,939	9,579,939
Notes and bonds issued under repurchase agreement	473,079	622,838	827,278	551,778	-	2,474,973
Interest payable	732,256	1,420,799	1,984,767	112,071	17	4,249,910
Deposits transferred from Chunghwa Post Co., Ltd.	11,520,000	17,445,210	53,296,335	10,000,000	-	92,261,545
Demand deposits	935,195,104	-	-	-	-	935,195,104
Time deposits	131,534,344	190,264,817	369,166,523	52,929,355	7,188	743,902,227
Remittance	520,316	-	-	-	-	520,316
Bank notes payable	-	-	4,700,000	9,300,000	38,250,000	52,250,000
Cumulative earnings on appropriated loan fund	5,500	7,500	104,170	1,276,670	1,806,574	3,200,414
Lease liabilities	49,408	56,416	281,349	701,360	112,350	1,200,883

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, 2023, December 31 and September 30, 2022, maturity analysis for the derivative financial liabilities settled by net amount is as follows:

	September 30, 2023					
	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss						
— Foreign exchange derivative instrument	\$ <u>1,142</u>	<u>3,612</u>	<u>3,070</u>	<u>392</u>	<u>-</u>	<u>8,216</u>

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
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		December 31, 2022					
		<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 liabilities at fair value through profit or loss							
– Foreign exchange derivative instrument	\$	<u>-</u>	<u>825</u>	<u>225</u>	<u>-</u>	<u>-</u>	<u>1,050</u>
		September 30, 2022					
		<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 liabilities at fair value through profit or loss							
– Foreign exchange derivative instrument	\$	<u>820</u>	<u>2,280</u>	<u>4,110</u>	<u>2,489</u>	<u>-</u>	<u>9,699</u>

b) Derivative financial instruments settled by gross amount

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

- i) Foreign exchange derivative financial instrument: Foreign exchange options settled by gross amount, foreign exchange forward contracts and currency swap contracts.
- ii) 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:

September 30, 2023	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
— Foreign exchange derivative instruments						
— Cash outflow	\$ 41,502,616	34,975,801	14,549,137	2,630,455	32,285	93,690,294
— Cash inflow	40,913,100	33,301,855	13,984,526	2,503,068	33,000	90,735,549
— Interest rate derivative instrument						
— Cash outflow	-	1,174	587	587	-	2,348
— Cash inflow	-	2,235	791	777	-	3,803
Total cash outflow	41,502,616	34,976,975	14,549,724	2,631,042	32,285	93,692,642
Total cash inflow	40,913,100	33,304,090	13,985,317	2,503,845	33,000	90,739,352
Net cash flow	\$ 589,516	1,672,885	564,407	127,197	(715)	2,953,290

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December 31, 2022	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
— Foreign exchange derivative instruments						
— Cash outflow	\$ 25,782,525	45,415,630	11,979,083	3,463,765	-	86,641,003
— Cash inflow	27,862,886	48,002,551	12,577,650	3,500,326	-	91,943,413
— Interest rate derivative instrument						
— Cash outflow	-	1,168	587	2,955	1,174	5,884
— Cash inflow	-	2,021	724	3,742	1,568	8,055
Total cash outflow	<u>25,782,525</u>	<u>45,416,798</u>	<u>11,979,670</u>	<u>3,466,720</u>	<u>1,174</u>	<u>86,646,887</u>
Total cash inflow	<u>27,862,886</u>	<u>48,004,572</u>	<u>12,578,374</u>	<u>3,504,068</u>	<u>1,568</u>	<u>91,951,468</u>
Net cash flow	<u>\$ (2,080,361)</u>	<u>(2,587,774)</u>	<u>(598,704)</u>	<u>(37,348)</u>	<u>(394)</u>	<u>(5,304,581)</u>

September 30, 2022	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
— Foreign exchange derivative instruments						
— Cash outflow	\$ 5,437,634	25,925,358	58,563,208	5,856,751	-	95,782,951
— Cash inflow	4,867,089	28,234,148	66,803,277	6,564,332	-	106,468,846
— Interest rate derivative instrument						
— Cash outflow	-	1,174	1,168	2,368	2,349	7,059
— Cash inflow	-	1,430	1,295	2,945	3,089	8,759
Total cash outflow	<u>5,437,634</u>	<u>25,926,532</u>	<u>58,564,376</u>	<u>5,859,119</u>	<u>2,349</u>	<u>95,790,010</u>
Total cash inflow	<u>4,867,089</u>	<u>28,235,578</u>	<u>66,804,572</u>	<u>6,567,277</u>	<u>3,089</u>	<u>106,477,605</u>
Net cash flow	<u>\$ 570,545</u>	<u>(2,309,046)</u>	<u>(8,240,196)</u>	<u>(708,158)</u>	<u>(740)</u>	<u>(10,687,595)</u>

5) Maturity analysis of off-balance sheet items

September 30, 2023	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Issued and irrevocable loan commitments	\$ 15,000	990,548	2,179,998	47,902,258	56,036,649	107,124,453
Irrevocable credit card loan commitments	504	225,620	441,605	1,012,337	16,301,448	17,981,514
Letters of credit issued yet unused	2,636,282	5,649,332	618,156	281,858	1,574	9,187,202
Other guarantees	<u>3,289,468</u>	<u>1,719,430</u>	<u>1,988,967</u>	<u>2,173,372</u>	<u>18,742,435</u>	<u>27,913,672</u>
Total	<u>\$ 5,941,254</u>	<u>8,584,930</u>	<u>5,228,726</u>	<u>51,369,825</u>	<u>91,082,106</u>	<u>162,206,841</u>

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December 31, 2022	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Issued and irrevocable loan commitments	\$ 1,997,541	512,056	22,218,395	4,683,018	35,575,997	64,987,007
Irrevocable credit card loan commitments	1,117	34,225	55,553	316,313	18,432,747	18,839,955
Letters of credit issued yet unused	2,016,789	4,985,416	716,174	356,064	54,706	8,129,149
Other guarantees	2,667,240	1,001,432	656,793	2,337,749	15,393,282	22,056,496
Total	\$ 6,682,687	6,533,129	23,646,915	7,693,144	69,456,732	114,012,607

September 30, 2022	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Issued and irrevocable loan commitments	\$ 5,212,116	934,938	2,532,268	29,007,334	37,175,572	74,862,228
Irrevocable credit card loan commitments	1,638	45,688	52,847	125,817	19,000,836	19,226,826
Letters of credit issued yet unused	2,514,655	5,893,700	915,924	773,026	46,650	10,143,955
Other guarantees	3,229,006	2,413,443	1,212,362	2,303,605	14,906,173	24,064,589
Total	\$ 10,957,415	9,287,769	4,713,401	32,209,782	71,129,231	128,297,598

6) Maturity analysis of lease contract commitments

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

September 30, 2023	Below 1 year	1-5 years	Over 5 years	Total
Operating lease income (lessor)	\$ 1,939	1,619	-	3,558

December 31, 2022	Below 1 year	1-5 years	Over 5 years	Total
Operating lease income (lessor)	\$ 1,027	1,389	-	2,416

September 30, 2022	Below 1 year	1-5 years	Over 5 years	Total
Operating lease income (lessor)	\$ 1,477	1,508	-	2,985

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

September 30, 2023	Below 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	\$ 1,279,778	-	-	1,279,778
Transportation equipment	408	-	-	408
Right-of-use assets	58	-	-	58
Miscellaneous equipment	9,174	-	-	9,174
Total	\$ 1,289,418	-	-	1,289,418

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December 31, 2022	Below 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	\$ 1,496,409	-	-	1,496,409
Transportation equipment	2,098	-	-	2,098
Right-of-use assets	620	85	-	705
Miscellaneous equipment	1,024	-	-	1,024
Total	\$ 1,500,151	85	-	1,500,236

September 30, 2022	Below 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	\$ 1,408,230	-	-	1,408,230
Transportation equipment	250	-	-	250
Right-of-use assets	134	82	-	216
Miscellaneous equipment	1,628	-	-	1,628
Total	\$ 1,410,242	82	-	1,410,324

(v) 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

- i) 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.
- ii) 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.

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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.

b) Risk measurement

- i) 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.
- ii) 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

- i) Valuation reports of various financial instruments are prepared regularly for executives to review and serve as the guidance for daily risk management operation.
- ii) 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.

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4) Scope and method of market risk management

a) Foreign exchange risk management

i) 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.

ii) Applicable scope

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

iii) 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.

iv) 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.

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Notes to the Consolidated Financial Statements

v) 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 conducts deal with simple type financial products. For complex financial products, the Bank and subsidiaries conducts 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.
- 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

i) 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.

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) Applicable scope

Financial instruments similar to equity security in all trading books.

iii) 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.

iv) Procedures of equity security risk management

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

v) 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.

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

c) Interest rate risk management

i) 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.

ii) Applicable scope

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

iii) 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.

iv) 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 addition, the trade units shall choose investment target prudently through analyzing the issuers' credit, financial status, country risks and interest rate trends.

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

v) Process of interest rate risk management

1. Identification and measurement

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

2. Monitoring and report

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

d) Concentration management

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

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 5) Interest rate risk management of the banking book
- a) The definition and management purpose for the interest rate risk of the banking book
- i) 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.
- ii) 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
- i) 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.
- ii) 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.

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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:

- i) Value at Risk cannot reflect the losses result from other type of risks, such as credit risk and liquidity risk.
- ii) 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.
- iii) 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.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

7) Foreign exchange risk disclosure and sensitivity analysis

a) Foreign exchange risk exposure

i) Significant net positions of foreign currencies (Market risk)

Significant net positions of foreign currencies (Market risk)		
September 30, 2023		
	Foreign currency amount	
Currency	(in thousands)	NT\$ amount
USD	\$ 363,622	11,739,536
JPY	1,950,436	421,489
AUD	15,772	324,430
CNY	26,705	117,822
ZAR	55,141	92,747

Significant net positions of foreign currencies (Market risk)		
December 31, 2022		
	Foreign currency amount	
Currency	(in thousands)	NT\$ amount
USD	\$ 504,348	15,496,092
JPY	2,069,083	480,234
AUD	14,865	308,895
ZAR	46,223	83,617
EUR	809	26,503

Significant net positions of foreign currencies (Market risk)		
September 30, 2022		
	Foreign currency amount	
Currency	(in thousands)	NT\$ amount
USD	\$ 512,314	16,301,831
JPY	2,194,188	482,721
AUD	13,748	284,171
CNY	50,254	224,334
HKD	9,588	38,860

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

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

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ii) Assets and liabilities of foreign currency

September 30, 2023						
Monetary financial assets				Monetary financial liabilities		
Currency	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	\$ 14,355,900	32.2850	463,480,215	13,988,734	32.2850	451,626,293
AUD	5,261,260	20.5700	108,224,118	5,153,130	20.5700	105,999,884
CNY	8,673,186	4.4120	38,266,095	8,457,712	4.4120	37,315,427
JPY	121,917,895	0.2161	26,346,457	120,384,039	0.2161	26,014,991
HKD	5,176,006	4.1250	21,351,025	4,675,334	4.1250	19,285,753
EUR	481,366	33.9400	16,337,562	481,517	33.9400	16,342,687
ZAR	4,563,953	1.6820	7,676,569	4,564,255	1.6820	7,677,077
GBP	44,248	39.2200	1,735,407	44,199	39.2200	1,733,485
NZD	29,912	19.1900	574,011	29,899	19.1900	573,762
CAD	14,951	23.9400	357,927	14,709	23.9400	352,133
SGD	6,088	23.5400	143,312	6,048	23.5400	142,370
CHF	3,850	35.0650	135,000	3,911	35.0650	137,139
Others (Note)	-	-	117,273	-	-	122,275

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

December 31, 2022						
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	\$ 15,838,292	30.7250	486,631,513	15,291,888	30.7250	469,843,260
AUD	4,985,648	20.7800	103,601,765	4,890,551	20.7800	101,625,650
CNY	11,948,387	4.4110	52,704,337	11,749,698	4.4110	51,827,917
JPY	184,707,477	0.2321	42,870,605	183,141,677	0.2321	42,507,183
HKD	5,771,939	3.9400	22,741,440	5,348,671	3.9400	21,073,764
EUR	352,406	32.7600	11,544,821	352,361	32.7600	11,543,346
ZAR	4,251,194	1.8090	7,690,410	4,249,572	1.8090	7,687,476
GBP	45,244	37.0700	1,677,195	45,236	37.0700	1,676,899
NZD	34,139	19.4500	664,004	34,124	19.4500	663,712
CAD	14,564	22.6800	330,312	14,475	22.6800	328,293
SGD	7,992	22.8700	182,777	7,969	22.8700	182,251
SEK	34,420	2.9400	101,195	34,431	2.9400	101,227
Others (Note)	-	-	114,540	-	-	119,278
Non-monetary financial assets				Non-monetary financial liabilities		
Currency	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	974	30.7250	29,926	-	-	-

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

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

September 30, 2022						
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	\$ 15,551,994	31.8200	494,864,459	15,036,743	31.8200	478,469,170
AUD	5,696,831	20.6700	117,753,497	5,606,191	20.6700	115,879,968
CNY	11,298,322	4.4640	50,435,712	11,097,204	4.4640	49,537,919
JPY	104,027,688	0.2200	22,886,091	102,651,327	0.2200	22,583,292
HKD	5,329,947	4.0530	21,602,275	4,932,287	4.0530	19,990,559
EUR	423,023	31.2200	13,206,778	423,105	31.2200	13,209,338
ZAR	3,840,933	1.7690	6,794,610	3,837,609	1.7690	6,788,730
GBP	33,259	35.4900	1,180,362	33,376	35.4900	1,184,514
NZD	29,182	18.2100	531,404	29,103	18.2100	529,966
CAD	14,874	23.2400	345,672	14,869	23.2400	345,556
SGD	9,760	22.2000	216,672	9,693	22.2000	215,185
SEK	-	2.8500	-	35,381	2.8500	100,836
Others (Note)	-	-	210,690	-	-	104,056
Non-monetary financial assets				Non-monetary financial liabilities		
Currency	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	985	31.8200	31,343	-	-	-

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

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Foreign exchange risk sensitivity analysis (Change by 1%)

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

September 30, 2023				
Currency	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	\$ 16,735	(71,208)	(16,735)	71,208
AUD	4,438	(26,650)	(4,438)	26,650
HKD	3,192	(23,269)	(3,192)	23,269
JPY	29	(3,394)	(29)	3,394
GBP	(25)	-	25	-
SGD	(14)	-	14	-
ZAR	4	-	(4)	-
SEK	17	-	(17)	-
CHF	21	-	(21)	-
CAD	(42)	-	42	-
THB	33	-	(33)	-
EUR	54	-	(54)	-
NZD	(10)	-	10	-
CNY	(57,072)	-	57,072	-
Total	<u>\$ (32,640)</u>	<u>(124,521)</u>	<u>32,640</u>	<u>124,521</u>

December 31, 2022				
Currency	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	\$ (44,000)	(63,299)	44,000	63,299
AUD	4,060	(23,440)	(4,060)	23,440
HKD	3,029	(19,240)	(3,029)	19,240
JPY	(161)	(3,450)	161	3,450
GBP	(15)	-	15	-
SGD	(9)	-	9	-
ZAR	(31)	-	31	-
CHF	51	-	(51)	-
CAD	(5)	-	5	-
THB	(4)	-	4	-
EUR	(37)	-	37	-
NZD	(10)	-	10	-
CNY	(55,663)	-	55,663	-
Total	<u>\$ (92,795)</u>	<u>(109,429)</u>	<u>92,795</u>	<u>109,429</u>

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Currency	September 30, 2022			
	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	\$ (38,088)	(64,233)	38,088	64,233
AUD	4,128	(22,637)	(4,128)	22,637
HKD	3,125	(18,916)	(3,125)	18,916
JPY	50	(3,097)	(50)	3,097
GBP	22	-	(22)	-
SGD	(19)	-	19	-
ZAR	(60)	-	60	-
SEK	34	-	(34)	-
CHF	(128)	-	128	-
CAD	14	-	(14)	-
THB	36	-	(36)	-
EUR	22	-	(22)	-
NZD	(21)	-	21	-
CNY	(56,000)	-	56,000	-
Total	<u>\$ (86,885)</u>	<u>(108,883)</u>	<u>86,885</u>	<u>108,883</u>

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).

Currency	September 30, 2023			
	Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
	Income	Equity	Income	Equity
Trading book				
TWD	\$ (1,288)	(2,258)	1,288	2,258
Banking book				
TWD	-	(56,125)	-	56,125
USD	-	(25,052)	-	25,052
EUR	-	(141)	-	141
AUD	-	(250)	-	250
HKD	-	(191)	-	191
CNY	-	(1,223)	-	1,223
ZAR	-	(121)	-	121
Total	<u>\$ (1,288)</u>	<u>(85,361)</u>	<u>1,288</u>	<u>85,361</u>

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2022				
Currency	Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
	Income	Equity	Income	Equity
Trading book				
TWD	\$ (512)	(2,661)	512	2,661
Banking book				
TWD	-	(46,200)	-	46,200
USD	-	(3,993)	-	3,993
AUD	-	(364)	-	364
HKD	-	(70)	-	70
CNY	-	(1,335)	-	1,335
ZAR	-	(161)	-	161
Total	<u>\$ (512)</u>	<u>(54,784)</u>	<u>512</u>	<u>54,784</u>

September 30, 2022				
Currency	Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
	Income	Equity	Income	Equity
Trading book				
TWD	\$ (267)	(2,742)	267	2,742
Banking book				
TWD	-	(47,455)	-	47,455
USD	-	(14,184)	-	14,184
AUD	-	(632)	-	632
HKD	-	(65)	-	65
CNY	-	(1,721)	-	1,721
ZAR	-	(173)	-	173
Total	<u>\$ (267)</u>	<u>(66,972)</u>	<u>267</u>	<u>66,972</u>

- b) Sensitivity analysis of expected net revenue/Sensitivity of equity in terms of interest rate fluctuation

September 30, 2023				
Scenario	Effect on NII in 1 year		Effect on EVE	
	TWD	USD	TWD	USD
Interest rate increases by 100 bp	4,367,982	(29,440)	(4,079,430)	(126,993)
Interest rate decreases by 100 bp	(4,660,748)	28,206	11,330,741	111,035

December 31, 2022				
Scenario	Effect on NII in 1 year		Effect on EVE	
	TWD	USD	TWD	USD
Interest rate increases by 100 bp	3,962,492	(24,074)	(5,148,928)	(58,960)
Interest rate decreases by 100 bp	(4,598,328)	22,469	13,788,825	27,772

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Scenario	September 30, 2022			
	Effect on NII in 1 year		Effect on EVE	
	TWD	USD	TWD	USD
Interest rate increases by 100 bp	4,132,410	(21,508)	(5,021,549)	(53,024)
Interest rate decreases by 100 bp	(5,310,906)	11,882	12,378,220	14,778

9) Managing interest rate benchmark reform

The Bank and subsidiaries completed its transition to alternative benchmark rates, the interest rate benchmark reform (IBOR reform), during the interim period. The Bank and subsidiaries' remaining IBOR exposures as of December 31, 2022 – loans and debt securities indexed to US dollar London Inter-bank Offered Rate – have been automatically switched to other alternative rates in accordance with fallback clauses.

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, 2023	
		Income	Equity
Equity security price increases by 1 %	TWD	5,845	-
Equity security price decreases by 1 %	TWD	(5,845)	-

Change	Currency	December 31, 2022	
		Income	Equity
Equity security price increases by 1 %	TWD	3,359	-
	USD	10	-
Equity security price decreases by 1 %	TWD	(3,359)	-
	USD	(10)	-

Change	Currency	September 30, 2022	
		Income	Equity
Equity security price increases by 1 %	TWD	17,497	-
	USD	10	-
Equity security price decreases by 1 %	TWD	(17,497)	-
	USD	(10)	-

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Value at Risk of equity security

Value at Risk	From Oct 1, 2022 to Sep 30, 2023		
	Average	Maximum	Minimum
Equity security risk	8,987	17,827	2,716

Value at Risk	For the year ended December 31, 2022		
	Average	Maximum	Minimum
Equity security risk	5,038	13,963	1,399

Value at Risk	From Oct 1, 2021 to Sep 30, 2022		
	Average	Maximum	Minimum
Equity security risk	5,428	13,963	1,399

(vi) Transferred financial assets that are not fully derecognized

The transactions, relating to transferred financial assets not qualifying for full derecognition, the Bank and subsidiaries conducts 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 has interest rate risk and credit risk, the said transferred assets are not fully derecognized.

As of September 30, 2023, December 31 and September 30, 2022, there were not any financial assets of the Bank that are not fully derecognized.

(vii) Offsetting financial assets and financial liabilities

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

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

September 30, 2023						
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)		
				Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial instruments	\$ 1,172,372	-	1,172,372	793,612	2,136,890	(1,758,130)

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

September 30, 2023						
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 instrument (Note)	Cash collateral pledged	
Derivative financial instruments	\$ 138,249	-	138,249	-	2,336,437	(2,198,188)

December 31, 2022						
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	\$ 551,095	-	551,095	727,720	2,527,996	(2,704,621)

December 31, 2022						
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	\$ 229,816	-	229,816	-	2,422,569	(2,192,753)

September 30, 2022						
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	\$ 250,188	-	250,188	670,305	4,293,627	(4,713,744)

September 30, 2022						
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	\$ 441,963	-	441,963	-	1,522,902	(1,080,939)

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

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(aq) Capital Management

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) To cope with the implementation of new Basel Accord, the Bank set up complete risk management system, risk management operation tracking procedures to provide the management with appropriate risk management information for making decisions. Therefore, the Bank is able to maintain adequate capital within the tolerable extent and to ensure the provision of proprietary capital of the Bank corresponds with the overall operating risk characteristics of the Bank.

1) Tier 1 capital

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

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.

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The Bank and subsidiaries' investing and financing activities which did not affect the current cash flow for the nine months ended September 30, 2023 and 2022 were carried out to acquire right-of-use assets under leases. Please refer to Note 6(l).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes			September 30, 2023
			Foreign exchange rate movement	Fair value changes	Other changes	
Financial liabilities at fair value through profit or loss	\$ 9,367,595	-	468,000	34,714	-	9,870,309
Bank notes payable	52,250,000	4,300,000	-	-	-	56,550,000
Lease liabilities	1,239,919	(349,905)	10,479	-	363,911	1,264,404
Total liabilities from financing activities	<u>\$ 62,857,514</u>	<u>3,950,095</u>	<u>478,479</u>	<u>34,714</u>	<u>363,911</u>	<u>67,684,713</u>

	January 1, 2022	Cash flows	Non-cash changes			September 30, 2022
			Foreign exchange rate movement	Fair value changes	Other changes	
Financial liabilities at fair value through profit or loss	\$ 8,293,730	-	1,249,500	36,709	-	9,579,939
Bank notes payable	52,250,000	-	-	-	-	52,250,000
Lease liabilities	1,149,456	(327,301)	36,289	-	342,439	1,200,883
Total liabilities from financing activities	<u>\$ 61,693,186</u>	<u>(327,301)</u>	<u>1,285,789</u>	<u>36,709</u>	<u>342,439</u>	<u>63,030,822</u>

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

- (i) The table below presents the types of structured entities that the Bank and subsidiaries does 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

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	September 30, 2023	December 31, 2022	September 30, 2022
Private fund	\$ 186,243	163,679	167,515
Asset securitization product	524,708	560,023	589,096
Total	<u>\$ 710,951</u>	<u>723,702</u>	<u>756,611</u>

- (iii) 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, 2023	December 31, 2022	September 30, 2022
Financial assets at fair value through profit or loss	\$ 186,243	163,679	167,515
Financial assets at fair value through other comprehensive income	447,995	475,485	496,873
Investments in debt instruments at amortized cost	76,713	84,538	92,223
Total	<u>\$ 710,951</u>	<u>723,702</u>	<u>756,611</u>

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

- (iv) As of September 30, 2023, December 31 and September 30, 2022, the Bank and subsidiaries has not provided any financial support to its special purpose entities that is not included in consolidated financial reports.

(7) Related-party transactions

- (a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Bank and subsidiaries
Bank of Taiwan	Corporate director of the Bank
Ministry of Finance, R.O.C	Corporate director of the Bank
National Development Fund, Executive Yuan	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

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Bank and subsidiaries</u>
TBB No. 1 Venture Capital Limited Partnership (Note)	Substantive related parties
Media Talk Consulting Co., Ltd. (Note)	Associates
Others	Management and other related parties of the Bank

Note : Become a related party commencing from the first quarter of 2022.

(b) Significant transactions with related parties

(i) Due from banks

	<u>September 30, 2023</u>	
	<u>Amount</u>	<u>%</u>
Bank of Taiwan	\$ <u>165,045</u>	<u>0.91</u>
	<u>December 31, 2022</u>	
	<u>Amount</u>	<u>%</u>
Bank of Taiwan	\$ <u>164,936</u>	<u>0.71</u>
	<u>September 30, 2022</u>	
	<u>Amount</u>	<u>%</u>
Bank of Taiwan	\$ <u>219,593</u>	<u>1.96</u>

Interest rates are the same as those with regular clients.

(ii) Call loans to banks

		<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
		\$ <u>-</u>	<u>-</u>	<u>-</u>
		<u>Interest Income</u>		
		<u>For the three months ended September 30, 2023</u>	<u>For the nine months ended September 30, 2023</u>	<u>Annual interest rate</u>
Bank of Taiwan	<u>Highest balance</u> \$ <u>1,597,725</u>	<u>761</u>	<u>5,359</u>	1.24%~5.50%
		<u>Interest income</u>		
		<u>For the three months ended September 30, 2022</u>	<u>For the nine months ended September 30, 2022</u>	<u>Annual interest rate</u>
Bank of Taiwan	<u>Highest balance</u> \$ <u>686,183</u>	<u>28</u>	<u>392</u>	0.13%~2.53%

Interest rates are the same as those with regular clients.

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Call loans from banks

	September 30, 2023	December 31, 2022	September 30, 2022
Bank of Taiwan	\$ <u>2,582,800</u>	<u>1,786,360</u>	<u>4,264,850</u>

		Interest Expense		
		For the three months ended September 30, 2023	For the nine months ended September 30, 2023	Annual interest rate
Bank of Taiwan	Highest balance \$ 18,383,250	35,633	116,126	0.68%~5.75%

		Interest Expense		
	Highest balance	For the three months ended September 30, 2022	For the nine months ended September 30, 2022	Annual interest rate
Bank of Taiwan	\$ 9,434,791	24,539	41,038	0.04%~5.00%

Interest rates are the same as those with regular clients.

(iv) Deposits

September 30, 2023		
	Amount	%
Others	\$ <u>2,030,127</u>	<u>0.11</u>

December 31, 2022		
	Amount	%
Others	\$ <u>1,851,872</u>	<u>0.11</u>

September 30, 2022		
	Amount	%
Others	\$ <u>1,735,008</u>	<u>0.10</u>

Interest rates are the same as those with regular clients.

(v) Credit

September 30, 2023							
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	39	14,403	11,591	11,591	-	none	none
Self-use home mortgages loans	117	554,182	489,791	489,791	-	real estate	none
Others	Natural person	605,165	511,869	511,869	-	real estate	none

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2022							
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	46	18,311	14,727	14,727	-	none	none
Self-use home mortgages loans	127	557,503	511,280	511,280	-	real estate	none
Others	Natural person	617,163	590,656	590,656	-	real estate	none

September 30, 2022							
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	42	16,350	13,345	13,345	-	none	none
Self-use home mortgages loans	117	474,569	437,924	437,924	-	real estate	none
Others	Natural person	566,150	547,229	547,229	-	real estate	none

(vi) Donation:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Small and Medium Enterprise Credit Guarantee Fund of Taiwan	\$ 90,339	79,632	271,022	238,898
Taiwan Business Bank Guild	-	-	4,200	2,500
Total	<u>\$ 90,339</u>	<u>79,632</u>	<u>275,222</u>	<u>241,398</u>

(vii) Guarantees: None.

(viii) Service fees: None.

(ix) Rental revenue: None.

(x) Derivatives financial instrument transactions: None.

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

(xii) Unearned revenue:

	September 30, 2023	December 31, 2022	September 30, 2022
TBB No. 1 Venture Capital Limited Partnership	<u>\$ 4,262</u>	<u>-</u>	<u>4,297</u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xiii) Other revenue:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
TBB No. 1 Venture Capital Limited Partnership	\$ 4,262	4,297	12,786	12,657
Media Talk Consultants Co., Ltd.	-	-	10	-
Total	<u>\$ 4,262</u>	<u>4,297</u>	<u>12,796</u>	<u>12,657</u>

(c) Major management salary information

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Salary and other short-term employee benefits	\$ 44,231	37,211	118,429	98,230
Post-employment benefits	576	605	1,874	1,802
Total	<u>\$ 44,807</u>	<u>37,816</u>	<u>120,303</u>	<u>100,032</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,</u>	<u>December 31,</u>	<u>September 30,</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
Marketable securities held for custody	\$ 8,349,715	8,659,768	8,823,960
Bills collected for others	39,181,900	43,238,126	45,073,244
Bills lent for others	47,750,369	49,785,210	50,018,910
Guarantees and letters of credit	37,100,874	30,185,645	34,208,544
Trust liabilities	225,735,038	218,150,077	223,136,084
Items held for custody	725,982	901,998	978,257
Registered government bonds for sale	67,218,200	66,327,700	66,311,200
Registered short-term bills for sale	2,628,488	4,290,113	4,564,928
Guarantee notes payable	32,222,100	54,054,530	52,085,900

(b) Unrecognized contractual commitments:

As of September 30, 2023, December 31 and September 30, 2022, major constructions in progress and purchases amounted to \$1,024,895, \$1,018,993 and \$805,720 respectively, of which \$740,684, \$911,848 and \$694,794 respectively, remained unpaid.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (c) In 1996, the Bank's World Trade Center Branch was sued for handling a letter of credit export collection from Chin Seen Industrial Co., which allegedly used a forged export document and failed to ship the goods to the importer, the International Comagnie de Commercialization et d'Invertissement (I.C.C.I.) of the Republic of Zaire, suffered a loss thereon. In November 1998, I.C.C.I. initiated a case with the Court of Commerce of Brussels in Belgium, requested the L/C opening bank (Banque Bruxelles Lambert, or BBL) and the Bank to jointly pay compensation of USD\$7,830 thousand plus interest, losses, and expenses for the L/C. On August 31, 2005, the Court of Commerce of Brussels rendered its judgment which the Bank has to make compensation of USD\$7,674 thousand plus interest to I.C.C.I.. The Bank has engaged a local attorney in Belgium to formally file an appeal. In February 2011, Court of Appeal in Brussels had made an intermediate adjudication which I.C.C.I. and the Bank are both responsible for the offense. Furthermore, on November 16, 2011, the judgment of the court indicated that the Bank should be responsible for 90% of the negligence proportion. In terms of the judgment of the court of the second instance, the Bank has filed an appeal on November 3, 2011. On February 6, 2013, the court overruled the Bank's appeal and the Bank lost the case. 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 Federal Supreme Court of Justice on March 16, 2019. And request to revoke the "Return of the Judgment of the Frankfurt High Court". The Bank has appointed a lawyer to act as an attorney in the Federal Supreme Court of Justice and filed a defense against I.C.C.I. of objections. The case is currently being tried by the Regional Court of Frankfurt. The Federal Supreme Court of Justice has denied the I.C.C.I. interlocutory appeal on May 20, 2021. On August 23, 2023, the Frankfurt District Court ruled that the bank won the case in the first instance. I.C.C.I. Company must pay the Bank EUR\$1,046 thousand plus interest since November 17, 2017. I.C.C.I. Company appealed on September 25, 2023. 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. According to the statement of plaintiff and considering that I.C.C.I. has already received about EUR\$14,860 thousand, an addition of \$75,181 has been provision for lawsuit in 2021. Please refer to Note 6(v) for more details. As of September 30, 2023, the Bank has accrued the compensation of \$259,635 and EUR\$9,660 thousand.

(10) Losses from disasters: None

(11) Subsequent Events: None

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Others:

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

(i) Loan quality:

Month/Year			September 30, 2023				
Items			Non-performing loans (Note1)	Total loans	Non-performing loan ratio (Note2)	Allowance for credit losses	Coverage ratio (Note3)
Corporate finance	Secured		1,562,424	733,836,885	0.21 %	9,264,515	592.96 %
	Unsecured		633,711	362,371,183	0.17 %	4,866,498	767.94 %
Consumer finance	Residence mortgages(Note 4)		199,205	197,084,377	0.10 %	2,480,789	1,245.34 %
	Cash cards		-	-	- %	-	- %
	Microcredit(Note 5)		4,105	276,239	1.49 %	6,482	157.90 %
	Others (Note 6)	Secured	150,560	150,651,797	0.10 %	1,897,400	1,260.23 %
		Unsecured	19,388	13,236,097	0.15 %	172,798	891.26 %
Total loan business			2,569,393	1,457,456,578	0.18 %	18,688,482	727.35 %
			Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio
Credit cards business			400	1,215,487	0.03 %	12,390	3,097.50 %
Account receivable factoring-without recourse (Note 7)			-	-	- %	-	- %

Month/Year			December 31, 2022				
Items			Non-performing loans (Note1)	Total loans	Non-performing loan ratio (Note2)	Allowance for credit losses	Coverage ratio (Note3)
Corporate finance	Secured		1,602,465	713,092,812	0.22 %	8,945,106	558.21 %
	Unsecured		691,641	372,391,080	0.19 %	4,952,203	716.01 %
Consumer finance	Residence mortgages(Note 4)		187,800	170,335,261	0.11 %	2,130,940	1,134.69 %
	Cash cards		-	-	- %	-	- %
	Microcredit(Note 5)		4,802	325,663	1.47 %	7,370	153.48 %
	Others (Note 6)	Secured	266,055	149,120,110	0.18 %	1,868,990	702.48 %
		Unsecured	14,614	13,228,525	0.11 %	174,007	1,190.69 %
total loan business			2,767,377	1,418,493,451	0.20 %	18,078,616	653.28 %
			Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio
Credit cards business			437	1,122,771	0.04 %	14,292	3,270.48 %
Account receivable factoring-without recourse (Note 7)			-	-	- %	-	- %

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Month/Year			September 30, 2022				
			Non-performing loans (Note1)	Total loans	Non-performing loan ratio (Note2)	Allowance for credit losses	Coverage ratio (Note3)
Items							
Corporate finance	Secured		1,450,475	705,330,178	0.21 %	8,503,201	586.24 %
	Unsecured		810,816	367,530,123	0.22 %	5,003,420	617.08 %
Consumer finance	Residence mortgages(Note 4)		197,330	160,588,873	0.12 %	1,938,763	982.50 %
	Cash cards		-	-	- %	-	- %
	Microcredit(Note 5)		6,196	348,606	1.78 %	8,790	141.87 %
	Others (Note 6)	Secured	318,971	148,229,040	0.22 %	1,787,519	560.40 %
		Unsecured	27,609	13,127,469	0.21 %	174,776	633.04 %
		Total loan business		2,811,397	1,395,154,289	0.20 %	17,416,469
			Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio
Credit cards business			1,265	1,058,565	0.12 %	15,379	1,215.73 %
Account receivable factoring-without recourse (Note 7)			-	-	- %	-	- %

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.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Overdue loans and receivables exempted from reporting

	September 30, 2023		December 31, 2022		September 30, 2022	
	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 (Note1)	\$ 179	858	258	1,112	287	1,211
Pursuant to a contract under a debt liquidation plan and a debt relief plan (Note 2)	68,717	18,694	54,109	22,489	49,966	23,286
Total	<u>\$ 68,896</u>	<u>19,552</u>	<u>54,367</u>	<u>23,601</u>	<u>50,253</u>	<u>24,497</u>

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.”

(ii) Concentration of credit extensions

September 30, 2023			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	20,228,474	17.56 %
2	B group. (Real estate for sale and rental with own or leased property)	16,752,808	14.54 %
3	C group. (Steel rolling and extruding)	9,513,042	8.26 %
4	D group. (Other holding)	9,077,794	7.88 %
5	E group. (Liquid crystal panel and components manufacturing)	7,450,819	6.47 %
6	F group. (Real estate development)	7,330,243	6.36 %
7	G group. (Real estate development)	6,660,528	5.78 %
8	H group. (Computers manufacturing)	6,374,002	5.53 %
9	I group. (Financial leasing)	6,273,362	5.45 %
10	J group. (Real estate development)	6,202,049	5.38 %

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2022			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	21,202,474	20.37 %
2	B group. (Real estate for sale and rental with own or leased property)	16,381,315	15.74 %
3	D group. (Other holding)	9,788,164	9.40 %
4	F group. (Real estate development)	8,982,725	8.63 %
5	C group. (Steel rolling and extruding)	8,715,755	8.37 %
6	H group. (Computers manufacturing)	6,523,340	6.27 %
7	G group. (Real estate development)	6,261,408	6.01 %
8	J group. (Real estate development)	6,027,170	5.79 %
9	E group. (Liquid crystal panel and components manufacturing)	5,531,674	5.31 %
10	I group. (Financial leasing)	4,565,169	4.39 %

September 30, 2022			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	21,202,474	21.31 %
2	B group. (Real estate for sale and rental with own or leased property)	14,941,775	15.02 %
3	D group. (Other holding)	9,029,266	9.07 %
4	F group. (Real estate development)	8,997,725	9.04 %
5	C group. (Steel rolling and extruding)	8,776,513	8.82 %
6	H group. (Computers manufacturing)	6,640,502	6.67 %
7	J group. (Real estate development)	6,492,543	6.53 %
8	G group. (Real estate development)	6,155,650	6.19 %
9	I group. (Financial Leasing)	5,268,235	5.29 %
10	E group. (Liquid crystal panel and components manufacturing)	4,516,636	4.54 %

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.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(iii) Interest rate-sensitivity information

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

Unit : %

September 30, 2023					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 1,558,399,496	51,733,601	48,076,949	125,384,924	1,783,594,970
Interest rate-sensitive liabilities	1,359,388,997	72,946,226	90,115,745	60,135,566	1,582,586,534
Interest rate sensitivity gap	199,010,499	(21,212,625)	(42,038,796)	65,249,358	201,008,436
Net worth					115,211,917
Ratio of interest rate-sensitive assets to liabilities (%)					112.70
Ratio of interest rate-sensitive gap to net worth (%)					174.47

December 31, 2022					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 1,464,207,488	24,207,477	42,324,132	136,449,514	1,667,188,611
Interest rate-sensitive liabilities	1,333,797,410	31,475,346	65,933,051	49,486,811	1,480,692,618
Interest rate sensitivity gap	130,410,078	(7,267,869)	(23,608,919)	86,962,703	186,495,993
Net worth					104,107,258
Ratio of interest rate-sensitive assets to liabilities (%)					112.60
Ratio of interest rate-sensitive gap to net worth (%)					179.14

September 30, 2022					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 1,419,931,860	36,238,915	39,351,211	141,318,971	1,636,840,957
Interest rate-sensitive liabilities	1,278,289,011	44,550,295	62,309,511	52,285,803	1,437,434,620
Interest rate sensitivity gap	141,642,849	(8,311,380)	(22,958,300)	89,033,168	199,406,337
Net worth					99,502,476
Ratio of interest rate-sensitive assets to liabilities (%)					113.87
Ratio of interest rate-sensitive gap to net worth (%)					200.40

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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, 2023					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 4,059,233	387,893	93,824	1,960,978	6,501,928
Interest rate-sensitive liabilities	7,190,624	1,615,858	2,135,187	220	10,941,889
Interest rate sensitivity gap	(3,131,391)	(1,227,965)	(2,041,363)	1,960,758	(4,439,961)
Net worth					3,568,590
Ratio of interest rate-sensitive assets to liabilities (%)					59.42
Ratio of interest rate-sensitive gap to net worth (%)					(124.42)

December 31, 2022					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 5,161,097	219,595	116,768	993,718	6,491,178
Interest rate-sensitive liabilities	7,302,641	1,388,445	2,402,052	1,139	11,094,277
Interest rate sensitivity gap	(2,141,544)	(1,168,850)	(2,285,284)	992,579	(4,603,099)
Net worth					3,388,357
Ratio of interest rate-sensitive assets to liabilities (%)					58.51
Ratio of interest rate-sensitive gap to net worth (%)					(135.85)

September 30, 2022					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 5,489,259	248,092	71,197	943,684	6,752,232
Interest rate-sensitive liabilities	7,750,881	941,573	2,130,585	3,852	10,826,891
Interest rate sensitivity gap	(2,261,622)	(693,481)	(2,059,388)	939,832	(4,074,659)
Net worth					3,127,042
Ratio of interest rate-sensitive assets to liabilities (%)					62.37
Ratio of interest rate-sensitive gap to net worth (%)					(130.30)

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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).

(iv) Profitability

Unit: %

Item		September 30, 2023	September 30, 2022
The ratio of return on assets	Before income tax	0.47	0.42
	After income tax	0.39	0.35
The ratio of return on equity	Before income tax	9.13	8.44
	After income tax	7.63	7.05
Net income ratio		34.65	34.16

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

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

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

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

(v) Maturity analysis for assets and liabilities

1) Maturity analysis in New Taiwan dollars

September 30, 2023							
	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	\$ 1,899,870,602	220,690,950	201,618,018	168,403,452	182,898,091	171,306,718	954,953,373
Major maturity capital outflow	2,351,188,300	62,011,010	104,133,821	250,504,969	316,412,085	427,358,410	1,190,768,005
Gap	(451,317,698)	158,679,940	97,484,197	(82,101,517)	(133,513,994)	(256,051,692)	(235,814,632)

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note: Listed amounts are denominated in New Taiwan dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow \$449,702,589.

December 31, 2022							
	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	\$ 1,798,278,148	171,214,261	167,605,412	186,953,929	204,957,223	152,184,634	915,362,689
Major maturity capital outflow	2,201,577,109	79,002,934	115,025,374	262,893,103	184,927,959	384,673,313	1,175,054,426
Gap	(403,298,961)	92,211,327	52,580,038	(75,939,174)	20,029,264	(232,488,679)	(259,691,737)

Note: Listed amounts are denominated in New Taiwan dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow \$390,839,630.

September 30, 2022							
	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	\$ 1,740,420,017	122,635,281	166,776,516	192,166,781	199,701,007	150,293,541	908,846,891
Major maturity capital outflow	2,137,521,910	53,152,832	134,510,227	236,574,590	252,914,115	339,722,365	1,120,647,781
Gap	(397,101,893)	69,482,449	32,266,289	(44,407,809)	(53,213,108)	(189,428,824)	(211,800,890)

Note: Listed amounts are denominated in New Taiwan dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow \$393,074,281.

2) Maturity analysis in US dollars

Unit : In Thousands of US Dollars

September 30, 2023						
	Total	Amount during the maturity period from the balance sheet date to due date				
		0-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 14,882,831	2,709,520	2,781,360	2,122,793	2,592,689	4,676,469
Major maturity capital outflow	15,910,917	4,602,537	3,619,090	2,235,985	2,837,580	2,615,725
Gap	(1,028,086)	(1,893,017)	(837,730)	(113,192)	(244,891)	2,060,744

Note: Listed amounts are denominated in US dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow USD \$912,346.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2022						
	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	\$ 16,353,649	5,107,519	4,629,214	1,287,440	1,713,177	3,616,299
Major maturity capital outflow	17,155,496	3,645,117	4,045,473	2,484,679	3,910,394	3,069,833
Gap	(801,847)	1,462,402	583,741	(1,197,239)	(2,197,217)	546,466

Note: Listed amounts are denominated in US dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow USD \$912,002.

September 30, 2022						
	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	\$ 16,008,504	4,609,724	3,351,178	2,404,391	2,031,320	3,611,891
Major maturity capital outflow	16,823,197	3,540,905	3,783,898	2,278,778	3,913,854	3,305,762
Gap	(814,693)	1,068,819	(432,720)	125,613	(1,882,534)	306,129

Note: Listed amounts are denominated in US dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow USD \$903,079.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

- (i) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 10% of the capital stock: None.
- (ii) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock: None.
- (iii) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock: None.
- (iv) Service charge discounts on transactions with related parties in an aggregate amount of NT\$5 million or more: None.
- (v) Receivables from related parties with amounts exceeding the lower of NT\$300 million or 10% of the capital stock: None.
- (vi) Information on NPL disposal transaction: None.
- (vii) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information: None.
- (viii) Business relationships and significant intercompany transactions:

No (Note 1)	Trader	Counterparty	Relationship (Note 2)	Transaction status for the nine months ended September 30, 2023			
				Account	Amount	Terms	Percentage accounted for consolidated net revenue or total assets
0	Taiwan Business Bank, Ltd.	TBB International Leasing Co., Ltd.	1	Deposits and remittances	53,747	No difference with non-related parties	- %
1	TBB International Leasing Co., Ltd.	Taiwan Business Bank, Ltd.	2	Right-of-use assets	3,813	No difference with non-related parties	- %
1	TBB International Leasing Co., Ltd.	Taiwan Business Bank, Ltd.	2	Lease liabilities	3,828	No difference with non-related parties	- %
0	Taiwan Business Bank, Ltd.	TBB International Leasing Co., Ltd.	1	Net revenue other than interest	613	No difference with non-related parties	- %
0	Taiwan Business Bank, Ltd.	TBB Venture Capital Co., Ltd.	1	Deposits and remittances	109,341	No difference with non-related parties	- %
2	TBB Venture Capital Co., Ltd.	Taiwan Business Bank, Ltd.	2	Right-of-use assets	520	No difference with non-related parties	- %
2	TBB Venture Capital Co., Ltd.	Taiwan Business Bank, Ltd.	2	Lease liabilities	527	No difference with non-related parties	- %
0	Taiwan Business Bank, Ltd.	TBB Venture Capital Co., Ltd.	1	Net revenue other than interest	131	No difference with non-related parties	- %
0	Taiwan Business Bank, Ltd.	Taiwan Business Bank International Leasing Co., Ltd.	1	Deposits and remittances	113,201	No difference with non-related parties	0.01 %
0	Taiwan Business Bank, Ltd.	TBB Consulting Co., Ltd.	1	Deposits and remittances	63,461	No difference with non-related parties	- %
0	Taiwan Business Bank, Ltd.	TBB Consulting Co., Ltd.	1	Net revenue other than interest	729	No difference with non-related parties	- %
3	TBB Consulting Co., Ltd.	Taiwan Business Bank, Ltd.	2	Right-to-use assets	2,905	No difference with non-related parties	- %
3	TBB Consulting Co., Ltd.	Taiwan Business Bank, Ltd.	2	Lease liabilities	2,936	No difference with non-related parties	- %
2	TBB Venture Capital Co., Ltd.	TBB Consulting Co., Ltd.	3	Business expenses	21,715	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

- (ix) Other significant transactions that may have substantial influence upon the decisions made by financial report users: None.

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees:

(i) The following is the information on investees (excluding information on investees 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 %	1,548,244	38,557	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 %	661,859	5,337	20	-	20	100.00 %	”
TBB Venture Capital Co., Ltd.	Taiwan	Investing business	100.00 %	1,366,474	108,050	123,211	-	123,211	100.00 %	”
TBB Consulting Co., Ltd.	Taiwan	Consulting business	100.00 %	61,925	7,112	5,000	-	5,000	100.00 %	”
Media Talk Consulting Co., Ltd.	Taiwan	Investing cultural and creative business	20.00 %	-	(808)	200	-	200	20.00 %	

(ii) 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.	Hsin Chuan Construction Co., Ltd.	Financial receivables	No	104,430	37,724	100,000	2%-10%	2	-	To the lender for buying goods	377	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Xi Quan Restaurant Co., Ltd	Financial receivables	No	98,957	82,445	100,000	2%-10%	2	-	To the lender for buying goods	824	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Acon-Holding INC.	Financial receivables	No	60,000	15,112	30,000	2%-10%	2	-	To the lender for buying goods	151	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Maw Shing Top Co., Ltd.	Financial receivables	No	24,616	13,282	30,000	2%-10%	2	-	To the lender for buying goods	133	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Yu Ding Investment Co., Ltd	Financial receivables	No	46,989	22,409	50,000	2%-10%	2	-	To the lender for buying goods	224	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Chaishan Foods Co., Ltd.	Financial receivables	No	50,000	16,958	50,000	2%-10%	2	-	To the lender for buying goods	170	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Chao-Chi Property Management Consulting Co.,Ltd	Financial receivables	No	23,835	12,559	15,000	2%-10%	2	-	To the lender for buying goods	126	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Tai Chang Fiber Co., Ltd	Financial receivables	No	23,851	12,562	15,000	2%-10%	2	-	To the lender for buying goods	126	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Risingsun Wide Food Corp.	Financial receivables	No	27,439	-	30,000	2%-10%	2	-	To the lender for buying goods	-	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Yu Cheng Precision Industry Co.,Ltd.	Financial receivables	No	8,054	-	12,000	2%-10%	2	-	To the lender for buying goods	-	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Jiou Chang Motor Co., Ltd.	Financial receivables	No	9,188	2,552	10,000	2%-10%	2	-	To the lender for buying goods	26	None	-	379,101	1,516,403

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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.	Liang-wei Tobacco & Liquor Co., Ltd.	Financial receivables	No	9,188	2,554	10,000	2%-10%	2	-	To the lender for buying goods	26	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	JIA HO FOOD CO., LTD.	Financial receivables	No	19,044	7,146	20,000	2%-10%	2	-	To the lender for buying goods	71	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Cheng Mao Enterprise Co., Ltd.	Financial receivables	No	8,000	8,000	8,000	2%-10%	2	-	To the lender for buying goods	80	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Chao-Yang International Co., Ltd.	Financial receivables	No	30,115	20,000	20,000	2%-10%	2	-	To the lender for buying goods	200	None	-	379,101	1,516,403

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.

(iii) Endorsements and guarantee for others: None

(iv) 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	Market price	
TBB International Leasing Co., Ltd.	Taiwan Business International Leasing Co., Ltd.	Parent company	Investment under equity method	-	980,629	100.00 %	980,629	The transaction has been written off when preparing the consolidated financial statements.
TBB International Leasing Co., Ltd.	G12245、G12246	-	Financial assets at fair value through profit or loss	-	100,000	- %	100,000	Financial debentures
TBB Venture Capital Co., Ltd.	G12245	-	Financial assets at fair value through profit or loss	-	100,000	- %	100,000	"
TBB Venture Capital Co., Ltd.	Energenesis Biomedical Co., Ltd.	-	Financial assets at fair value through profit or loss	220	13,200	0.29 %	13,200	Listed Stocks
TBB Venture Capital Co., Ltd.	Powerchip Semiconductor Manufacturing Corporation	-	Financial assets at fair value through profit or loss	250	6,638	0.01 %	6,638	"
TBB Venture Capital Co., Ltd.	Lungteh Shipbuilding Co., Ltd.	-	Financial assets at fair value through profit or loss	748	73,648	0.69 %	73,648	"
TBB Venture Capital Co., Ltd.	Evergreen Aviation Technologies Corporation	-	Financial assets at fair value through profit or loss	13	1,378	- %	1,378	"
TBB Venture Capital Co., Ltd.	Tigerair Taiwan Co., Ltd.	-	Financial assets at fair value through profit or loss	836	25,216	0.19 %	25,216	"
TBB Venture Capital Co., Ltd.	Eir Genix, Inc.	-	Financial assets at fair value through profit or loss	845	82,388	0.28 %	82,388	OTC Stocks
TBB Venture Capital Co., Ltd.	Chenfull Precision Co., Ltd.	-	Financial assets at fair value through profit or loss	180	21,150	0.30 %	21,150	"

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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	Market price	
TBB Venture Capital Co., Ltd.	Ping Ho Environmental Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	130	7,683	0.45 %	7,683	Emerging Stocks
TBB Venture Capital Co., Ltd.	Handa Pharmaceuticals, Inc.	-	Financial assets at fair value through profit or loss	1,470	225,576	1.05 %	225,576	"
TBB Venture Capital Co., Ltd.	Locus Cell Co., Ltd.	-	Financial assets at fair value through profit or loss	1,341	45,192	0.67 %	45,192	"
TBB Venture Capital Co., Ltd.	Starlux Airlines Co., Ltd.	-	Financial assets at fair value through profit or loss	4,763	111,933	0.23 %	111,933	"
TBB Venture Capital Co., Ltd.	TFBS Bioscience, Inc.	-	Financial assets at fair value through profit or loss	260	14,274	0.78 %	14,274	"
TBB Venture Capital Co., Ltd.	Iovtec Co., Ltd.	-	Financial assets at fair value through profit or loss	485	40,659	2.93 %	40,659	"
TBB Venture Capital Co., Ltd.	Song Chuan Precision Co., Ltd.	-	Financial assets at fair value through profit or loss	665	66,496	1.02 %	66,496	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Techplasma Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	944	47,184	2.84 %	47,184	"
TBB Venture Capital Co., Ltd.	Hephas Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	816	57,153	2.96 %	57,153	"
TBB Venture Capital Co., Ltd.	Ren Chin Electric Conductor Co., Ltd.	-	Financial assets at fair value through profit or loss	250	5,560	2.61 %	5,560	"
TBB Venture Capital Co., Ltd.	Manford Machinery Co.,Ltd.	-	Financial assets at fair value through profit or loss	1,195	25,430	2.99 %	25,430	"
TBB Venture Capital Co., Ltd.	Yuh Shan Enviromental Engineering Co., Ltd.	-	Financial assets at fair value through profit or loss	562	19,662	1.94 %	19,662	"
TBB Venture Capital Co., Ltd.	e-Formula Technologies,Inc.	-	Financial assets at fair value through profit or loss	600	12,582	2.76 %	12,582	"
TBB Venture Capital Co., Ltd.	Han-win Technology Co.,Ltd	-	Financial assets at fair value through profit or loss	453	4,972	2.20 %	4,972	"
TBB Venture Capital Co., Ltd.	Ina Energy Corporation	-	Financial assets at fair value through profit or loss	2,000	40,500	0.99 %	40,500	"
TBB Venture Capital Co., Ltd.	Amazing Cool Technology Corporation.	-	Financial assets at fair value through profit or loss	390	4,516	2.79 %	4,516	"
TBB Venture Capital Co., Ltd.	Long-Shun Green Energy Technology Ltd.	-	Financial assets at fair value through profit or loss	1,045	41,800	2.99 %	41,800	"
TBB Venture Capital Co., Ltd.	Gamamobi Taiwan Co.,Ltd.	-	Financial assets at fair value through profit or loss	200	-	1.00 %	-	"
TBB Venture Capital Co., Ltd.	Toyo Automation Co.,Ltd.	-	Financial assets at fair value through profit or loss	263	19,835	0.95 %	19,835	"
TBB Venture Capital Co., Ltd.	aetherAI Co., Ltd.	-	Financial assets at fair value through profit or loss	400	10,000	0.66 %	10,000	"
TBB Venture Capital Co., Ltd.	Quants AI Inc.	-	Financial assets at fair value through profit or loss	1,600	11,424	8.89 %	11,424	"
TBB Venture Capital Co., Ltd.	Honley Auto. Parts Co., Ltd.	-	Financial assets at fair value through profit or loss	3,000	14,820	2.95 %	14,820	"
TBB Venture Capital Co., Ltd.	Cuumed Catheter Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	600	21,000	1.53 %	21,000	"
TBB Venture Capital Co., Ltd.	AnnJi Pharmaceutical Co. Ltd.	-	Financial assets at fair value through profit or loss	400	12,000	0.45 %	12,000	"
TBB Venture Capital Co., Ltd.	GoodLinker Co., Ltd.	-	Financial assets at fair value through profit or loss	100	787	2.86 %	787	"

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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	Market price	
TBB Venture Capital Co., Ltd.	Yiyi Pictures Co Ltd.	-	Financial assets at fair value through profit or loss	9	2,688	2.94 %	2,688	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Inbound Asia Co., Ltd.	-	Financial assets at fair value through profit or loss	83	2,096	0.49 %	2,096	"
TBB Venture Capital Co., Ltd.	Asia Hydrogen Energy Corporation	-	Financial assets at fair value through profit or loss	132	1,216	1.98 %	1,216	"
TBB Venture Capital Co., Ltd.	Longwalk social enterprise, Co., Ltd.	-	Financial assets at fair value through profit or loss	120	436	12.77 %	436	"
TBB Venture Capital Co., Ltd.	Carpost Co., Ltd.	-	Financial assets at fair value through profit or loss	330	4,412	2.84 %	4,412	"
TBB Venture Capital Co., Ltd.	Rising FinTech Corp.	-	Financial assets at fair value through profit or loss	38	3,000	2.29 %	3,000	"
TBB Venture Capital Co., Ltd.	Maxima Biotech Inc.	-	Financial assets at fair value through profit or loss	225	4,950	0.96 %	4,950	"
TBB Venture Capital Co., Ltd.	Taiwania Buffalo III Biotechnology Venture Capital LLP.	-	Financial assets at fair value through profit or loss	-	52,881	4.57 %	52,881	Private Fund
TBB Venture Capital Co., Ltd.	Ju He Venture Capital LLP.	-	Financial assets at fair value through profit or loss	-	24,826	2.46 %	24,826	"
TBB Venture Capital Co., Ltd.	TBB No.1 Venture Capital Limited Partnership	-	Financial assets at fair value through profit or loss	-	12,977	1.12 %	12,977	"
TBB Venture Capital Co., Ltd.	Outstanding Capital Limited Partnership	-	Financial assets at fair value through profit or loss	-	8,667	4.86 %	8,667	"
TBB Venture Capital Co., Ltd.	Pinkoi Inc.	-	Financial assets at fair value through profit or loss	93	16,416	0.53 %	16,416	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Jia Da International Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,919	29,719	8.52 %	29,719	"
TBB Venture Capital Co., Ltd.	Media Talk Consulting Co., Ltd.	Associates	Investment under equity method	200	-	20.00 %	-	
TBB Consulting Co., Ltd.	TBB No.1 Venture Limited Partnership	-	Financial assets at fair value through profit or loss	-	1,298	0.11 %	1,298	Private Fund

- (v) Accumulative purchases or sales of the same investee companies amounting to over \$300,000 or 10% of paid-in capital: None.
- (vi) Acquisition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (vii) Disposition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (viii) Discount of commissions and handling fees with related parties amounting to over \$5,000: None.
- (ix) Receivables from related parties amounting to over \$300,000 or 10% of paid-in capital: None.
- (x) Transactions of financial derivatives: None.
- (xi) Sale of non-performing loans information: None.
- (xii) Types of securitization instruments and related information approved by financial assets securitization rules or real estate securitization rules: None.
- (xiii) Other significant transactions that might have substantial influence over the decision making of the financial statement users: None.

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Information on investments in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

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)	(3)	3,910,537 (CNY800 million)	-	-	3,910,537 (CNY800 million)	-	Shanghai branch of the Bank, not an investee company	Note 4	4,596,039	None
Taiwan Business Bank , Ltd. Wuhan branch	Banking business	3,942,815 (CNY800 million) (Operating capital)	(3)	3,942,815 (CNY800 million)	-	-	3,942,815 (CNY800 million)	-	Wuhan branch of the Bank, not an investee company	Note 4	4,373,324	"
Taiwan Business Bank International Leasing Co., Ltd.	Leasing business	838,305 (CNY170 million) (Operating capital)	(1)	838,305 (CNY170 million)	-	-	838,305 (CNY170 million)	26,451 2 (c)	100%	26,451 2 (c)	980,629	"

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

- (1) Directly invest in Mainland China.
- (2) Investment in Mainland China companies through a third region.
- (3) 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.

(ii) Limitation on investment in Mainland 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)	69,127,150

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		1,333,153,090	16.21 %
National Development Fund, Executive Yuan		482,381,505	5.87 %

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, consulting, 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, 2023	Banking Segment	Securities, Trust, Insurance agent and Others	Adjustment and Elimination	Total
Net interest revenue	\$ 4,589,502	74,349	-	4,663,851
Net revenue other than interest	<u>2,659,023</u>	<u>866,369</u>	<u>62,475</u>	<u>3,587,867</u>
Net revenue	7,248,525	940,718	62,475	8,251,718
Bad debt expense, commitment and guarantee liability provision	(1,374,879)	(10,656)	-	(1,385,535)
Operating expenses	<u>(4,104,968)</u>	<u>(195,787)</u>	<u>7,367</u>	<u>(4,293,388)</u>
Income from continuing operation before tax	<u>\$ 1,768,678</u>	<u>734,275</u>	<u>69,842</u>	<u>2,572,795</u>

(Continued)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the three months ended September 30, 2022	Banking Segment	Securities, Trust, Insurance agent and Others	Adjustment and Elimination	Total
Net interest revenue	\$ 5,242,500	74,843	-	5,317,343
Net revenue other than interest	1,896,707	741,939	(130,266)	2,508,380
Net revenue	7,139,207	816,782	(130,266)	7,825,723
Bad debt expense, commitment and guarantee liability provision	(639,318)	706	-	(638,612)
Operating expenses	(3,600,068)	(175,051)	5,634	(3,769,485)
Income from continuing operation before tax	<u>\$ 2,899,821</u>	<u>642,437</u>	<u>(124,632)</u>	<u>3,417,626</u>

For the nine months ended September 30, 2023	Banking Segment	Securities, Trust, Insurance agent and Others	Adjustment and Elimination	Total
Net interest revenue	\$ 14,096,962	212,966	-	14,309,928
Net revenue other than interest	7,268,991	2,754,473	(180,771)	9,842,693
Net revenue	21,365,953	2,967,439	(180,771)	24,152,621
Bad debt expense, commitment and guarantee liability provision	(2,204,243)	(10,805)	-	(2,215,048)
Operating expenses	(11,369,579)	(582,489)	21,715	(11,930,353)
Income from continuing operation before tax	<u>\$ 7,792,131</u>	<u>2,374,145</u>	<u>(159,056)</u>	<u>10,007,220</u>
Total assets	<u>\$ 2,176,256,057</u>	<u>17,858,316</u>	<u>(4,008,046)</u>	<u>2,190,106,327</u>
Total liabilities	<u>\$ 2,064,195,036</u>	<u>11,068,918</u>	<u>(369,544)</u>	<u>2,074,894,410</u>

For the nine months ended September 30, 2022	Banking Segment	Securities, Trust, Insurance agent and Others	Adjustment and Elimination	Total
Net interest revenue	\$ 14,901,460	235,705	-	15,137,165
Net revenue other than interest	3,841,897	2,085,162	(312,275)	5,614,784
Net revenue	18,743,357	2,320,867	(312,275)	20,751,949
Bad debt expense, commitment and guarantee liability provision	(1,626,908)	22,837	-	(1,604,071)
Operating expenses	(10,156,859)	(517,372)	16,112	(10,658,119)
Income from continuing operation before tax	<u>\$ 6,959,590</u>	<u>1,826,332</u>	<u>(296,163)</u>	<u>8,489,759</u>
Total assets	<u>\$ 2,006,443,412</u>	<u>17,314,317</u>	<u>(3,919,030)</u>	<u>2,019,838,699</u>
Total liabilities	<u>\$ 1,909,828,799</u>	<u>10,919,064</u>	<u>(411,640)</u>	<u>1,920,336,223</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 Consolidated Financial Statements Originally Issued in Chinese.)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Balance Sheets of Security Division

September 30, 2023, December 31, 2022 and September 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2023		December 31, 2022		September 30, 2022				September 30, 2023		December 31, 2022		September 30, 2022	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and equity		Amount	%	Amount	%	Amount	%
Current Assets :								Current Liabilities :							
113200	Current financial assets at fair value through other comprehensive income	\$ 300,355	3	651,983	7	349,304	4	214010	Liabilities for bonds with attached repurchase agreements	\$ 787,852	8	736,781	8	741,269	8
								214040	Securities financing refundable deposits	57,123	1	116,196	1	103,705	1
114030	Margin loans receivable	3,002,985	32	2,645,176	28	2,523,669	27	214050	Deposits payable for securities financing	67,281	1	108,289	1	113,998	1
114040	Refinancing margin	276	-	1,505	-	1,161	-	214130	Accounts payable	192,415	2	178,289	2	319,035	3
114050	Refinancing collateral receivable	230	-	1,158	-	1,200	-	219000	Other current liabilities	43,003	-	103,839	1	137,010	2
114130	Accounts receivable	270,016	3	262,501	4	405,865	5		Total current liabilities	1,147,674	12	1,243,394	13	1,415,017	15
119000	Other current assets	8,181	-	68,288	1	104,363	1	229030	Guaranteed deposits received	20	-	20	-	20	-
	Total current assets	3,582,043	38	3,630,611	40	3,385,562	37	229110	Inter-department accounts, credit	5,832,010	62	5,723,527	61	5,644,935	60
Non-current Assets :									Total non-current liabilities	5,832,030	62	5,723,547	61	5,644,955	60
123200	Non-current financial assets at fair value through other comprehensive income	5,440,704	58	5,408,506	57	5,639,850	60		Total liabilities	6,979,704	74	6,966,941	74	7,059,972	75
									Equity parent company						
123300	Non-current financial assets at amortized cost	298,921	3	298,840	3	298,815	3	301110	Assigned working capital	2,200,000	23	2,200,000	23	2,200,000	23
125000	Property and equipment, net	23,866	-	26,263	-	23,274	-	304020	Special reserve	185,127	2	185,127	2	185,127	2
127000	Intangible assets	10,850	-	11,282	-	12,396	-	304040	Unappropriated retained earnings	142,592	2	212,595	2	178,082	2
129000	Other non-current assets	34,326	1	32,709	-	32,742	-	305290	Other equity, other	(116,713)	(1)	(156,452)	(1)	(230,542)	(2)
	Total non-current assets	5,808,667	62	5,777,600	60	6,007,077	63		Total equity	2,411,006	26	2,441,270	26	2,332,667	25
	Total assets	\$ 9,390,710	100	9,408,211	100	9,392,639	100		Total liabilities and equity	\$ 9,390,710	100	9,408,211	100	9,392,639	100

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

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES**Statements of Comprehensive Income of Security Division****For the three months and nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

		<u>For the three months ended September 30,</u>				<u>For the nine months ended September 30,</u>			
		2023		2022		2023		2022	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenues :									
401000	Brokerage handling fee revenue	\$ 128,804	75	86,665	67	314,070	72	275,176	67
401110	Handling fees from securities financing	253	-	385	-	739	-	1,038	-
421200	Interest revenue	41,914	24	40,338	31	117,786	27	133,175	32
424100	Future commission revenue	982	1	921	2	2,307	1	2,198	1
425300	Expected credit loss and reversal of expected credit loss	105	-	242	-	108	-	356	-
428000	Other operating income	<u>151</u>	<u>-</u>	<u>47</u>	<u>-</u>	<u>385</u>	<u>-</u>	<u>106</u>	<u>-</u>
		<u>172,209</u>	<u>100</u>	<u>128,598</u>	<u>100</u>	<u>435,395</u>	<u>100</u>	<u>412,049</u>	<u>100</u>
Expenses :									
501000	Brokerage handling fee expenses	9,318	5	6,435	5	22,788	5	19,871	5
503000	Refinancing processing fee expenses	5	-	73	-	125	-	114	-
521200	Financial costs	1,399	1	520	-	3,680	1	1,319	-
528000	Other operating expenditure	220	-	223	-	626	-	642	-
530000	Operating expenses	84,075	50	74,182	59	228,920	53	219,150	53
602000	Other losses and (gains)	<u>15,825</u>	<u>9</u>	<u>1,853</u>	<u>1</u>	<u>36,664</u>	<u>8</u>	<u>(7,129)</u>	<u>(2)</u>
		<u>110,842</u>	<u>65</u>	<u>83,286</u>	<u>65</u>	<u>292,803</u>	<u>67</u>	<u>233,967</u>	<u>56</u>
	Net income	<u>61,367</u>	<u>35</u>	<u>45,312</u>	<u>35</u>	<u>142,592</u>	<u>33</u>	<u>178,082</u>	<u>44</u>
805000	Other comprehensive income :								
805615	Unrealized gains (losses) from investment in debt instruments measured at fair value through other comprehensive income	(7,012)	(4)	(99,272)	(77)	39,739	9	(275,282)	(67)
805699	Add: Income tax related to components of other comprehensive income	-	-	-	-	-	-	-	-
805000	Other comprehensive income (net amount after tax)	<u>(7,012)</u>	<u>(4)</u>	<u>(99,272)</u>	<u>(77)</u>	<u>39,739</u>	<u>9</u>	<u>(275,282)</u>	<u>(67)</u>
	Total comprehensive income	<u>\$ 54,355</u>	<u>31</u>	<u>(53,960)</u>	<u>(42)</u>	<u>182,331</u>	<u>42</u>	<u>(97,200)</u>	<u>(23)</u>