

BANK OF KAOHSIUNG CO., LTD.

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

Address : 168 Po Ai 2nd Road, Zuoying District
Kaohsiung, Taiwan
Tel : (07)557-0535

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
Bank of Kaohsiung Co., Ltd.

Introduction

We have reviewed the accompanying balance sheets of the Bank of Kaohsiung Co., Ltd. (the "Company") as of September 30, 2021 and 2020 and the related statements of comprehensive income for the three months and for the nine months ended September 30, 2021 and 2020, and changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, and the related notes to the financial statements (including a summary of significant accounting policies). Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying financial statements do not present fairly in all material respects, the financial position of the Company as of September 30, 2021 and 2020, and its financial performance for the three months and for the nine months ended September 30, 2021 and 2020, and its cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Jen Yao Hsieh and Ping Chang Su.

Crowe (TW) CPAs

Crowe (TW) CPAs

Kaohsiung, Taiwan

Republic of China

November 10, 2021

Notice to Readers

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

The independent auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese language independent auditors’ report and financial statements shall prevail.

BANK OF KAOHSIUNG CO., LTD.
BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31 AND SEPTEMBER 30, 2020
(Expressed In Thousands of New Taiwan Dollars)

(Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2020 and 2019)

Assets		Note	September 30, 2021		December 31, 2020		September 30, 2020	
A/C No.	Item		Amount	%	Amount	%	Amount	%
11000	Cash and cash equivalents	6.1	\$2,910,802	1	\$3,052,881	1	\$3,184,787	1
11500	Due from the Central Bank and call loans to banks	6.2	12,765,405	5	10,715,105	4	10,210,151	4
12000	Financial assets at fair value through profit or loss	6.3	972,373	-	1,499,992	1	867,458	-
12100	Financial assets at fair value through other comprehensive income	6.4	26,684,358	9	25,127,324	9	21,944,791	8
12200	Investments in debt instruments at amortized cost	6.5	49,304,516	17	51,616,733	19	47,321,160	18
12500	Securities purchased under resale agreements	6.6	3,737,438	1	1,993,060	1	4,396,120	2
13000	Receivables, net	6.7	1,701,413	1	1,836,132	1	1,244,136	-
13500	Discounts and loans, net	6.8	178,952,818	63	176,158,959	64	175,816,694	65
15500	Other financial assets, net	6.9	941,775	-	209,120	-	206,695	-
18500	Property and equipment, net	6.10	3,128,411	3	3,136,136	-	3,139,858	2
18600	Right-of-use assets, net	6.11	318,172	-	366,560	-	313,026	-
19000	Intangible assets, net	6.12	118,578	-	127,771	-	131,764	-
19300	Deferred income tax assets, net	6.36	159,900	-	151,412	-	156,064	-
19500	Other assets, net	6.13	192,703	-	168,376	-	190,135	-
10000	Total Assets		<u>\$281,888,662</u>	<u>100</u>	<u>\$276,159,561</u>	<u>100</u>	<u>\$269,122,839</u>	<u>100</u>

(Continued)

Liabilities and Equity			September 30, 2021		December 31, 2020		September 30, 2020	
A/C No.	Item	Note	Amount	%	Amount	%	Amount	%
	Liabilities							
21000	Deposits from the Central Bank and other banks	6.14	\$8,383,985	3	\$10,411,348	4	\$12,221,961	5
21500	Due to Central Bank and other banks	6.15	3,010,530	1	1,167,860	-	660,470	-
22000	Financial liabilities at fair value through profit or loss	6.16	62,498	-	31,323	-	22,664	-
22500	Securities sold under repurchase agreements	6.17	3,879,252	1	8,171,385	3	6,633,109	2
23000	Payables	6.18	6,098,746	2	3,586,176	1	3,816,185	1
23200	Current income tax liabilities		61,995	-	26,639	-	15,450	-
23500	Deposits and remittances	6.19	237,795,956	85	230,183,260	84	223,313,125	84
24000	Bonds payables	6.20	4,300,000	2	5,500,000	2	5,500,000	2
25600	Provisions	6.21	353,413	-	394,488	-	388,160	-
26000	Lease liabilities	6.11	315,950	-	363,186	-	309,222	-
29500	Other liabilities	6.22	72,851	-	109,272	-	167,377	-
20000	Total Liabilities		264,335,176	94	259,944,937	94	253,047,723	94
	Equity	6.23						
31101	Common stock		11,634,444	4	10,809,165	5	10,809,165	5
31103	Preferred stock		400,000	-	-	-	-	-
31121	Reserve for Raising Capital		-	-	486,412	-	-	-
31100	Total stock	6.23	12,034,444	4	11,295,577	5	10,809,165	5
31500	Capital surplus	6.23	1,610,519	1	1,146,066	-	1,243,348	-
	Retained earnings							
32001	Legal reserve	6.23	2,682,741	1	2,452,785	1	2,218,218	1
32003	Special reserve	6.23	-	-	432	-	432	-
32005	Unappropriated earnings	6.23	758,130	-	773,539	-	1,393,650	-
32000	Total Retained Earnings		3,440,871	1	3,226,756	1	3,612,300	1
32500	Other Equity	6.23	467,652	-	546,225	-	410,303	-
30000	Total Equity		17,553,486	6	16,214,624	6	16,075,116	6
	Total Liabilities and Equity		\$281,888,662	100	\$276,159,561	100	\$269,122,839	100

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

BANK OF KAOHSIUNG CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed In thousands of New Taiwan dollars, Except Earnings Per Share)
(Reviewed only, not audited in accordance with generally accepted auditing standards)

A/C No.	Item	Note	For the Three Months Ended September 30				For the Nine Months Ended September 30			
			2021		2020		2021		2020	
			Amount	%	Amount	%	Amount	%	Amount	%
41000	Interest income		\$989,038	101	\$1,000,605	108	\$2,933,697	96	\$3,241,499	115
51000	Less: Interest expense		(273,324)	(28)	(359,773)	(39)	(845,274)	(28)	(1,314,408)	(47)
49010	Net interest income	6.24	715,714	73	640,832	69	2,088,423	68	1,927,091	68
49020	Net non-interest income									
49100	Net service fee and commission income	6.25	137,192	14	102,725	11	392,547	13	311,299	11
49200	Gain (loss) on financial assets and liabilities at fair value through profit or loss	6.26	20,743	2	(41,429)	(4)	127,170	4	(160,342)	(6)
49310	Realized gain (loss) on financial assets at fair value through other comprehensive income	6.27	83,237	8	41,378	4	132,094	4	204,046	7
49450	Gain (loss) on derecognition of financial assets at amortised cost	6.28	29,490	3	103,967	11	357,608	12	272,827	10
49600	Foreign exchange gain (loss)	6.29	(9,268)	(1)	75,679	8	(64,693)	(2)	245,528	9
49700	Reversal of (provision for) impairment loss on assets	6.30	752	-	(1,452)	-	210	-	(3,174)	-
49800	Net other non-interest income	6.31	5,026	1	5,330	1	26,516	1	26,962	1
4XXXX	Total net revenue		982,886	100	927,030	100	3,059,875	100	2,824,237	100
58200	Provision for bad debt expense, commitments and guarantee liabilities	6.8	(85,924)	(9)	(95,137)	(10)	(384,491)	(13)	(272,768)	(10)
58400	Operating expenses									
58500	Employee benefits expenses	6.32	(427,738)	(42)	(416,506)	(45)	(1,304,894)	(42)	(1,278,683)	(45)
59000	Depreciation and amortization expenses	6.33	(46,305)	(5)	(46,665)	(5)	(134,814)	(4)	(140,104)	(5)
59500	Other general and administrative expenses	6.34	(152,399)	(16)	(154,344)	(17)	(451,308)	(15)	(457,919)	(16)
61001	Income before income tax		270,520	28	214,378	23	784,368	26	674,763	24
61003	Income tax expense	6.35	(34,399)	(3)	(30,939)	(3)	(88,625)	(3)	(97,074)	(4)
64000	Net income		236,121	25	183,439	20	695,743	23	577,689	20
	Other comprehensive income:	6.37								
65200	Items that will not be reclassified subsequently to profit or loss									
65204	Unrealized gain (loss) on valuation of investments in equity instruments at fair value through other comprehensive income		20,726	2	(97,109)	(10)	298,648	9	(75,892)	(3)
65300	Items that may be reclassified subsequently to profit or loss									
65301	Exchange differences on the translation of financial statements of foreign operations		151	-	(155)	-	482	-	576	-
65309	Unrealized gain (loss) on valuation of investments in debt instruments at fair value through other comprehensive income		(29,876)	(3)	96,792	10	(317,753)	(10)	141,452	5
65310	Reversal gain (impairment loss) on debt instruments at fair value through other comprehensive income		(468)	-	661	-	769	-	1,124	-
65320	Income tax related to items that may be reclassified subsequently to profit or loss	6.35	(30)	-	31	-	(96)	-	(115)	-
65000	Other comprehensive income, net of tax		(9,497)	(1)	220	-	(17,950)	(1)	67,145	2
66000	Total comprehensive income		\$226,624	24	\$183,659	20	\$677,793	22	\$644,834	22
	Earnings per share									
67500	Basic earnings per share	6.38	\$0.20		\$0.16		\$0.60		\$0.50	
67700	Diluted earnings per share	6.38	\$0.20		\$0.16		\$0.60		\$0.49	

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

BANK OF KAOHSIUNG CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed In Thousands of New Taiwan Dollars)

(Reviewed only, not audited in accordance with generally accepted auditing standards)

Item	Stock				Retained Earnings				Other Equity Item			Total Equity
	Capital Stock	Preferred stock	Reserve for Raising Capital	Subtotal	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Others	
Balance at January 1, 2020	\$10,809,165	\$ -	\$ -	\$10,809,165	\$1,242,676	\$2,218,218	\$7,243	\$786,043	(\$538)	\$366,730	\$73	\$15,429,610
Appropriation and distribution of retained earnings:												
Reversal of special reserve	-	-	-	-	-	-	(6,811)	6,811	-	-	-	-
Other capital surplus changes :												
Other capital surplus change	-	-	-	-	672	-	-	-	-	-	-	672
Net income For the Nine Months Ended September 30, 2020	-	-	-	-	-	-	-	577,689	-	-	-	577,689
Other comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	-	-	461	66,684	-	67,145
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	-	577,689	461	66,684	-	644,834
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	23,107	-	(23,107)	-	-
Balance at September 30, 2020	\$10,809,165	\$ -	\$ -	\$10,809,165	\$1,243,348	\$2,218,218	\$432	\$1,393,650	(\$77)	\$410,307	\$73	\$16,075,116
Balance at January 1, 2021	\$10,809,165	\$ -	\$486,412	\$11,295,577	\$1,146,066	\$2,452,785	\$432	\$773,539	(\$143)	\$546,295	\$73	\$16,214,624
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	-	-	-	229,956	-	(229,956)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(338,867)	-	-	-	(338,867)
Stock dividends	592,450	-	(389,130)	203,320	-	-	-	(203,320)	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	(432)	432	-	-	-	-
Other capital surplus changes :												
Capital surplus distributed as stock dividends	232,829	-	(97,282)	135,547	(135,547)	-	-	-	-	-	-	-
Net income For the Nine Months Ended September 30, 2021	-	-	-	-	-	-	-	695,743	-	-	-	695,743
Other comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	-	-	386	(18,336)	-	(17,950)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	-	695,743	386	(18,336)	-	677,793
Issuance of Preferred stocks by cash	-	400,000	-	400,000	600,000	-	-	-	-	-	-	1,000,000
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	60,550	-	(60,550)	-	-
Others	-	-	-	-	-	-	-	9	-	-	(73)	(64)
Balance at September 30, 2021	\$11,634,444	\$400,000	\$ -	\$12,034,444	\$1,610,519	\$2,682,741	\$ -	\$758,130	\$243	\$467,409	\$ -	\$17,553,486

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

BANK OF KAOHSIUNG CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed In thousands of New Taiwan dollars)
(Reviewed only, not audited in accordance with generally accepted auditing standards)

Item	For the Nine Months Ended September 30	
	2021	2020
Cash Flows From Operating Activities		
Net income before income tax	\$784,368	\$674,763
Adjustments :		
Income and expense items		
Depreciation expense	109,922	112,958
Amortization expense	24,892	27,146
Expected credit loss(gain)/bad debt expense(revenue)	547,445	471,044
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(127,170)	160,342
Interest expense	845,274	1,314,408
Net loss (gain) on derecognition of financial assets at amortised cost	(357,608)	(272,827)
Interest income	(2,933,697)	(3,241,499)
Dividend income	(105,921)	(93,558)
Net change in provision for guarantee liabilities	278	7,000
Net change in other provisions	7,418	(2,872)
Gain on disposal of investments	(26,173)	(110,488)
Impairment loss on financial assets	(210)	3,174
Others	16	(1,211)
Total income and expense items	(2,015,534)	(1,626,383)
Net changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (increase) in due from the Central Bank and call loans to banks	(4,276)	(698,638)
Decrease (increase) in financial assets at fair value through profit or loss	685,964	(555,548)
Decrease (increase) in financial assets at fair value through other comprehensive income	(1,550,109)	(2,961,093)
Decrease (increase) in investments in debt instruments at amortized cost	2,670,874	2,516,557
Decrease (increase) in receivables	(5,876)	(72,301)
Decrease (increase) in discounts and loans	(3,335,306)	(1,119,858)
Decrease (increase) in other financial assets	(734,779)	(168,256)
Total net changes in operating assets	(2,273,508)	(3,059,137)
Net changes in operating liabilities		
Increase (decrease) in deposits from the Central Bank and other banks	(2,027,363)	3,387,085

(Continued)

Item	For the Nine Months Ended September 30	
	2021	2020
Increase (decrease) in securities sold under repurchase agreements	(4,292,133)	(2,257,430)
Increase (decrease) in payables	2,349,478	461,601
Increase (decrease) in deposits and remittances	7,612,696	(2,441,020)
Increase (decrease) in other financial liabilities	-	(171)
Increase (decrease) in provision for employee benefits	(48,771)	(13,555)
Total net changes in operating liabilities	3,593,907	(863,490)
Total net changes in operating assets and liabilities	1,320,399	(3,922,627)
Total adjustments	(695,135)	(5,549,010)
Net cash generated from (used in) operations	89,233	(4,874,247)
Interest received	3,086,937	3,385,370
Dividend received	89,402	77,180
Interest paid	(858,912)	(1,378,900)
Income tax return (paid)	(61,853)	(33,187)
Net cash generated from (used in) operating activities	2,344,807	(2,823,784)
Cash Flows From Investing Activities		
Acquisition of property and equipment	(59,632)	(355,918)
Acquisition of intangible assets	(9,566)	(26,967)
Increase in other assets	(13,463)	-
Decrease in other assets	-	49,734
Net cash generated from (used in) investing activities	(82,661)	(333,151)
Cash Flows From Financing Activities		
Increase in due to the Central Bank and other banks	1,842,670	660,470
Repayments of financial bonds	(1,200,000)	(2,000,000)
Increase in guarantee deposits received	-	51,410
Decrease in guarantee deposits received	(29,194)	-
Repayments of principal of lease liabilities	(58,426)	(62,877)
Decrease in other liabilities	(7,227)	(41)
Cash dividends	(162,137)	-
Proceeds from issuance of preferred stocks	1,000,000	-
Other financing activities	9	672
Net cash generated from (used in) financing activities	1,385,695	(1,350,366)
Effects of exchange rate changes on cash and cash equivalents	482	576
Net increase (decrease) in cash and cash equivalents	3,648,323	(4,506,725)
Cash and cash equivalents at the beginning of the period	9,114,234	15,381,332
Cash and cash equivalents at the end of the period	\$12,762,557	\$10,874,607
Composition of cash & cash equivalents		
Cash and cash equivalents in the balance sheets	\$2,910,802	\$3,184,787
Due from the Central Bank and call loans to banks in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	6,114,317	3,293,700
Investments in securities purchased under resale agreement in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	3,737,438	4,396,120
Cash and cash equivalents at the end of the period	\$12,762,557	\$10,874,607

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

BANK OF KAOHSIUNG CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(In thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. HISTORY AND ORGANIZATION

1.1 Bank of Kaohsiung Co., Ltd. is a commercial bank formed and registered in accordance with the Banking Act of the Republic of China. The Company obtained its registration approval in December 1981 and the Certificate of Business Registration in January 1982. The Company's main business activities are as follows:

- (1) Agent for the Kaohsiung City Treasury.
- (2) Management of Kaohsiung Municipal Bond.
- (3) Other relevant commercial bank businesses authorized under the Banking Act.
- (4) Savings and trust operations.
- (5) Other relevant businesses authorized by the Government authorities

The Company has nine departments under the head office namely, business, municipal treasury, international banking, insurance agency, trust and wealth management departments. In addition, the Company 35 local branches and mini-branches as well as 1 offshore banking unit (OBU).

The Company's initial public offering was approved on April 27, 1998 and was listed on May 18, 1998.

The privatization of the Company was approved by Kaohsiung Municipal Government on August 3, 1999 and the date of official privatization was September 27, 1999.

1.2 The Company's functional currency and presentation currency used in financial statements are both New Taiwan Dollars.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on November 10, 2021.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATION

3.1 Effect of adoption of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of SIC (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

New standards, interpretations and amendments endorsed by FSC effective from 2021 are as follows:

New, Revised or Amended Standards and Interpretations	Effective date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	June 25, 2020 (Effective from issue date)
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 16 “Leases regarding COVID-19-related rent concessions after June 30, 2021”	April 1, 2021 (Note)

(Note) The FSC allows companies to apply the amendment in advance on January 1, 2021.

The Company has evaluated the aforementioned standards and interpretations, and there’s no significant effect to the Company’s financial position and performance.

3.2 The impact of IFRS issued by the FSC but not yet effective:

New standards, interpretations and amendments endorsed by FSC effective from 2022 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Property, Plant and Equipment: The Price Before Reaching the Intended Use State”	January 1, 2022 (Note 2)
Amendments to IAS 37 “Onerous Contract - the Cost of Executory Contract”	January 1, 2022 (Note 3)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 4)
Annual Improvements to IFRS 2018-2020 Cycle	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: Companies should apply these amendments retrospectively. However, it is only applicable to the property, plant and equipment items that have reached the necessary locations and conditions after the start date (January 1, 2021) of the earliest period expressed in the financial statements to which the amendments are applied for the first time.

Note 3: This amendment applies to contracts that have not fulfilled all obligations on January 1, 2022.

Note 4: This amendment applies to business combinations whose acquisition date starts in the annual reporting period after January 1, 2022.

Note 5: The amendments to IFRS 9 are applicable to swap or modification of terms of financial liabilities incurred during the annual reporting period beginning on January 1, 2022. The amendment to IAS 41 is applicable to fair value measurement during the annual reporting period beginning after January 1, 2022. The amendments to IFRS 1 are retrospectively applied to the annual reporting

period beginning after January 1, 2022.

A. Amendment to IFRS 16 “Property, Plant and Equipment: The Price before Reaching the Intended Use State”

The amendment stipulates that the sales price of the project produced in order to make property, plant and equipment reach the necessary location and state that can meet the expected operation mode of the management is not suitable as a cost reduction of the asset. The aforementioned items should be measured in accordance with IAS 2 “Inventory”, and the sales price and cost should be recognized in profit and loss in accordance with the applicable standards.

This amendment is applicable to factories, property and equipment that reach the necessary locations and conditions for the management's expected operation mode after January 1, 2021 (the beginning of the earliest expression period). When the Company initially applies the amendments, it will recognize the cumulative effect of the amendments applied initially as an adjustment to the opening balance of the retained earnings (or other components of equity, as appropriate) at the beginning of the earliest expression period and re-edit the information during the comparison period.

B. Amendment to IAS 37 “Onerous Contract—the Cost of Executory Contract”

The amendment stipulates that when assessing whether the contract is onerous, “the Cost of Executory Contract” should include the incremental cost of executory contract (for example, direct labor and raw materials) and the allocation of other costs directly related to executory contract (for example, the depreciation allocation of property, plant and equipment items used in executory contract).

The Company will recognize the cumulative effect on the retained earnings on the first application date when the amendment is first applied.

C. Amendment to IFRS 3 “Reference to the Conceptual Framework”

The amendment is to update the index of the conceptual framework and add the requirement that the acquirer shall apply IFRIC 21 “Levies” to determine whether there is an obligation to pay levies on the acquisition date.

D. Annual Improvements to IFRS 2018-2020 Cycle

The annual improvement in the 2018-2020 cycles includes amendments to certain standards. Among them, the amendment of IFRS 9 is to assess whether there is a significant difference between the swap of financial liabilities or the modification of terms, when comparing cash flow projections of the new and old contract terms (including the net amount of fees charged for signing a new contract or modifying the contract), whether there is a 10% difference, the aforesaid fees collected should only include the payment between the borrower and the lender paid for.

The Company has evaluated the aforementioned standards and interpretations, and there's no significant effect to the Company's financial position and performance.

3.3 The Effect of the New IFRSs announced by IASB but not yet endorsed by the FSC

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendment to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023

As of the date the accompany consolidated financial statements are authorized for issue, the Company is still evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of Compliance

- (1) The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. This financial report does not contain all the IFRSs information provided in annual financial report.
- (2) This financial report should be read in conjunction with the financial report for the year ended December 31, 2020.

4.2 Basis of Preparation

- (1) Except for the following items, these financial statements have been prepared under the historical cost convention:
 - A. Financial assets and liabilities measured at fair value through profit or loss (including derivatives) measured at fair value.
 - B. Financial assets measured at fair value through other comprehensive income.
 - C. Liabilities of cash-settled share-based payment agreement measured at fair value.
 - D. Defined benefit liabilities recognized at the net value of pension fund assets less the present value of defined benefit obligations.
- (2) The preparation of financial statements in conformity with IFRSs requires the use of

certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

4.3 Foreign currency translation

(1) Functional and presentation currency

The financial statements of the Company (including the domestic head office, branches and offshore banking unit) are presented by the currency of the primary economic environment in which the Company operates (namely the "functional currency"). The financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

(2) Transactions and balances

A foreign currency transaction that is denominated or requires settlement in a foreign currency, shall be recorded on initial recognition in the functional currency by applying to the foreign currency spot exchange rate between the functional currency and the foreign currency on the date of the transaction.

On each balance sheet date, foreign currency monetary items shall be translated using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate on the date of the transaction; and nonmonetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates on the date when the fair value was determined.

Foreign currency differences arising on the settlement of a foreign currency transaction are recognized in current profit or loss. Foreign currency differences arising on the retranslation of monetary items, except for differences arising on the retranslation of monetary items designated as the hedging instruments in a hedge of the net investments in foreign operation or in a qualifying cash flow hedge are recognized directly in other comprehensive income, others are recognized in profit or loss when it incurred.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange difference of that gain or loss shall be recognized in other comprehensive income. Otherwise, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange difference of that gain or loss shall be recognized in profit or loss.

The operation results and financial position of the Company's Offshore Banking Unit whose functional currency is different from the presentation currency are translated into the presentation currency using the following procedures:

- a. Assets and liabilities are translated at the closing rate at the date of the balance

sheets;

- b. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used; and
- c. All resulting exchange differences are recognized in other comprehensive income.

Exchange differences arising from the above procedures are recognized as “Exchange differences on the translation of financial statements of foreign operations” in equity.

When the foreign operation or part of the foreign operation is disposed of, exchange differences are recognized initially in other comprehensive income are reclassified from equity to profit or loss.

4.4 Cash and cash equivalents

Cash and cash equivalents are cash in vault, cash in banks, due from other banks, short-term time deposits and short-term financial instruments that must be readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the statement of cash flows, cash and cash equivalents are cash and cash equivalents on the balance sheet, due from the Central Bank and call loans to banks and securities purchased under resell agreements that are in conformity with the definition of cash and cash equivalents in the IAS 7 endorsed by the FSC.

4.5 Bonds purchased under resale/notes issued under repurchase agreements

For underwritten bonds and securities that are sold under RP and RS agreements, recognize interest expense and interest income on the accrual basis between the purchase and sale dates and agreed RP and RS date; and recognize RP (Debt) and bonds and securities sold under resale agreements between the sale and purchase dates.

4.6 Financial instruments

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

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

(1) Financial assets

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

A.Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in debt instruments and equity instruments at FVTOCI.

(A) Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

(B) Financial assets at amortized cost

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for the following 2 conditions:

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

(C) Investments in debt instruments at FVTOCI

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

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

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

(D) Investments in equity instruments at FVTOCI

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

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

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

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on discounts and loans, receivables, investments in debt instruments at fair value through other comprehensive income, investments in debt instruments at amortized cost, loan commitments and financial guarantee contracts after considering all reasonable and provable information (including forward-looking) at each balance sheet date. The Company measures the loss allowance for the financial instrument at an amount equal to 12-month expected credit losses when the credit risk on the financial instrument has not increased significantly since initial recognition. If,

on the other hand, there has been a significant increase in credit risk since initial recognition, the Company recognizes lifetime expected credit losses.

The Company measures the expected credit losses of financial instruments in a manner that reflects the following:

1. An unbiased and probability-weighted amount determined by evaluating each possible outcome;
2. Time value of money;
3. Reasonable and corroborative information relating to past events, current conditions and future economic forecasts (available at the reporting date without excessive cost or investment).

Those which are credit assets shall, on the balance sheet date, assess impairment loss according to the “Bank Assets Assessment Loss Provision and the Overdue Loan Collection and Handling Method” and the “December 4, 2014, Jin Guan Yin Guo Zi No. 10300329440 strengthening domestic banks’ real estate loan risk-bearing capability”, “April 23, 2015, Jin Guan Yin Fa Zi No. 10410001840 strengthening the ability of domestic banks’ exposure control and risk-bearing capability in Mainland China”, and the IFRS 9 Regulations and provide an appropriate allowance for bad debts in which is bigger of the two, and present them on a net basis.

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

Under FSC guidelines, the Company should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as special mention, substandard, with collectability highly doubtful and uncollectable, on the basis of the customers’ financial position, valuation of collaterals and the length of time the principal repayments or interest payments have become overdue.

The Company made 100%, 50%, 10%, 2% and 1% provisions for credits deemed uncollectable, with collectability highly doubtful, substandard, special mention and sound credit assets (excluding assets that represent claims against an ROC government agency), respectively, as minimum provisions. Furthermore, the FSC stipulated that banks should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions,

respectively.

Credits deemed uncollectable may be written off if the write-off is approved by the Board of Directors.

C. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss; on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss; on derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without being reclassified to profit or loss.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the consideration received for the part derecognized is treated in the same way as when the financial asset is derecognized in its entirety. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized on the basis of the relative fair values of those parts.

(2) Equity instruments

The Company classifies the debt and equity instruments issued either as financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability or an equity instrument.

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

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

(3) Financial liabilities

A. Subsequent measurement

Except for the cases stated below, all financial liabilities are measured at amortized cost using the effective interest method:

(A) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or designated as at FVTPL.

A financial liability is classified as designated as at FVTPL upon initial recognition if:

- a. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- c. The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss (including any dividends and interests paid on the financial liability). For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

(B) Financial guarantee contracts

Financial guarantee contracts issued by the Company, if not designated as at FVTPL, are subsequently measured at the higher of:

- a. The amount of the loss allowance reflecting expected credit loss; and

- b. The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the revenue recognition policies.

B. Derecognition of financial liabilities

The Company derecognizes financial liabilities only when the Company's obligations are discharged or cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed), is recognized in profit or loss.

(4) Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. If the fair value of a derivative is a positive number, the derivative is recognized as an asset and if the fair value is a negative number, the derivative is recognized as a liability.

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

4.7 Financial assets and financial liabilities offsetting

Financial assets and financial liabilities are allowed to be offset and expressed in net amount in consolidated balance sheets when amounts to be offset are (1) objects of legally enforceable right to offset, and (2) objects of intended net settlement, i.e. liquidation of assets for discharge of liabilities.

4.8 Leases

The Company assesses whether the contract is (or includes) a lease at the date of the contract. For a contract that includes a lease component and one or more additional lease or non-lease components, the Company will allocate the consideration to the lease component base on the individual price of each lease component and the aggregated individual price of the non-lease component.

A. The Company as lessee

Except for payments for low-value asset and short-term leases which will be recognized as expenses on a straight-line basis, the Company will recognize right-of-

use assets and lease liabilities for all leases at the inception of lease.

Right-of-use asset

The right-of-use asset is initially measured at cost (including the initial measurement amount of the lease liability, the payments less incentives, initial direct costs and the estimated recovery cost), the subsequent measurement is based on the cost less accumulated depreciation and accumulated impairment loss, and adjusting the amount of re-measures of lease liabilities.

The right-of-use asset recognized depreciation using the straight-line basis from the date of the lease until the expiration of the useful life or the expiration of the lease term. The depreciation is provided that the title of the underlying asset will be acquired at the end of the lease period or, if the cost of the right-of-use asset reflects the execution of the purchase option.

Lease liabilities

The lease liability is initially measured by the present value of the lease payment (including fixed payment, substantive fixed payment, change in lease payment depending on the index or rate, etc.). If the implied interest rate on the lease is easy to determine, the lease payment is discounted using that interest rate. If the interest rate is not easy to determine, the lessee's increase borrowing rate is used.

If the lease period, the evaluation of the purchase choice, the amount of expected to be paid under the residual value guarantee or the change in the index or rate used to determine the lease payment result in a change in the future lease payment, the Company will measure the lease liability and adjust the right to use assets relatively. If the carrying amount has been reduced to zero, the remaining amount will be recognized in the profit and loss. Lease liabilities are presented as line item project on the balance sheet.

B. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of

return on the Company's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

4.9 Income Recognition

The Company allocate prices into the obligations in the contracts after identifying the contracts and recognize revenues while fulfilling the obligations.

1. Interest revenue

For the interest income of financial assets, when the economic benefits are likely to flow into the Company and the amount of revenues can be measured reliably, all interest income generated from interest-bearing financial instruments should be recognized on the accrual basis in accordance with the effective interest rate.

2. Service fees

Service fee income and expense are recognized in a lump sum when the loan or other service is provided. If the service fees are earned for completing major projects, they are recognized on the completion of the major projects, such as, the syndicated loan service fee charged collected by the organizing bank. If the service fees income and expenses are earned or paid for the subsequent loan service, they are to be amortized over the service period depending on the materiality, or included for the calculation of loans and receivables' effective interest rate.

3. Dividend income

Dividend income from investments is recognized when the shareholders' right to receive payment is established; however, it is under the pre-conditions that the economic benefits associated with the transaction system are likely to flow into the Company and the amount of revenues can be measured reliably.

4.10 Property and Equipment

The Company's property and equipment are recognized after deducting any accumulated depreciation and accumulated impairment losses from historical cost. The historical cost includes any costs directly attributable to acquiring the assets.

Subsequent expenditure of property and equipment shall be recognized as an asset or be included in the carrying amount of assets, when, and only when it is probable that the future economic benefits that are associated with property and equipment will flow to the bank, and the cost of property and equipment can be measured reliably. The carrying amount of those parts that are replaced is derecognized. A major improvement or repair

expense that can extend the benefits over afterward period is regarded as capital expenditure; while frequent maintenance or repairs are charged to current expenses.

The Company reviews or adequately adjusted the residual value and the useful life of assets at each financial year-end.

The land is not affected by depreciation. Depreciation of other assets is amortized over the useful lives using the straight-line method.

Useful lives of major premises and equipment are as follows:

Building	48-60 years
Leasehold improvement	5 years, if the lease period is less than 5 years, then amortize during the lease term
Machinery and equipment	3-20 years

The gains or loss arising from the disposal of an item of property and equipment shall be recognized in “other net non-interest income” in income statements and determined as the difference between the disposal proceeds and the carrying amount of the item.

4.11 Intangible assets

The Company’s intangible assets are computer software, which is capitalized by the cost of purchasing and using the software. This cost is amortized over the estimated useful life. The estimated durability of the software is 6-8 years.

4.12 Foreclosed properties

Foreclosed properties received are stated at acquired cost. On the balance sheet date, the foreclosed properties shall be evaluated at the lower of carrying amount and net fair market value.

4.13 Taxation

Income tax expense represents the sum of current tax and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss in full in the period in which the change in tax rate occurs.

4.14 Employee Benefits

(1) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period

and should be recognized as expenses in that period when the employees render service.

(2) Post retirement benefit cost

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

(3) Employees preferential deposit benefit

The Company offers special rate for employees in deposit with the Company, including the offering of fixed amount of preferred deposits for current employees and preferred deposits at fixed amount for retired employees and current employees after retirement. The difference between the interest rate for the aforementioned preferred deposits and market rate shall fall within the scope of employee welfare.

According to Article 28 of “Regulations Governing the Preparation of Financial Statements by Public Banks”, the interest rate upon retirement agreed with the employees which exceeds general market interest rate is actualized in accordance with IAS 19, Defined Benefit Plan, as endorsed by the FSC. However, various parameters should be in compliance with regulations set by the competent authorities if indicated otherwise.

(4) Employees’ bonus and directors’ remuneration

Employees’ bonus and directors’ remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees’ bonus and directors’ remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders’ meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

(5) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

4.15 Provisions, contingent liabilities and contingent assets

A provision shall be recognized when:

- a. An entity has a present obligation (legal or constructive) as a result of a past event;
- b. It is probable that an outflow of resources embodying economic benefits will be

- required to settle the obligation; and
- c. A reliable estimate can be made of the amount of the obligation.

The Company does not recognize provisions for future operating losses.

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognized.

Provisions are subsequently measured by the present value of the expected expenditures to settle the obligations. Discount rate is the pre-tax discount rate and is adjusted in time to reflect current market assessments of the time value of money and the risks specific to the liability.

A contingent liability is:

- a. A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b. A present obligation that arises from past events but is not recognized because:
 - (1) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (2) The amount of the obligation cannot be measured with sufficient reliability.

The Company does not recognize a contingent liability but disclose it appropriately in accordance with related guidelines.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Company does not recognize a contingent asset. A contingent asset is disclosed appropriately in accordance with related guidelines, where an inflow of economic benefits is probable.

4.16 Bonds payables

The financial bonds payable is measured as amortized cost amortised using the effective interest method.

4.17 Share capital

A.Share capital issuance cost

The incremental cost directly attributable to the issue of new shares is deducted from equity.

B. Common stock dividend

If the dividend announcement date is later than the balance sheet date, it will not be

recognized and will only be disclosed in the note of subsequent event.

4.18 Comparison information

Except as permitted or required by the FSC-endorsed IFRSs, the Company discloses all the prior period comparison information with current financial report amount.

When accounting policy changes or reclassifications occur, the comparative information has been adjusted and compared with the financial information for the current year.

4.19 Operating department report

The reporting by the Company's operating department is consistent with the internal report provided to the chief operating decision maker. The chief operating decision maker of the Company is the Board of Directors of the Company.

5.SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The Company considers the economic implications of the novel coronavirus when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Certain accounting policies and management's judgment could have significant impact on the recognized amounts in the financial statements.

5.1 Important judgment of accounting policy

A. Lease term

In determining the lease term, the Company considers all the facts and circumstances that generate an economic incentive to exercise (or not exercise) the option, including all expected change of facts and circumstances from the inception of commencement to the exercise of the option. The considerations include the contract clause and conditions of the period covered by the option, the significant leasehold improvements made (or expected) during the contract period, and the importance of the underlying assets to the Company's operations. The lease period is reassessed when significant events or major changes occur within the control of the Company.

B. Business model judgment on financial assets classification

The Company assessed the business model of the financial assets on the basis of the common management platform of a group of financial assets in order to achieve the designated business objective. All relevant evidence shall be considered with sound judgement, including method for the measurement of asset performance, risks affecting performance, and method for determining remuneration to related managers.

The Company shall continue to evaluate whether the judgement of the business model is appropriate, and keep track of financial assets at amortized cost and investment of debt instruments at FVIOCI before derecognition on maturity so as to understand whether the reason of the disposition is congruent with the business model. If it is found the business model has changed, the Company reclassifies financial assets in accordance with IFRS 9, and the application will be postponed from the date of reclassification.

5.2 Significant accounting estimates and assumptions

A. Tenant's increase in borrowing interest rate

At the time of the decision to increase the borrowing rate of the lessee used in the lease payment, the risk-free interest rate and the same currency is used as the reference rate, and the estimated lessee's credit risk premium and lease specific adjustments (such as asset-specific and secured factors) are taken into account.

B. Estimated impairment of financial assets

The provision for impairment of loans, discounts, receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates. If the actual future cash inflows are less than expected, a material impairment loss may arise.

C. Fair value measurement and evaluation process

When assets and liability at fair value with no active market quote, the Company determines whether to outsource evaluation and technique of assessing appropriate fair value according to relevant regulation and judgment.

If the first-level input value is not available while estimating fair value, the Company will refer to the financial status, operating outcome, recent trading price, non-active market quote on same equity investment, active market quote on similar instrument and comparable evaluation multiples for the investment in unlisted stocks. As for derivatives, similar market quote, interest rate and characteristics of derivative instrument will determine the input.

Please refer to Note 12.3 for the description of fair value evaluation technique and input.

D. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Company must apply judgments and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any

changes in these assumptions could significantly impact the carrying amount of defined pension obligations. As of September 30, 2021, the accrued pension obligations were \$177,807 thousand.

E. Taxation

The final amount of the tax is determined by many transactions and calculations. The Company's additional recognition of income tax liabilities arising from tax issues is based on a prudent assessment of the subsequent development of tax issues. If there is a difference between the final tax and the initial recognized amount, the difference will affect the recognition of current income tax and deferred income tax.

6.DETAILS OF SIGNIFICANT ACCOUNTS

Except for the following, please refer to Note 6 of the financial statements for Year 2020.

6.1 Cash and cash equivalents

Item	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$1,167,242	\$1,319,260	\$1,388,830
Checks for clearing	308,153	262,115	452,258
Due from banks	1,435,407	1,471,506	1,343,699
Total	<u>\$2,910,802</u>	<u>\$3,052,881</u>	<u>\$3,184,787</u>

For the purpose of preparing the statements of cash flow, cash and cash equivalents comprise of the following amounts:

Item	September 30, 2021	December 31, 2020	September 30, 2020
Cash and cash equivalents, ending balance in the balance sheets	\$2,910,802	\$3,052,881	\$3,184,787
Due from the Central Bank and call loans to banks in accordance with cash and cash equivalents under IAS 7 "Statement of Cash Flows"	6,114,317	4,068,293	3,293,700
Investments in securities purchased under resale agreement in accordance with cash and cash equivalents under IAS 7 "Statement of Cash Flows"	3,737,438	1,993,060	4,396,120
Cash and cash equivalents, ending balance in the statements of cash flows	<u>\$12,762,557</u>	<u>\$9,114,234</u>	<u>\$10,874,607</u>

6.2 Due from the Central Bank and call loans to banks

Item	September 30, 2021	December 31, 2020	September 30, 2020
Deposit reserves in the Central Bank			
Category A	\$5,904,850	\$3,732,754	\$2,803,926
Category B	6,042,099	5,646,517	5,613,914
Foreign currency deposits	41,790	42,150	43,688
National treasury department	517	857	915
Subtotal	11,989,256	9,422,278	8,462,443
Interbank settlement funds	608,989	1,000,295	1,302,537
Call loans to banks	167,160	292,532	445,171
Total	\$12,765,405	\$10,715,105	\$10,210,151

The deposit reserves deposited at the Central Bank are determined monthly at prescribed rates based on the average balances of deposits. Category A deposit reserve account is non-interest bearing and withdrawals can be made at any time. Category B reserve account is interest-bearing and no withdrawal is permitted unless upon monthly adjustment of the account or otherwise specifically provided by law.

6.3 Financial assets at fair value through profit or loss

Item	September 30, 2021	December 31, 2020	September 30, 2020
Funds	\$153,465	\$ -	\$ -
Stocks	95,564	74,493	-
Domestic bonds	651,337	683,288	565,446
Foreign bonds	12,211	521,051	251,481
Subtotal	912,777	1,278,832	816,927
Financial derivatives			
Forward exchange contracts	432	261	97
Currency swap contracts	49,114	220,899	50,434
Stock futures	10,050	-	-
Subtotal	59,596	221,160	50,531
Total	\$972,373	\$1,499,992	\$867,458

1. Please refer to Note 6.16 for details of derivative contracts that have yet to mature as of September 30, 2021 and 2020 and December 31, 2020.
2. Please refer to Note 8 for details of financial assets at FVTPL provided as collateral for the various businesses as of September 30, 2021 and 2020 and December 31, 2020.

6.4 Financial assets at fair value through other comprehensive income

Item	September 30, 2021	December 31, 2020	September 30, 2020
Investments in equity instruments:			
Domestic listed and OTC securities	\$641,348	\$448,893	\$279,443
Foreign listed and OTC securities	464,301	300,607	144,921
Domestic unlisted securities	1,091,869	1,076,396	1,072,121
Domestic preferred stocks	149,613	115,656	79,395
Subtotal	2,347,131	1,941,552	1,575,880
Valuation adjustment	526,030	287,932	154,903
Subtotal	2,873,161	2,229,484	1,730,783
Investments in debt instruments:			
Foreign preferred stocks	143,896	187,479	215,747
Domestic government bonds	3,869,973	5,259,482	5,581,706
Domestic financial bonds	501,594	-	-
Domestic corporate bonds	4,261,890	2,707,963	1,556,809
Foreign financial bonds	11,133,313	9,209,520	7,555,642
Foreign corporate bonds	2,093,550	3,737,766	3,671,181
Foreign government bonds	1,873,722	1,544,618	1,383,419
Subtotal	23,877,938	22,646,828	19,964,504
Valuation adjustment	(66,741)	251,012	249,504
Subtotal	23,811,197	22,897,840	20,214,008
Total	\$26,684,358	\$25,127,324	\$21,944,791

1. Part of the equity instrument investments held by the Company are invested in medium and long-term strategic objectives and are expected to benefit from long-term investments. The management of the Company considers that if the short-term fair value fluctuations of these investments are included in the profit or loss, they are inconsistent with the aforementioned long-term investment plans, and therefore the designated investment is selected to be measured at fair value through other comprehensive income or loss.
2. As of September 30, 2021, December 31, 2020 and September 30, 2020, the par value of the above-mentioned financial instruments held at fair value through other comprehensive gains and losses for conditional trading were \$3,117,939 thousand, \$4,887,599 thousand and \$2,498,002 thousand, respectively.
3. Please refer to Note 8 for information on pledges of equity instrument investments measured by fair value through other comprehensive income or loss.
4. Please refer to Note 12.4 for the relevant credit risk management.

5. The Company considers the historical default loss rate provided by external rating agencies to measure the 12-month expected credit loss or lifetime expected credit loss. The Company's current credit risk assessment mechanism and total carrying amount of each credit rating instrument investments are as follows (including debt instrument investments at fair value through other comprehensive income and financial assets at amortized cost):

Credit rating	Definition	Expected credit loss recognition basis	Expected credit loss rate	Carrying amount as of September 30, 2021
Stage1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.00%~0.469%	\$73,186,829

Credit rating	Definition	Expected credit loss recognition basis	Expected credit loss rate	Carrying amount as of December 31, 2020
Stage1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.00%~0.474%	\$74,269,081

Credit rating	Definition	Expected credit loss recognition basis	Expected credit loss rate	Carrying amount as of September 30, 2020
Stage1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.00%~0.474%	\$67,290,829

6. The changes in the allowance for loss of investment in debt instruments measured at fair value through other comprehensive income or loss are as follows:

	12-month ECL	Lifetime ECL - Not credit impaired	Lifetime ECLs - Credit impaired
Balance at January 1, 2021	\$7,351	\$ -	\$ -
Add : Provision for impairment loss	912	-	-
Currency translation differences	(143)	-	-
Balance at September 30, 2021	\$8,120	\$ -	\$ -

	12-month ECL	Lifetime ECL - Not credit impaired	Lifetime ECLs - Credit impaired
Balance at January 1, 2020	\$4,776	\$ -	\$ -
Add : Provision for impairment loss	1,237	-	-
Currency translation differences	(113)	-	-
Balance at September 30, 2020	\$5,900	\$ -	\$ -

6.5 Investments in debt instruments at amortized cost

Item	September 30, 2021	December 31, 2020	September 30, 2020
Domestic bonds	\$18,563,456	\$21,284,759	\$21,670,997
Short-term notes	1,459,491	599,509	699,380
NCD issued by the Central Bank	21,300,000	18,820,000	13,920,000
Foreign bonds	7,985,944	10,917,985	11,035,948
Subtotal	49,308,891	51,622,253	47,326,325
Less: Accumulated impairment	(4,375)	(5,520)	(5,165)
Total	\$49,304,516	\$51,616,733	\$47,321,160

1. The changes in the allowance for investments in debt instruments at amortized cost are as follows:

	12-Month ECL	Lifetime ECL - Not credit impaired	Lifetime ECL – Credit impaired
Balance at January 1, 2021	\$5,520	\$ -	\$ -
Less : Reversal of impairment loss	(1,122)	-	-
Currency translation differences	(23)	-	-
Balance at September 30, 2021	\$4,375	\$ -	\$ -

	12-Month ECL	Lifetime ECL - Not credit impaired	Lifetime ECL – Credit impaired
Balance at January 1, 2020	\$3,304	\$ -	\$ -
Add : Provision for impairment loss	1,937	-	-
Currency translation differences	(76)	-	-
Balance at September 30, 2020	\$5,165	\$ -	\$ -

2. As of September 30, 2021, December 31, 2020 and September 30, 2020, the above financial assets at amortized cost provided as the underlying securities for RP/RS trading was \$776,037 thousand, \$3,228,727 thousand and \$3,980,190 thousand, respectively.

3. Please refer to Note 8 for the financial assets at amortized cost provided as collateral.

4. Please refer to Note 12.4 for the relevant credit risk management.

6.6 Securities purchased under resale agreements

Item	September 30, 2021	December 31, 2020	September 30, 2020
Short-term notes	\$3,737,438	\$1,828,060	\$4,186,180
Bonds (government and corporate bonds)	-	165,000	209,940
Total	<u>\$3,737,438</u>	<u>\$1,993,060</u>	<u>\$4,396,120</u>

Securities purchased under resale agreement were sold at agreed prices of \$3,737,953 thousand, \$1,993,293 thousand and \$4,396,739 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively. No bonds with resale agreements were provided as underlying securities for repurchase agreements as of September 30, 2021, December 31, 2020 and September 30, 2020.

6.7 Receivables, net

Item	September 30, 2021	December 31, 2020	September 30, 2020
Credit card receivables	\$207,483	\$152,520	\$210,417
Credit card receivables on receipt	5,682	4,158	5,546
Subtotal	<u>213,165</u>	<u>156,678</u>	<u>215,963</u>
Interests receivable	525,884	679,124	605,790
Acceptances receivable	167,584	237,244	42,555
Income receivable	180,304	160,396	159,765
Dividends receivables	16,519	-	16,378
Other receivables	16,988	19,690	25,964
Settlement receivable	618,812	619,335	216,313
Accounts receivable factoring	-	2,872	2,978
Total	<u>1,739,256</u>	<u>1,875,339</u>	<u>1,285,706</u>
Less: Allowance for doubtful accounts	<u>(37,843)</u>	<u>(39,207)</u>	<u>(41,570)</u>
Net	<u>\$1,701,413</u>	<u>\$1,836,132</u>	<u>\$1,244,136</u>

Please refer to Note 12.4 for the relevant credit risk management and assessment methods.

1. For the nine months ended September 30, 2021

A. Movements in allowance for doubtful accounts are as follows :

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non- purchased or originated credit impaired financial assets)	Total impairment recognized under IFRS 9	Impairment recognized under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans	Total
Balance at the beginning of the period	\$8,451	\$119	\$7,971	\$9,313	\$25,854	\$13,966	\$39,820
Changes from financial instruments recognized at the beginning of the period :							
- Transferred to lifetime expected credit losses	(1)	211	-	-	210	-	210
- Transferred to credit impaired financial asset	(3)	(40)	28	1,507	1,492	-	1,492
- Transferred to 12-month expected credit losses	1,941	-	-	-	1,941	-	1,941
- Derecognized financial assets	(7,189)	(278)	(21)	(4,106)	(11,594)	-	(11,594)
Purchased or originated new financial assets	1,114	-	-	2,723	3,837	-	3,837
Different in impairment recognized under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- accrual Loans	-	-	-	-	-	9,283	9,283
Write-offs	-	-	(4,524)	(1,618)	(6,142)	-	(6,142)
Recovery of written-off credits	-	-	-	829	829	-	829
Foreign exchange and others changes	(2)	-	-	(35)	(37)	-	(37)
Balance at the end of the period	\$4,311	\$12	\$3,454	\$8,613	\$16,390	\$23,249	\$39,639

The above changes in allowance for doubtful accounts include changes in allowances for collections of other financial assets - overdue accounts that are not transferred from loans and short-term advances.

B. Changes in the gross carrying amount are as follows :

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Total
Balance at the beginning of the period	\$1,855,305	\$4,948	\$7,969	\$7,117	\$1,875,339
-Transferred to lifetime expected credit losses	(615)	883	-	115	383
-Transferred to credit impaired financial asset	(255)	(178)	1,608	1,086	2,261
-Transferred to 12-month expected credit losses	145,505	(39)	-	(30)	145,436
Purchased or originated new financial assets	411,559	24	-	156	411,739
Write-offs	-	-	(4,524)	(677)	(5,201)
Derecognition	(680,361)	(1,005)	(4,062)	(5,273)	(690,701)
Balance at the end of the period	\$1,731,138	\$4,633	\$991	\$2,494	\$1,739,256

2. For the nine months ended September 30, 2020

A. Movements in allowance for doubtful accounts are as follows :

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non- purchased or originated credit impaired financial assets)	Total impairment recognized under IFRS 9	Impairment recognized under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans	Total
Balance at the beginning of the period	\$8,324	\$48	\$14,623	\$9,109	\$32,104	\$5,358	\$37,462
Changes from financial instruments recognized at the beginning of the period :							
- Transferred to lifetime expected credit losses	(3)	287	-	-	284	-	284
- Transferred to credit impaired financial asset	(274)	(2)	853	4,247	4,824	-	4,824
- Transferred to 12-month expected credit losses	848	(81)	-	-	767	-	767
- Derecognized financial assets	(6,799)	(4)	(285)	(3,542)	(10,630)	-	(10,630)
Purchased or originated new financial assets	1,245	-	-	3,871	5,116	-	5,116
Different in impairment recognized under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans	-	(43)	-	(113)	(156)	15,478	15,322
Write-offs	-	-	(7,243)	(4,955)	(12,198)	-	(12,198)
Recovery of written-off credits	-	-	-	762	762	-	762
Foreign exchange and others changes	-	-	-	(50)	(50)	-	(50)
Balance at the end of the period	\$3,341	\$205	\$7,948	\$9,329	\$20,823	\$20,836	\$41,659

The above changes in allowance for doubtful accounts include changes in allowances for collections of other financial assets - overdue accounts that are not transferred from loans and short-term advances.

B. Changes in the gross carrying amount are as follows :

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non- purchased or originated credit impaired financial assets)	Total
Balance at the beginning of the period	\$1,320,124	\$8,836	\$15,126	\$8,433	\$1,352,519
-Transferred to lifetime expected credit losses	(849)	908	-	(10)	49
-Transferred to credit impaired financial asset	(4,311)	(159)	1,446	8,243	5,219
-Transferred to 12-month expected credit losses	47,753	(237)	-	(20)	47,496
Purchased or originated new financial assets	1,056,746	-	-	109	1,056,855
Write-offs	-	-	(7,243)	(4,328)	(11,571)
Derecognition	(1,155,974)	(4,871)	(717)	(3,299)	(1,164,861)
Balance at the end of the period	\$1,263,489	\$4,477	\$8,612	\$9,128	\$1,285,706

6.8 Discounts and loans, net

Item	September 30, 2021	December 31, 2020	September 30, 2020
Bills discounts	\$24,877	\$97,245	\$1,634
Overdrafts	20,289	13,771	15,147
Short-term loans	34,800,916	33,251,497	35,887,263
Short-term secured loans	24,253,835	25,360,186	26,518,903
Medium-term loans	26,881,834	28,124,461	29,601,986
Medium-term secured loans	32,843,188	30,283,274	26,981,557
Long-term loans	7,949,482	8,673,997	8,468,236
Long-term secured loans	54,178,588	51,967,196	49,970,799
Import/export bills negotiated	31,078	27,686	25,813
Overdue loans	377,099	403,393	403,485
Subtotal	181,361,186	178,202,706	177,874,823
Less: Allowance for doubtful accounts	(2,408,368)	(2,043,747)	(2,058,129)
Net	\$178,952,818	\$176,158,959	\$175,816,694

1. September 30, 2021

A. Movements in allowance for doubtful accounts are as follows :

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Total impairment recognized under IFRS 9	Difference in impairment recognized under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans	Total
Balance at the beginning of the period	\$1,003,129	\$874	\$43,861	\$237,770	\$1,285,634	\$758,113	\$2,043,747
Changes from financial instruments recognized at the beginning of the period :							
- Transferred to lifetime expected credit losses	(68)	554	-	(51)	435	-	435
- Transferred to credit impaired financial asset	(3,144)	(150)	1,475	221,903	220,084	-	220,084
- Transferred to 12-month expected credit losses	152,219	(17)	-	(39)	152,163	-	152,163
- Derecognized financial assets	(748,225)	(576)	(34,259)	(106,349)	(889,409)	-	(889,409)
Purchased or originated new financial assets	144,760	84	-	16,172	161,016	-	161,016
Difference in impairment recognized under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans	-	-	-	-	-	727,784	727,784
Write-offs	-	-	-	(175,100)	(175,100)	-	(175,100)
Recovery of written-off credits	-	-	-	169,374	169,374	-	169,374
Foreign exchange and others changes	-	-	-	(1,726)	(1,726)	-	(1,726)
Balance at the end of the period	\$548,671	\$769	\$11,077	\$361,954	\$922,471	\$1,485,897	\$2,408,368

B. Changes in the gross carrying amount are as follows :

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non- purchased or originated credit impaired financial assets)	Total
Balance at the beginning of the period	\$175,890,660	\$139,650	\$1,071,189	\$1,101,207	\$178,202,706
Transferred to lifetime expected credit losses	(80,410)	93,953	-	(8,480)	5,063
Transferred to credit impaired financial asset	(279,517)	(21,573)	-	422,168	121,078
Transferred to 12-month expected credit losses	47,154,740	(42,738)	-	(64,227)	47,047,775
Purchased or originated new financial assets	33,774,915	12,588	-	65,680	33,853,183
Write-offs	-	-	-	(175,100)	(175,100)
Derecognition	(76,704,500)	(47,825)	(594,062)	(347,132)	(77,693,519)
Balance at the end of the period	\$179,755,888	\$134,055	\$477,127	\$994,116	\$181,361,186

2. September 30, 2020

A. Movements in allowance for doubtful accounts are as follows :

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non- purchased or originated credit impaired financial assets)	Total impairment recognized under IFRS 9	Difference in impairment recognized under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- accrual Loans	Total
Balance at the beginning of the period	\$1,134,815	\$1,484	\$340,767	\$320,579	\$1,797,645	\$291,547	\$2,089,192
Changes from financial instruments recognized at the beginning of the period :							
- Transferred to lifetime expected credit losses	(120)	831	-	(34)	677	-	677
- Transferred to credit impaired financial asset	(9,613)	(455)	147,846	198,611	336,389	-	336,389
- Transferred to 12-month expected credit losses	335,864	(23)	-	(14)	335,827	-	335,827
- Derecognized financial assets	(655,697)	(734)	(91,272)	(343,472)	(1,091,175)	-	(1,091,175)
Purchased or originated new financial assets	251,724	56	-	41,841	293,621	-	293,621
Difference in impairment recognized under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans	-	-	-	-	-	377,600	377,600
Write-offs	(4,668)	-	(353,891)	(120,966)	(475,525)	-	(479,525)
Recovery of written-off credits	-	-	-	201,660	201,660	-	201,660
Foreign exchange and others change	-	-	-	(6,137)	(6,137)	-	(6,137)
Balance at the end of the period	\$1,052,305	\$1,159	\$43,450	\$292,068	\$1,388,982	\$669,147	\$2,058,129

B. Changes in the gross carrying amount are as follows:

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Total
Balance at the beginning of the period	\$174,552,855	\$171,459	\$1,466,190	\$1,050,123	\$177,240,627
Transferred to lifetime expected credit losses	(116,308)	126,156	-	(3,964)	5,884
Transferred to credit impaired financial asset	(680,214)	(45,406)	607,188	511,065	392,633
Transferred to 12-month expected credit losses	50,843,773	(46,556)	-	(32,361)	50,764,856
Purchased or originated new financial assets	33,463,691	2,833	-	79,128	33,545,652
Write-offs	(4,668)	-	(353,891)	(120,966)	(479,525)
Derecognition	(82,375,897)	(30,175)	(803,262)	(385,970)	(83,595,304)
Balance at the end of the period	\$175,683,232	\$178,311	\$916,225	\$1,097,055	\$177,874,823

3. The details of bad debt expenses and guarantee liability provisions are as follows :

Item	For the three months ended September 30	
	2021	2020
Provision for allowance for loss of receivables and loans (including overdue loans)	\$85,692	\$95,324
Provision for (reversal of) loss on guaranteed liabilities	278	(1,000)
Provision for (reversal of) loss on financing commitments	(46)	(4,987)
Provision for (reversal of) loss on other liabilities	-	5,800
Total	\$85,924	\$95,137

Item	For the nine months ended September 30	
	2021	2020
Provision for allowance for loss of receivables and loans (including overdue loans)	\$377,242	\$268,622
Provision for (reversal of) loss on guarantee liabilities	278	7,000
Provision for (reversal of) loss on financing commitments	6,971	3,146
Provision for (reversal of) loss on other liabilities	-	(6,000)
Total	\$384,491	\$272,768

6.9 Other financial assets, net

Item	September 30, 2021	December 31, 2020	September 30, 2020
Time deposits with maturities more than three months	\$172,200	\$193,950	\$192,465
Overdue accounts that are not transferred from loans	1,796	613	89
Short-term advances	17,355	15,170	14,230
Call loans from securities companies	752,220	-	-
Subtotal	943,571	209,733	206,784
Less: Allowance for doubtful accounts	(1,796)	(613)	(89)
Net	\$941,775	\$209,120	\$206,695

6.10 Property and equipment, net

Item	September 30, 2021	December 31, 2020	September 30, 2020
Land	\$2,299,948	\$2,299,948	\$2,299,948
Buildings	1,218,188	1,218,188	1,218,188
Machinery and computer equipment	430,846	407,254	404,529
Transportation equipment	10,495	11,181	11,180
Miscellaneous equipment	77,733	77,564	76,966
Leasehold improvement	157,163	146,342	146,342
Construction in progress and equipment to be inspected	4,700	51,390	43,065
Total cost	4,199,073	4,211,867	4,200,218
Less: Accumulated depreciation	(1,070,662)	(1,075,731)	(1,060,360)
Total	\$3,128,411	\$3,136,136	\$3,139,858

	Land	Buildings	Machinery and computer equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvement	Construction in progress and equipment to be inspected	Total
Cost								
Balance at January 1, 2021	\$2,299,948	\$1,218,188	\$407,254	\$11,181	\$77,564	\$146,342	\$51,390	\$4,211,867
Additions	-	-	26,508	720	2,105	10,821	19,481	59,635
Disposals	-	-	(50,999)	(2,036)	(2,419)	-	-	(55,454)
Reclassification	-	-	48,092	630	452	-	(49,174)	-
Transfer to intangible assets	-	-	-	-	-	-	(570)	(570)
Transfer to other assets	-	-	-	-	-	-	(16,427)	(16,427)
Foreign exchange differences	-	-	(9)	-	31	-	-	22
Balance at September 30, 2021	\$2,299,948	\$1,218,188	\$430,846	\$10,495	\$77,733	\$157,163	\$4,700	\$4,199,073
Accumulated depreciation								
Balance at January 1, 2021	\$-	\$557,157	\$328,182	\$10,461	\$67,686	\$112,245	\$-	\$1,075,731
Depreciation	-	16,310	23,774	266	1,767	8,243	-	50,360
Disposals	-	-	(50,999)	(2,036)	(2,419)	-	-	(55,454)
Foreign exchange differences	-	-	(6)	-	31	-	-	25
Balance at September 30, 2021	\$-	\$573,467	\$300,951	\$8,691	\$67,065	\$120,488	\$-	\$1,070,662
Net balance at September 30, 2021	\$2,299,948	\$644,721	\$129,895	\$1,804	\$10,668	\$36,675	\$4,700	\$3,128,411

	Land	Buildings	Machinery and computer equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvement	Construction in progress and equipment to be inspected	Total
Cost								
Balance at January 1, 2020	\$2,031,893	\$1,218,188	\$414,250	\$10,900	\$76,095	\$127,403	\$-	\$3,878,729
Additions	268,055	-	10,635	540	3,689	29,950	43,065	355,934
Disposals	-	-	(20,324)	(260)	(2,818)	(11,011)	-	(34,413)
Foreign exchange differences	-	-	(32)	-	-	-	-	(32)
Balance at September 30, 2020	\$2,299,948	\$1,218,188	\$404,529	\$11,180	\$76,966	\$146,342	\$43,065	\$4,200,218
Accumulated depreciation								
Balance at January 1, 2020	\$-	\$535,411	\$316,869	\$10,562	\$68,358	\$113,749	\$-	\$1,044,949
Depreciation	-	16,309	24,925	112	1,614	6,880	-	49,840
Disposals	-	-	(20,324)	(260)	(2,818)	(11,011)	-	(34,413)
Foreign exchange differences	-	-	(16)	-	-	-	-	(16)
Balance at September 30, 2020	\$-	\$551,720	\$321,454	\$10,414	\$67,154	\$109,618	\$-	\$1,060,360
Net balance at September 30, 2020	\$2,299,948	\$666,468	\$83,075	\$766	\$9,812	\$36,724	\$43,065	\$3,139,858

1.Reconciliation of current additions and acquisition of property and equipment in statements of cash flows were as follows :

Item	For the nine months ended September 30	
	2021	2020
Increase in property and equipment	\$59,635	\$355,934
Foreign exchange differences	(3)	(16)
Cash paid for acquisition of property and equipment	\$59,632	\$355,918

2.For business needs, the Company proposed to purchase approximately 5,907 square feet (including ground superficies) of land, No. 44, Xinzhuang Section, Zuoying District, Kaohsiung City, which is adjacent to the head office. The transaction price was \$267,800 thousand and \$255 thousand for necessary expenditure and was paid during August 2020.

6.11 Lease agreements

1. Right-of-use assets

Item	September 30, 2021	December 31, 2020	September 30, 2020
Land and buildings	\$448,787	\$449,277	\$382,278
Transportation equipment	29,112	25,863	25,306
Total cost	477,899	475,140	407,584
Less: Accumulated depreciation	(159,727)	(108,580)	(94,558)
Net	\$318,172	\$366,560	\$313,026

Cost	Land and buildings	Transportation equipment	Total
Balance at January 1, 2021	\$449,277	\$25,863	\$475,140
Current increase	4,550	6,728	11,278
Current decrease	(5,040)	(3,479)	(8,519)
Balance at September 30, 2021	\$448,787	\$29,112	\$477,899
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2021	\$97,642	\$10,938	\$108,580
Depreciation expense	54,021	5,541	59,562
Current decrease	(4,969)	(3,446)	(8,415)
Balance at September 30, 2021	\$146,694	\$13,033	\$159,727

Cost	Land and buildings	Transportation equipment	Total
Balance at January 1, 2020	\$333,094	\$20,237	\$353,331
Current increase	191,844	7,747	199,591
Current decrease	(142,660)	(2,678)	(145,338)
Balance at September 30, 2020	<u>\$382,278</u>	<u>\$25,306</u>	<u>\$407,584</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$80,423	\$6,926	\$87,349
Depreciation expense	57,476	5,642	63,118
Current decrease	(53,230)	(2,679)	(55,909)
Balance at September 30, 2020	<u>\$84,669</u>	<u>\$9,889</u>	<u>\$94,558</u>

There is no any sign of impairment of right-of-use assets, and therefore the Company does not assess the impairment as of September 30, 2021, December 31, 2020 and September 30, 2020.

2. Lease liabilities

Item	September 30, 2021	December 31, 2020	September 30, 2020
Lease liabilities	<u>\$315,950</u>	<u>\$363,186</u>	<u>\$309,222</u>
Discount rate range	0.4211%~0.6945%	0.5159%~0.6945%	0.5336%~0.6945%

Please refer to Note 12.4 for lease liabilities with repayment periods.

3. Significant lease activities and clause

The Company leases land and buildings for dormitory and cars for transportation. The lease period is 1 to 10 years. At the end of the lease term, the Company has no preferential purchase rights for the leased buildings and transportation equipment.

4. Sublet: None.

5. Other lease information:

(1) The relevant lease expense information was as follows:

	For the three months ended September 30	
	2021	2020
Lease expense of low-value assets	<u>\$1,151</u>	<u>\$721</u>
Gross cash outflow for leases (Note)	<u>\$20,651</u>	<u>\$20,938</u>

	For the nine months ended September 30	
	2021	2020
Lease expense of low-value assets	\$3,595	\$2,503
Gross cash outflow for leases (Note)	\$62,021	\$65,380

(Note) Including lease principal payment for the current period.

The Company chose exemption for short-term and low-value assets and did not recognize relevant right-of-use assets and lease liabilities.

6.12 Intangible assets, net

Item	September 30, 2021	December 31, 2020	September 30, 2020
Computer software	\$360,976	\$382,900	\$379,917
Less: Accumulated amortization	(242,398)	(255,129)	(248,153)
Net	\$118,578	\$127,771	\$131,764

Changes in intangible assets:

Item	For the nine months ended September 30	
	2021	2020
Cost		
Balance at January 1	\$382,900	\$352,950
Current additions	9,566	26,967
Transfer from property and equipment	570	-
Current disposals	(32,060)	-
Balance at September 30	360,976	379,917
Accumulated amortization		
Balance at January 1	255,129	224,311
Amortization expense	19,329	23,842
Current disposals	(32,060)	-
Balance at September 30	242,398	248,153
Net	\$118,578	\$131,764

6.13 Other assets, net

Item	September 30, 2021	December 31, 2020	September 30, 2020
Refundable deposits	\$107,457	\$105,318	\$106,078
Prepayments	57,591	48,748	69,919
Miscellaneous assets	27,655	14,310	14,138
Total	<u>\$192,703</u>	<u>\$168,376</u>	<u>\$190,135</u>

6.14 Deposits from the Central Bank and other banks

Item	September 30, 2021	December 31, 2020	September 30, 2020
Due to the Central Bank	\$97,918	\$96,093	\$82,116
Due to other banks	291,831	335,048	317,151
Due to Chunghwa Post	31,730	36,780	39,430
Overdrafts on banks	13,006	43,938	110,558
Call loans from Central or other banks	7,949,500	9,899,489	11,672,706
Total	<u>\$8,383,985</u>	<u>\$10,411,348</u>	<u>\$12,221,961</u>

6.15 Due to Central Bank and other banks

Item	September 30, 2021	December 31, 2020	September 30, 2020
Coronavirus epidemic project bailout loan from Central Bank	\$3,010,530	\$1,167,860	\$660,470

6.16 Financial liabilities at fair value through profit or loss

Item	September 30, 2021	December 31, 2020	September 30, 2020
Derivatives			
Forward exchange	\$785	\$875	\$358
Foreign exchange swaps	61,713	30,448	22,306
Total	<u>\$62,498</u>	<u>\$31,323</u>	<u>\$22,664</u>

The Company engaged in derivative transactions for nine months ended September 30, 2021 and 2020 for the purpose of meeting clients' trading needs, squaring positions, meeting capital requirements in different currencies and hedging against risks arising from interest rate fluctuations. The hedging strategy of the Company primarily aims at hedging against risks arising from market price or cash flow fluctuations. As of September 30, 2021, December 31, 2020 and September 30, 2020, the contractual amounts (notional principal) of the derivative contracts were as follows :

Item	September 30, 2021	December 31, 2020	September 30, 2020
Forward exchange contracts	\$95,402	\$71,984	\$65,764
Foreign exchange swap contracts	8,166,691	5,842,893	4,461,121
Stock futures	9,441	-	-

6.17 Securities sold under repurchase agreements

Item	September 30, 2021	December 31, 2020	September 30, 2020
Government bonds	\$34,703	\$34,658	\$34,643
Foreign corporate bonds	278,004	2,832,573	2,694,039
Foreign financial bonds	3,247,202	4,181,065	2,431,313
Foreign government bonds	319,343	1,123,089	1,473,114
Total	<u>\$3,879,252</u>	<u>\$8,171,385</u>	<u>\$6,633,109</u>

Securities sold with repurchase agreement were purchased at agreed prices of \$3,880,286 thousand, \$8,175,272 thousand and \$6,636,845 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

6.18 Payables

Item	September 30, 2021	December 31, 2020	September 30, 2020
Payroll transfers payable	\$3,213,489	\$1,843,132	\$1,775,636
Checks for clearance	308,153	262,115	452,258
Acceptances payable	167,585	247,692	43,795
Interest payable	190,356	203,994	253,003
Payable for settlement of securities	457,621	47,257	88,465
Accrued expenses	343,241	392,483	325,988
Collections payable	741,126	149,474	602,351
Other payables	135,037	138,979	116,942
Outstanding bills for collection	197,750	134,237	152,804
Accounts payable	5,385	3,580	4,005
Spot exchange payable – foreign currencies	136	-	-
Cash dividends payable	338,867	162,137	-
Accounts payable factoring	-	1,096	938
Total	<u>\$6,098,746</u>	<u>\$3,586,176</u>	<u>\$3,816,185</u>

6.19 Deposits and remittances

Item	September 30, 2021	December 31, 2020	September 30, 2020
Checking account deposits	\$2,149,823	\$2,744,312	\$2,037,492
Public treasury deposits	13,774,466	11,957,970	12,094,131
Demand deposits	43,402,531	39,498,422	37,954,198
Time deposits	60,867,679	57,399,719	53,819,847
Negotiable certificates of deposits	393,600	385,700	367,800
Demand savings deposits	69,352,180	65,937,007	62,851,005
Time savings deposits	47,855,675	52,259,544	54,188,492
Remittances	2	586	160
Total	<u>\$237,795,956</u>	<u>\$230,183,260</u>	<u>\$223,313,125</u>

6.20 Bonds payables

Item	Offering period & Interest rate	September 30, 2021	December 31, 2020	September 30, 2020
First issue of subordinate financial bonds in 2014	03/25/2014-03/25/2021 1.32044%-1.32989%	\$-	\$1,200,000	\$1,200,000
Second issue of subordinate financial bonds in 2014	10/29/2014-10/29/2021 2.35%	650,000	650,000	650,000
Third issue of subordinate financial bonds in 2014	12/03/2014-12/03/2021 2.35%	150,000	150,000	150,000
First issue of subordinate financial bonds in 2018	03/15/2018-03/15/2025 1.30%	1,500,000	1,500,000	1,500,000
Second issue of subordinate financial bonds in 2018	09/12/2018- No expiration date 2.60%	800,000	800,000	800,000
First issue of subordinate financial bonds in 2019	12/20/2019- No expiration date 2.00%	1,200,000	1,200,000	1,200,000
Total		<u>\$4,300,000</u>	<u>\$5,500,000</u>	<u>\$5,500,000</u>

6.21 Provisions

Item	September 30, 2021	December 31, 2020	September 30, 2020
Employee benefits provision	\$177,807	\$226,578	\$211,995
Guarantee liability provision	64,960	64,682	64,682
Decommissioning, restoration and rehabilitation liability provision	17,252	17,252	17,671
Financing commitment provision	44,351	37,512	50,061
Others provision	47,308	47,312	41,829
Others	1,735	1,152	1,922
Total	<u>\$353,413</u>	<u>\$394,488</u>	<u>\$388,160</u>

1. Employee benefit liabilities:

(1) Defined contribution plan

(A) The pension system under the “Labor Pension Act” is the determined pension plan management by the government that required regular contribution. An appropriation of funds at 6% of the monthly salary of each employee shall be made to the personal special account of the employee at the Bureau of Labor.

(B) The Company recognized pension expenses of \$8,293 thousand, \$7,325 thousand, \$24,545 thousand and \$21,655 thousand for three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, respectively.

(2) Defined benefit plan

(A) The pension expenses associated with the defined benefit plans (including the employee’s preferential deposit plan) recognized by the Company for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020 were \$27,287 thousand, \$26,473 thousand \$81,860 thousand and \$79,208 thousand, respectively.

The above calculations are based on the pension cost rate determined by actuarial calculations on December 31, 2020 and 2019.

(B) Before the year ended December 31, 2020 and 2019, the Company estimated that the balance of the pension account was insufficient to pay the workers who were estimated to reach the retirement conditions in the next year. Therefore, the difference was paid to the special account in March 2021 and 2020, and the Company decreased employee benefits provision by \$26,515 thousand and \$0 thousand, respectively.

2.Changes in guarantee liability provision:

Item	For the nine months ended September 30	
	2021	2020
Beginning balance	\$64,682	\$57,682
Provision (reversal)	278	7,000
Ending balance	\$64,960	\$64,682

3.Changes in financing commitment provision are as follows:

Item	For the nine months ended September 30	
	2021	2020
Beginning balance	\$37,512	\$47,639
Provision (reversal)	6,971	3,146
Difference in exchange rate	(132)	(724)
Ending balance	<u>\$44,351</u>	<u>\$50,061</u>

4.Changes in other provision are as follows:

Item	For the nine months ended September 30	
	2021	2020
Beginning balance	\$47,312	\$47,843
Provision (reversal)	-	(6,000)
Difference in exchange rate	(4)	(14)
Ending balance	<u>\$47,308</u>	<u>\$41,829</u>

6.22 Other liabilities

Item	September 30, 2021	December 31, 2020	September 30, 2020
Guarantee deposits received	\$24,037	\$53,231	\$96,381
Advance receipts	44,461	51,133	58,925
Temporary receipts and suspense accounts	4,267	4,869	12,053
Others	86	39	18
Total	<u>\$72,851</u>	<u>\$109,272</u>	<u>\$167,377</u>

6.23 Equity

1.Common stock

A.The number of outstanding shares of common stock issued by the Company and the amount were as below:

	For the nine months ended September 30, 2021	
	Shares (in thousands)	Amount
January 1	1,080,916	\$10,809,165
Capital increase by retained earning	59,245	592,450
Capital increase by capital surplus transferred	23,283	232,829
September 30	<u>1,163,444</u>	<u>\$11,634,444</u>

	For the nine months ended September 30, 2020	
	Shares (in thousands)	Amount
January 1	1,080,916	\$10,809,165
Capital increase by retained earning	-	-
Capital increase by capital surplus transferred	-	-
September 30	1,080,916	\$10,809,165

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Company's authorized capital were all \$20,000,000 thousand, while the issued capital were \$11,634,444 thousand, \$10,809,165 thousand and \$10,809,165 thousand, respectively, representing 1,163,444 thousand common shares, 1,080,916 thousand common shares and 1,080,916 thousand common shares with par value at \$10 per share.

The Company's shareholders' meeting passed the resolution of Year 2019 capital surplus distribution on November 11, 2020, and retained earnings of \$389,130 thousand and capital surplus of \$97,282 thousand were transferred to the capital. The above-mentioned capital increase was approved by the FSC on December 22, 2020, with a total of 48,641 thousand shares of common stock issued at a par value of \$10 per share, which accounts for \$486,412 thousand, and January 19, 2021 was set as the capital increase base date.

The Company's shareholders' meeting passed the resolution of Year 2020 capital surplus distribution on July 23, 2021, and retained earnings of \$203,320 thousand and capital surplus of \$135,547 thousand were transferred to the capital. The above-mentioned capital increase was approved by the FSC on July 29, 2021, with a total of 33,887 thousand shares of common stock issued at a par value of \$10 per share, which accounts for \$338,867 thousand, and September 14, 2021 was set as the capital increase base date.

B. Preferred stock

	For the nine months ended September 30, 2021	
	Shares (in thousands)	Amount
January 1	-	\$ -
Capital increase by cash	40,000	400,000
September 30	40,000	\$400,000

For the nine months ended September 30, 2020: None.

The Company's capital increase by cash with a total of 40,000 thousand shares of preferred stock - A issued at a par value of \$25 per share, which accounts for \$1

billion. January 12, 2021 was set as the capital increase base date and the preferred stock - A was listed on January 15, 2021.

- (a) The preferred stock's annual rate is set at 5-year IRS 0.609%+2.491% per annum of the issue price at the pricing day (November 25, 2020). The 5-year IRS will be reset on the next business day after each fifth and half anniversary day after issuance thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 5-year IRS rate is the arithmetic mean of 5-year IRS rates appearing on Reuters pages "TAIFXIRS" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing date for reset. If such rate cannot be obtained, the Company will determine the rate based on reasonable market price with good faith.
- (b) The Company has the sole discretion on the distribution of dividends of preferred stocks – A. It is the Company's discretion to resolve not to distribute dividends to the preferred shareholders if there is no surplus, or if earnings in the fiscal year are insufficient to fully pay off dividends to the shareholders of the preferred stocks, or if the distribution of dividends of preferred stocks may cause Total Capital Adequacy Ratio to be less than the authority's minimum requirement, or if the Bank has other essential considerations. If the Company resolves not to distribute dividends to the preferred shareholders, the shareholders of preferred stock - A shall raise no objection. The preferred stock - A are non-cumulative, the unpaid dividend will not be carried forward to years with earnings.
- (c) The shareholders of preferred stock - A shall be given priority to claim on the Company's remaining assets over the shareholders of common stocks, and equal to shareholders of other preferred stock issued by the Company, but subordinate to other general creditors and not more than the issuance amount of outstanding shares of preferred stock - A.
- (d) The shareholders of preferred stock - A are not entitled to any voting rights or election rights in shareholders' meeting. However, they may vote in preferred stock - A shareholders' meetings and in general shareholder meetings with regard to agenda items concerning rights and obligations of the shareholders of preferred stock - A.
- (e) Preferred stock - A shall not be converted into common stocks. The shareholders of the preferred stocks shall not require the Bank to redeem the rights of the preferred stocks - A. The preferred stocks – A are perpetual. After 5.5 years from the issue date, the Company may redeem a portion or all of the outstanding shares of preferred stock - A at any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock - A shall continue as specified herein.

- (f) When the Company issues new shares in cash, the shareholders of preferred stock - A and the common stock shall be entitled to equivalent preemptive rights on the new shares.

C. Reserve for Capital Increase

Item	For the nine months ended September 30	
	2021	2020
Beginning balance	\$486,412	\$ -
Transiting to capital from reserve for capital increase (Note 1)	(389,130)	-
Transiting to capital from reserve for capital increase by capital surplus (Note 1)	(97,282)	-
Ending balance	\$ -	\$ -

Note 1 : The attendance rate of the shareholders meeting in June 2020 has not reached the statutory number of shares. It has been approved by the Company's shareholders meetings in its meeting held on November 2020, and the capital increase base date is January 19, 2021.

2. Capital surplus

Item	September 30, 2021	December 31, 2020	September 30, 2020
Additional paid-in capital	\$1,609,786	\$1,145,333	\$1,242,615
Donated assets	733	733	733
Total	\$1,610,519	\$1,146,066	\$1,243,348

As required by the Company Act, additional paid-in capital resulting from the amount received in excess of par value of the issuance of capital stock and donated income may not only be used to offset the accumulated losses but also to issue new shares or distribute cash dividends in proportion to the number of shares being held by original shareholders. In addition, according to the Securities and Exchange Act, the additional paid-in capital used for capital increase shall not exceed 10% of total issued capital stock. A company should not use the capital surplus to cover its capital loss, unless the legal reserve is insufficient.

3. Retained earnings and dividends policy

- (1) According to the earnings distribution policy of the Articles of Incorporation, the current year's earnings, if any, shall first to pay all taxes and offset prior year's operating loss, and 30% of the remaining amount should then be set aside as legal surplus. A provision for or reversal of the special reserve shall be determined in accordance with provisions under the applicable laws and regulations and according to actual business requirements. The Board of Directors shall prepare a proposal for distribution of earnings for presentation

to the shareholders' meeting for resolution of distribution of dividends for shareholders. For the employees and directors' compensation distribution policy as stipulated in the Articles of Association of the Company, please refer to Note 6.32 employee benefit expense.

The Board of Directors may, depending on future business requirements and profitability, retain all or part of earnings.

Distribution of dividends to shareholders may be determined according to current earnings and business development requirements with the Board of Directors' proposing to the shareholders' meeting to make adjustments to the percentage of earnings to be distributed as cash dividends and stock dividends. However, cash dividends shall be no less than 5% of stock dividends distributed in the current year.

(2) Legal reserve

A company shall set aside a legal reserve until its balance equals the amount of total issued capital. Legal reserve may be used to offset loss. The portion of the legal reserve exceeding 25% of paid-in capital may be capitalized or distributed by cash. On the other hand, the Banking Law provides that prior to the balance of legal reserve reaching total paid-in capital or the ratio of paid in capital and risky assets not reaching requirement of the Banking Law, the maximum amount distributed by cash shall not exceed 15% of total paid-in capital.

(3) Special reserve

Item	September 30, 2021	December 31, 2020	September 30, 2020
Reserve for employee transference and reassignment	\$ -	\$432	\$432

Provision and reversal of special reserve set aside are according to order No. 1090150022 and No.1090150221 of FSC and "Application of International Financial Reporting Standards (IFRSs) to raise doubts about the application of special reserves" .

According to order No. 10510001510 issued by the FSC letter No. 10510001510 on May 25, 2016, the public issuing bank shall provide a special surplus in the range of 0.5% to 1% of the net profit after tax in the distribution of the fiscal Year 2016-2018. And according to order No. 10802714560 issued by the FSC on May 15, 2019, since the fiscal year 2019, the same amount of employee transference and reassignment expenses arising from the development of financial technology has been reversed from the scope of the special reserve.

- (4) Appropriation of earnings for 2020 and 2019 resolved by the shareholders' meeting in July 2021 and November 2020 and earnings per share were as follows:

Item	Earnings Appropriation		EPS (\$)	
	2020(Note2)	2019(Note1)	2020	2019
Legal reserve	\$229,956	\$234,567		
Appropriation (reversal) of special reserve	-	-		
Cash dividends on common stock	338,867	162,137	0.30	0.15
Stock dividends on common stock	203,320	389,130	0.18	0.36
Total	<u>\$772,143</u>	<u>\$785,834</u>		

Note 1 : The attendance rate of the shareholders meeting in June 2020 has not reached the statutory number of shares. It has been approved by the Company's shareholders meetings in its meeting held on November 2020, and the capital increase base date is January 19, 2021.

Note 2 : The June 2021 regular shareholder meeting was postponed due to the epidemic and revised to July 2021. However, as of the end of September 2021, the electronic voting on the earnings distribution proposal has reached the legal threshold.

The shareholders' meeting proposed to distribute capital surplus in shares amounting to \$135,547 thousand (\$0.12 per share) to shareholders in 2021. The shareholders' meeting proposed to distribute capital surplus in shares amounting to \$97,282 thousand (\$0.09 per share) to shareholders in 2020. The adjustment of the current dividend distribution and cash flow statement is as follows:

Item	For the nine months ended September 30	
	2021	2020
Surplus distribution	\$338,867	\$ 162,137
Cash dividends payable at the beginning of the period	162,137	-
Cash dividends payable at the end of the period	(338,867)	(162,137)
Cash dividends paid in cash	<u>\$162,137</u>	<u>\$-</u>

4. Other equity item

Item	Exchange differences on translation of financial statements of foreign operations	Valuation gain (loss) on equity instruments at FVTOCI	Valuation gain (loss) on debt instruments at FVTOCI	Allowance loss of debt instruments at FVTOCI	Others	Total
Balance at January 1, 2021	(\$143)	\$287,932	\$251,012	\$7,351	\$73	\$546,225
Foreign currency translation adjustments						
-Gain (loss) on translating net assets of foreign operations	482	-	-	-	-	482
-Tax effects on gain (loss) on translating net assets of foreign operations	(96)	-	-	-	-	(96)
Financial assets at FVTOCI						
-Unrealized gain (loss)	-	298,648	(291,580)	-	-	7,068
-Gain (loss) on disposal reclassified to profit or loss	-	-	(26,173)	-	-	(26,173)
-Gain (loss) on disposal reclassified to retained earnings	-	(60,550)	-	-	-	(60,550)
-Allowance loss of debt instruments adjustment	-	-	-	769	-	769
Others						
-Changes in the current period	-	-	-	-	(73)	(73)
Balance at September 30, 2021	\$243	\$526,030	(\$66,741)	\$8,120	\$-	\$467,652

Item	Exchange differences on translation of financial statements of foreign operations	Valuation gain (loss) on equity instruments at FVTOCI	Valuation gain (loss) on debt instruments at FVTOCI	Allowance loss of debt instruments at FVTOCI	Others	Total
Balance at January 1, 2020	(\$538)	\$253,902	\$108,052	\$4,776	\$73	\$366,265
Foreign currency translation adjustments						
-Gain (loss) on translating net assets of foreign operations	576	-	-	-	-	576
-Tax effects on gain (loss) on translating net assets of foreign operations	(115)	-	-	-	-	(115)
Financial assets at FVTOCI						
-Unrealized gain (loss)	-	(75,892)	251,940	-	-	176,048
-Gain (loss) on disposal reclassified to profit or loss	-	-	(110,488)	-	-	(110,488)
-Gain (loss) on disposal reclassified to retained earnings	-	(23,107)	-	-	-	(23,107)
-Allowance loss of debt instruments adjustment	-	-	-	1,124	-	1,124
Balance at September 30, 2020	(\$77)	\$154,903	\$249,504	\$5,900	\$73	\$410,303

6.24 Net interest income

Item	For the three months ended September 30	
	2021	2020
Interest income		
From bills discounted and loans	\$781,488	\$765,433
From deposits and call loans from other banks	5,674	5,193
From securities investments	198,418	225,246
From credit card revolving	476	396
Others	2,982	4,337
Subtotal	989,038	1,000,605
Interest expense		
From deposits	221,728	293,810
From interbank overdraft and call loans	27,115	28,476
From financial bonds	20,946	30,147
From lease liabilities	496	499
Others	3,039	6,841
Subtotal	273,324	359,773
Net interest income	\$715,714	\$640,832

Item	For the nine months ended September 30	
	2021	2020
Interest income		
From bills discounted and loans	\$2,291,725	\$2,508,477
From deposits and call loans from other banks	16,450	17,503
From securities investments	610,734	693,921
From Credit card revolving	1,445	1,137
Others	13,343	20,461
Subtotal	2,933,697	3,241,499
Interest expense		
From deposits	679,246	1,056,928
From interbank overdraft and call loans	86,324	92,978
From financial bonds	65,783	100,921
From lease liabilities	1,572	1,480
Others	12,349	62,101
Subtotal	845,274	1,314,408
Net interest income	\$2,088,423	\$1,927,091

Interest accrued on impaired financial assets of \$905 thousand, \$1,260 thousand, \$4,841 thousand and \$5,291 thousand for three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, respectively.

6.25 Net service fee and commission income

Item	For the three months ended September 30	
	2021	2020
Service fee income		
From trust business	\$45,851	\$46,074
From guarantees	11,389	10,622
From foreign exchange	3,555	4,237
From loans	41,597	22,055
From credit card service	4,565	2,581
Agency fee income	41,037	24,285
Deposit and remittance and others service fee income	5,429	7,161
Subtotal	153,423	117,015
Service fee expense		
Service fee expense - foreign exchange	2,452	2,834
Deposit and remittance and others service fee expenses	13,779	11,456
Subtotal	16,231	14,290
Net service fee income	\$137,192	\$102,725

Item	For the nine months ended September 30	
	2021	2020
Service fee income		
From trust business	\$145,050	\$133,486
From guarantees	35,139	33,520
From foreign exchange	11,720	12,660
From loans	107,070	64,476
From credit card service	12,564	6,986
Agency fee income	116,634	80,895
Deposit and remittance service fee income and other service fee income	18,424	23,425
Subtotal	446,601	355,448
Service fee expense		
Service fee expense - foreign exchange	7,931	7,973
Deposit and remittance and others service fee expenses	46,123	36,176
Subtotal	54,054	44,149
Net service fee income	\$392,547	\$311,299

The Company provide custodian, trust, investment management and consulting services to third parties, which involve the planning, management and decision-making in determining the use of financial instruments. Assets managed under a trust fund or in an investment portfolio are separately presented in separate accounts and financial statements and are not included in the Company's financial statements.

6.26 Gain (loss) on financial assets and liabilities at fair value through profit or loss

Item	For the three months ended September 30	
	2021	2020
Realized gains and losses from disposal of financial assets and liabilities at fair value through profit or loss		
Interest income	\$917	\$ 2,642
Dividends	929	325
Gain (loss) on disposal - non-derivative instruments	(5,494)	3,738
Gain (loss) on disposal - derivative instruments	54,407	(97,014)
Subtotal	50,759	(90,309)
Valuation gain and loss on financial assets and liabilities at fair value through profit or loss		
Non-derivative instruments	(5,116)	5,483
Derivative instruments	(24,900)	43,397
Subtotal	(30,016)	48,880
Total	\$20,743	(\$41,429)

Item	For the nine months ended September 30	
	2021	2020
Realized gains and losses from disposal of financial assets and liabilities at fair value through profit or loss		
Interest income	\$4,215	\$4,806
Dividends	2,810	675
Gain (loss) on disposal - non-derivative instruments	(6,734)	9,479
Gain (loss) on disposal - derivative instruments	333,919	(214,167)
Subtotal	334,210	(199,207)
Valuation gain and loss on financial assets and liabilities at fair value through profit or loss		
Non-derivative instruments	(4,252)	7,216
Derivative instruments	(202,788)	31,649
Subtotal	(207,040)	38,865
Total	\$127,170	(\$160,342)

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

Item	For the three months ended September 30	
	2021	2020
Dividend income	\$74,535	\$17,185
Gains on disposal of bonds	38,405	24,605
Losses on disposal of bonds	(29,703)	(412)
Total	<u>\$83,237</u>	<u>\$41,378</u>

Item	For the nine months ended September 30	
	2021	2020
Dividend income	\$105,921	\$93,558
Gains on disposal of bonds	114,579	115,763
Losses on disposal of bonds	(88,406)	(5,275)
Total	<u>\$132,094</u>	<u>\$204,046</u>

6.28 Gain on derecognition of financial assets at amortized cost

Item	For the three months ended September 30	
	2021	2020
NTD bonds	\$3,853	\$34,920
Foreign currency bonds	25,637	69,047
Total	<u>\$29,490</u>	<u>\$103,967</u>

Item	For the nine months ended September 30	
	2021	2020
NTD bonds	\$102,254	\$106,750
Foreign currency bonds	255,354	166,077
Total	<u>\$357,608</u>	<u>\$272,827</u>

6.29 Foreign exchange gain (loss)

Item	For the three months ended September 30	
	2021	2020
Foreign exchange gain (loss) - sight	\$2,590	\$602
Foreign exchange gain (loss) - FX conversion, forwards	(11,858)	75,077
Total	<u>(\$9,268)</u>	<u>\$75,679</u>

Item	For the nine months ended September 30	
	2021	2020
Foreign exchange gain (loss) - sight	\$8,796	\$18,548
Foreign exchange gain (loss) - FX conversion, forwards	(73,489)	226,980
Total	(\$64,693)	\$245,528

6.30 Reversal of (provision for) impairment loss on assets

Item	For the three months ended September 30	
	2021	2020
Investments in debt instruments at FVTOCI	\$398	(\$661)
Financial assets at amortized cost	354	(791)
Total	\$752	(\$1,452)

Item	For the nine months ended September 30	
	2021	2020
Investments in debt instruments at FVTOCI	(\$912)	(\$1,237)
Financial assets at amortized cost	1,122	(1,937)
Total	\$210	(\$3,174)

6.31 Net other non-interest income

Item	For the three months ended September 30	
	2021	2020
Rent income	\$2,805	\$3,109
Lease contract termination gain	(4)	(32)
Remuneration to directors	-	216
Transfer in bonus withdrawal balance	(818)	-
Loan income	2,284	832
Others	759	1,205
Total	\$5,026	\$5,330

Item	For the nine months ended September 30	
	2021	2020
Rent income	\$8,366	\$8,911
Lease contract termination gain	(16)	1,211
Remuneration to directors	2,916	2,255
Transfer in bonus withdrawal balance	7,817	6,603
Loan income	3,386	2,577
Others	4,047	5,405
Total	<u>\$26,516</u>	<u>\$26,962</u>

6.32 Employee benefits expense

Item	For the three months ended September 30	
	2021	2020
Wages and salaries	\$352,171	\$347,198
Labor and health insurance	28,898	27,580
Pensions costs (Note)	35,580	34,006
Remuneration to directors	5,807	5,096
Other employee benefits	5,282	2,626
Total	<u>\$427,738</u>	<u>\$416,506</u>

Item	For the nine months ended September 30	
	2021	2020
Wages and salaries	\$1,073,134	\$1,063,364
Labor and health insurance	92,104	84,044
Pensions costs (Note)	107,650	107,674
Remuneration to directors	16,328	16,158
Other employee benefits	15,678	7,443
Total	<u>\$1,304,894</u>	<u>\$1,278,683</u>

(Note): Including the expenditure of employees' transfer and extra pension payment according to No.10802714560 issued by FSC are \$0 thousand, \$0 thousand \$432 thousand and \$6,811 thousand for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, respectively. The additional pension payments are \$0 thousand, \$0 thousand, \$813 thousand and \$0 thousand, respectively.

- (1) The Company appropriated 5% and no more than 1.25% of the EBIT before the deduction of remuneration to employees and directors as remuneration to employees and directors, respectively. If there is a change in this amount after the announcement of the financial report, the difference will be treated as change in accounting estimate and adjusted in next year.
- (2) The Company appropriated 5% and no more than 1.25% of the EBIT before the deduction of remuneration to employees and directors as remuneration to employees and directors, respectively. The amounts recognized in the financial statements for the three months and for the nine months ended September 31, 2021 and 2020 were shown below:

Item	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Remuneration to employees	\$14,460	\$11,400	\$41,820	\$35,950
Remuneration to directors	\$3,620	\$2,860	\$10,460	\$8,990

- (3) Remuneration of employees and directors for 2020 and 2019 resolved by the Board of Directors' meeting on March 19, 2021 and March 19, 2020 were as follows:

Item	2020		2019	
	Remuneration to employees	Remuneration to directors	Remuneration to employees	Remuneration to directors
Resolved amount for distribution	\$47,293	\$11,823	\$47,282	\$11,820
Recognized amount in annual report	47,350	11,840	47,254	11,814
Difference	(\$57)	(\$17)	\$28	\$6

- A. The differences between the amounts resolved and the amounts presented in the financial statements for 2020 and 2019 are mainly from estimation and have been recognized as profit or loss in 2021 and 2020.
- B. The aforementioned remuneration to employees is released in cash.
- (4) Information on the resolution of the Board of Directors on the issues of remuneration to employees and directors is available at the "MOPS" website provided by Taiwan Stock Exchange Corporation.

6.33 Depreciation and amortization expenses

Item	For the three months ended September 30	
	2021	2020
Depreciation expense - property and equipment	\$17,996	\$16,650
Depreciation expense - right-of-use assets	19,855	20,539
Amortization expense - intangible assets and other assets	8,454	9,476
Total	<u>\$46,305</u>	<u>\$46,665</u>

Item	For the nine months ended September 30	
	2021	2020
Depreciation expense - property and equipment	\$50,360	\$49,840
Depreciation expense - right-of-use assets	59,562	63,118
Amortization expense - intangible assets and other assets	24,892	27,146
Total	<u>\$134,814</u>	<u>\$140,104</u>

6.34 Other general and administrative expenses

Item	For the three months ended September 30	
	2021	2020
Taxes and dues	\$49,663	\$48,021
Rental expense (Note)	10,830	10,706
Insurance expenses	16,250	18,164
Postage & handling	3,755	3,810
Utility expense	5,569	4,867
Consumables	6,803	6,523
Repair expense	10,011	8,839
Professional service fees	22,298	21,401
Public relation expense	3,652	4,076
Others	23,568	27,937
Total	<u>\$152,399</u>	<u>\$154,344</u>

Item	For the nine months ended September 30	
	2021	2020
Taxes and dues	\$147,432	\$148,835
Rental expense (Note)	32,523	31,847
Insurance expenses	48,564	55,706
Postage & handling	12,038	10,977
Utility expense	13,107	12,541
Consumables	19,805	17,931
Repair expense	27,107	28,767
Professional service fees	63,632	59,534
Public relation expense	12,984	11,638
Others	74,116	80,143
Total	<u>\$451,308</u>	<u>\$457,919</u>

(Note) Including variable lease payment.

6.35 Income tax expense

(1) Components of income tax expense:

A. Income tax expense (benefit) recognized in profit or loss:

Item	For the three months ended September 30	
	2021	2020
Current tax:		
Income tax from current period	\$27,740	\$21,515
Subtotal	<u>27,740</u>	<u>21,515</u>
Deferred tax:		
Origination and reversal of temporary differences	6,659	9,424
Income tax expense	<u>\$34,399</u>	<u>\$30,939</u>

Item	For the nine months ended September 30	
	2021	2020
Current tax:		
Income tax from current period	\$98,126	\$49,478
Adjustments for prior years	(917)	138
Subtotal	<u>97,209</u>	<u>49,616</u>
Deferred tax:		
Origination and reversal of temporary differences	(8,584)	47,458
Income tax expense	<u>\$88,625</u>	<u>\$97,074</u>

B. Income tax expense (benefit) relating to other comprehensive income:

Item	For the three months ended September 30	
	2021	2020
Exchange differences on translation of foreign financial statements	\$30	(\$31)

Item	For the nine months ended September 30	
	2021	2020
Exchange differences on translation of foreign financial statements	\$96	\$115

(2) Differences between pre-tax income and taxable income are reconciled as follows:

The pre-tax income multiplied by the statutory tax rate and income tax expense were reconciled as follows:

Item	For the three months ended September 30	
	2021	2020
Pre-tax income	\$270,520	\$214,378
Income tax from pre-tax income calculated at the statutory rate	\$54,104	\$42,876
Adjustments:		
Effects of income tax exemption	(44,008)	(36,625)
Effects of other tax adjustments		
Excessive provision for (reversal of) bad debt expense	16,027	(1,961)
Unrealized (realized) pension expenses	593	(1,374)
Valuation losses (gains)	6,003	(9,776)
Others	(1,832)	172
Loss carryforwards	(18,867)	6,688
Alternative minimum tax affects	15,720	21,515
Net changes in deferred tax assets	6,659	9,424
Income tax expense	\$34,399	\$30,939

Item	For the nine months ended September 30	
	2021	2020
Pre-tax income	\$784,368	\$674,763
Income tax from pre-tax income calculated at the statutory rate	\$156,874	\$134,953
Adjustments:		
Effects of income tax exemption	(160,241)	(95,345)
Effects of other tax adjustments		
Excessive provision for (reversal of) bad debt expense	66,762	(6,428)
Unrealized (realized) pension expenses	(9,754)	(2,711)
Valuation losses (gains)	41,408	(7,773)
Others	(679)	1,651
Loss carryforwards	(82,350)	(24,347)
Alternative minimum tax affects	86,106	49,478
Prior period income tax adjustment	(917)	138
Net changes in deferred tax assets	(8,584)	47,458
Income tax expense	<u>\$88,625</u>	<u>\$97,074</u>

(3) Unrecognized deferred income tax assets

As of September 30, 2021, December 31, 2020 and September 30, 2020, unrecognized deferred income tax assets were all \$0 thousand.

(4) The Company's income tax return through 2019 was assessed by the Taxation Authority.

6.36 Unrecognized deferred income tax assets/liabilities

1. When the Company has statutory enforcement rights to offset the current income tax assets and liabilities, and the deferred income tax assets and liabilities are the same taxpayer subject to the same tax authority, or different taxpayers, but the entities intend to be in a significant amount. Deferred income tax assets and liabilities are deducted from each other in the future period in which the income tax liabilities or assets are expected to be settled or recovered.

2.Changes in deferred tax assets (liabilities)

Item	For the nine months ended September 30	
	2021	2020
Deferred income tax assets		
Balance at January 1	\$151,412	\$203,637
Recognized as income	8,584	(47,458)
Recognized as other comprehensive income	(96)	(115)
Balance at September 30	<u>\$159,900</u>	<u>\$156,064</u>

3.The Company's future taxable income is likely to be sufficient to provide deferred income tax assets that can be deducted from temporary differences and unused losses. The recoverability assessment of deferred tax assets (liabilities) recognized at September 30, 2021 and 2020 is based on estimates of profitability over the next 10 years. If the assumption of profitability is changed, the Company will adjust the recognition amount of the deferred income tax assets (liabilities).

6.37 Other comprehensive income

Item	For the three months ended September 30, 2021		
	From current period	Income tax benefit (expense)	Net of tax
Items that will not be reclassified subsequently to profit or loss:			
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	\$20,726	\$ -	\$20,726
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on the translation of financial statements of foreign operations	151	(30)	121
Gain on valuation of investments in debt instruments at fair value through other comprehensive income	(29,876)	-	(29,876)
Reversal gain (impairment loss) on debt instruments at fair value through other comprehensive income	(468)	-	(468)
Recognized in other comprehensive income	<u>(\$9,467)</u>	<u>(\$30)</u>	<u>(\$9,497)</u>

Item	For the three months ended September 30, 2020		
	From current period	Income tax benefit (expense)	Net of tax
Items that will not be reclassified subsequently to profit or loss:			
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(\$97,109)	\$ -	(\$97,109)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on the translation of financial statements of foreign operations	(155)	31	(124)
Gain on valuation of investments in debt instruments at fair value through other comprehensive income	96,792	-	96,792
Reversal gain (impairment loss) on debt instruments at fair value through other comprehensive income	661	-	661
Recognized in other comprehensive income	<u>\$189</u>	<u>\$31</u>	<u>\$220</u>

Item	For the nine months ended September 30, 2021		
	From current period	Income tax benefit (expense)	Net of tax
Items that will not be reclassified subsequently to profit or loss:			
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	\$298,648	\$ -	\$298,648
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on the translation of financial statements of foreign operations	482	(96)	386
Gain on valuation of investments in debt instruments at fair value through other comprehensive income	(317,753)	-	(317,753)
Reversal gain (impairment loss) on debt instruments at fair value through other comprehensive income	769	-	769
Recognized in other comprehensive income	<u>(\$17,854)</u>	<u>(\$96)</u>	<u>(\$17,950)</u>

Item	For the nine months ended September 30, 2020		
	From current period	Income tax benefit (expense)	Net of tax
Items that will not be reclassified subsequently to profit or loss:			
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(\$75,892)	\$ -	(\$75,892)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on the translation of financial statements of foreign operations	576	(115)	461
Gain on valuation of investments in debt instruments at fair value through other comprehensive income	141,452	-	141,452
Reversal gain (impairment loss) on debt instruments at fair value through other comprehensive income	1,124	-	1,124
Recognized in other comprehensive income	<u>\$67,260</u>	<u>(\$115)</u>	<u>\$67,145</u>

6.38 Basic and diluted earnings per share

Item	For the three months ended September 30	
	2021	2020
Net Income	\$236,121	\$183,439
Less: Declared dividend of preferred stocks	-	-
Earnings in the current period (A)	<u>\$236,121</u>	<u>\$183,439</u>
Basic EPS		
Earnings in the current period (A)	\$236,121	\$183,439
Weighted-average outstanding shares in the current period (shares in thousands)	1,163,444	1,163,444
Adjusted weighted-average shares (shares in thousands) (B)	1,163,444	1,163,444
Basic EPS (A)/(B) (NTD)	<u>\$0.20</u>	<u>\$0.16</u>
Diluted EPS		
Earnings in the current period (A)	\$236,121	\$183,439
Weighted-average outstanding shares in the current period (shares in thousands)	1,163,444	1,163,444
Effect of employee compensation (shares in thousands)	3,819	3,631
Weighted-average outstanding shares of diluted earnings per share (shares in thousands) (D)	1,167,263	1,167,075
Diluted EPS (A)/(D) (NTD)	<u>\$0.20</u>	<u>\$0.16</u>

Item	For the nine months ended September 30	
	2021	2020
Net Income	\$695,743	\$577,689
Less: Declared dividend of preferred stocks	-	-
Earnings in the current period (A)	\$695,743	\$577,689
Basic EPS		
Earnings in the current period (A)	\$695,743	\$577,689
Weighted-average outstanding shares in the current period (shares in thousands)	1,163,444	1,163,444
Adjusted weighted-average shares (shares in thousands) (B)	1,163,444	1,163,444
Basic EPS (A)/(B) (NTD)	\$0.60	\$0.50
Diluted EPS		
Earnings in the current period (A)	\$695,743	\$577,689
Weighted-average outstanding shares in the current period (shares in thousands)	1,163,444	1,163,444
Effect of employee compensation (shares in thousands)	5,128	5,274
Weighted-average outstanding shares of diluted earnings per share (shares in thousands) (D)	1,168,572	1,168,718
Diluted EPS (A)/(D) (NTD)	\$0.60	\$0.49

7.RELATED PARTY TRANSACTIONS

7.1 Name and Relationship of Related Parties with the Company

Name of Related Party	Relationship with the Company
Kaohsiung City Government	A major shareholder of the Company
Kaohsiung Rapid Transit Corporation	Related party in substance
Others	Directors, and managerial officers and their relatives and related parties in substance

7.2 Significant transactions with related parties

(1) Credit

Name of Related Party	September 30, 2021	December 31, 2020	September 30, 2020
Kaohsiung City Government	\$ 20,028,273	\$19,509,418	\$ 20,230,078
Others	77,037	59,823	82,672

Name of Related Party	For the three months ended September 30, 2021	
	Interest & service fee income	Interest rate range
Kaohsiung City Government	\$28,731	0.469%-0.999%
Others	236	0.995%-2.340%

Name of Related Party	For the three months ended September 30, 2020	
	Interest & service fee income	Interest rate range
Kaohsiung City Government	\$27,561	0.460%-1.845%
Others	292	0.995%-2.340%

Name of Related Party	For the nine months ended September 30, 2021	
	Interest & service fee income	Interest rate range
Kaohsiung City Government	\$85,611	0.469%-1.845%
Others	663	0.995%-2.340%

Name of Related Party	For the nine months ended September 30, 2020	
	Interest & service fee income	Interest rate range
Kaohsiung City Government	\$93,731	0.460%-1.845%
Others	908	0.995%-2.340%

For the nine months ended September 30, 2021 and 2020, interest rates charged for credit extended to related parties are shown above by the type and purpose of loan and the interest rate ranges for credit extended to non-related parties (other than those under debt negotiation) were both 0.312%-8.00%, respectively.

(2) Deposits

Name of Related Party	September 30, 2021	December 31, 2020	September 30, 2020
Kaohsiung City Government	\$13,774,466	\$11,957,971	\$12,094,131
Kaohsiung Rapid Transit Corporation	53,614	107,121	340,746
Others	506,855	442,678	478,224

Name of Related Party	For the three months ended September 30, 2021	
	Interest expense	Interest rate range
Kaohsiung City Government	\$3,341	0.02%-1.06%
Kaohsiung Rapid Transit Corporation	74	0.02%-0.81%
Others	1,263	0%-13%

Name of Related Party	For the three months ended September 30, 2020	
	Interest expense	Interest rate range
Kaohsiung City Government	\$4,981	0.02%-1.060%
Kaohsiung Rapid Transit Corporation	564	0.02%-1.060%
Others	988	0%-13%

Name of Related Party	For the nine months ended September 30, 2021	
	Interest expense	Interest rate range
Kaohsiung City Government	\$10,829	0.02%-1.06%
Kaohsiung Rapid Transit Corporation	314	0.02%-0.81%
Others	3,761	0%-13%

Name of Related Party	For the nine months ended September 30, 2020	
	Interest expense	Interest rate range
Kaohsiung City Government	\$17,173	0.02%-1.060%
Kaohsiung Rapid Transit Corporation	1,643	0.02%-1.060%
Others	4,519	0%-13%

- a. The interest rate range for the above related-party deposit accounts is shown up by the nature of the deposit. The interest rate range for non-related party deposits was 0%-13%.
- b. The highest deposit rate offered to employees of the Company (not related parties) was 13%. Deposit rate offered to other related parties may vary depending on the nature of the deposits with the highest rate offered equivalent to that offered to bank employees.

(3) Lease agreement :

- a. Increase in right-of-use assets :

Name of Related Party	For the three months ended September 30	
	2021	2020
Kaohsiung City Government	(\$26)	(\$2,449)

Name of Related Party	For the nine months ended September 30	
	2021	2020
Kaohsiung City Government	(\$37)	\$1,991

b. Lease liabilities :

Name of Related Party	September 30, 2021	December 31, 2020	September 30, 2020
Kaohsiung City Government	\$6,230	\$8,592	\$9,392

c. Interest expenses on the lease liabilities for the three months ended September 30, 2021 and 2020 and for the nine months ended September 31, 2021 and 2020 were \$8 thousand, \$17 thousand, \$29 thousand and \$54 thousand, respectively.

The above rents are determined in accordance with current land value and the current taxable value of the building, and paid half a year.

(4) Information on transactions with related parties who are the borrowers, guarantors or collateral providers:

a. Loans

September 30, 2021:

Type	Number of accounts or name of related party	Highest balance	Ending balance	Performance Status		Collateral	Whether terms and conditions of the related party transactions are different from those of arm's length transactions
				Normal loans	Overdue accounts		
Employee consumer loans	15	14,353	13,883	13,883	-	Real estate, credit	No
Residential mortgages	5	45,004	44,606	44,606	-	Real estate	No
Other loans	Chou ○○	2,355	2,224	2,224	-	Real estate	No
Other loans	Pan○○	5,450	5,450	5,450	-	NCD	No
Other loans	Dai ○○	2,818	2,697	2,697	-	Real estate	No
Other loans	Hung ○○	3,496	3,432	3,432	-	Real estate	No
Other loans	Hung ○○	97	-	-	-	Credit guarantee fund	No
Other loans	Chen○○	54	-	-	-	NTD time deposits	No
Other loans	Hsu○○	3,072	2,760	2,760	-	NTD time deposits	No
Other loans	Wang○○	2,000	1,985	1,985	-	Real estate	No
Other loans	Liang○○	96	-	-	-	NTD time deposits	No

December 31, 2020:

Type	Number of accounts or name of related party	Highest balance	Ending balance	Performance Status		Collateral	Whether terms and conditions of the related party transactions are different from those of arm's length transactions
				Normal loans	Overdue accounts		
Employee consumer loans	12	13,468	13,468	13,468	-	Real estate, credit	No
Residential mortgages	5	61,505	36,847	36,847	-	Real estate	No
Other loans	Chou ○○	2,398	2,355	2,355	-	Real estate	No
Other loans	Pan○○	4,000	4,000	4,000	-	NCD	No
Other loans	Dai ○○	2,974	2,818	2,818	-	Real estate	No
Other loans	Hung ○○	1,455	199	199	-	Real estate	No
Other loans	Hung ○○	100	97	97	-	Credit guarantee fund	No
Other loans	Hsu○○	9,997	39	39	-	Real estate	No
Other loans	Chen○○	5,000	-	-	-	Real estate	No

September 30, 2020:

Type	Number of accounts or name of related party	Highest balance	Ending balance	Performance Status		Collateral	Whether terms and conditions of the related party transactions are different from those of arm's length transactions
				Normal loans	Overdue accounts		
Employee consumer loans	12	10,477	10,408	10,408	-	real estate, credit	No
Residential mortgages	6	62,392	61,505	61,505	-	real estate	No
Other loans	Chou ○○	2,501	2,398	2,398	-	real estate	No
Other loans	Pan ○○	4,000	4,000	4,000	-	NCD	No
Other loans	Dai ○○	2,974	2,858	2,858	-	real estate	No
Other loans	Hung ○○	3,498	1,455	1,455	-	real estate	No
Other loans	Chen○○	5,000	48	48	-	real estate	No
Other loans	Hsu ○○	9,997	-	-	-	real estate	No

Explanation 1: The balances of employee consumer loans and residential mortgages may be disclosed in one lump sum. The balance of loans to other related parties shall be disclosed separately according to the name of each related party.

Explanation 2: Collaterals include real estates, short-term bills, government bonds, secured corporate bonds, unsecured corporate bonds, listed and OTC stocks, unlisted stocks and other properties. Provide details for other properties if any.

Explanation 3: As of September 30, 2021, December 31, 2020 and September 30, 2020, allowance for doubtful accounts provided for loans to related parties amounted to \$52 thousand, \$54 thousand and \$49 thousand, respectively. For the three months ended September 30, 2021 and 2020 and for the nine months end September 30, 2021 and 2020, bad debt expenses recognized (reversal) in relation to loans to related parties amounted to (\$13) thousand, (\$31) thousand, (\$2) thousand and (\$15) thousand, respectively.

b. Guarantees: None.

c. Derivatives: None.

d. Disposal of non-performing loans: None.

(5) Remuneration to key managerial officers

Item	For the three months ended September 30	
	2021	2020
Salaries and other short-term employee benefits	\$8,471	\$11,984
Post-employment benefits	482	566
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total	\$8,953	\$12,550

Item	For the nine months ended September 30	
	2021	2020
Salaries and other short-term employee benefits	\$38,216	\$43,838
Post-employment benefits	1,561	1,696
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total	\$39,777	\$45,534

8. PLEDGED ASSETS

Item	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets at fair value through profit or loss			
Government bonds (par value)	\$ -	\$44,000	\$44,000
Financial assets at fair value through other comprehensive income			
Government bonds (par value)	784,000	750,000	750,000
Foreign bonds (par value)	3,085,939	4,855,599	2,466,002
Investments in debt instruments at amortized cost			
Negotiable certificates of deposit	4,200,000	4,400,000	4,400,000
Government bonds (par value)	3,915,200	3,903,900	3,895,400
Foreign bonds (par value)	776,037	3,228,727	3,980,190
Other financial assets			
Time deposits with maturities more than three months	172,200	193,950	149,695
Other assets			
Derivatives exposure difference	17,830	32,315	40,775
Margin for R/P bonds	9,052	7,922	-
Total	\$12,960,258	\$17,416,413	\$15,726,062

The above pledged assets were placed with the court as the guarantee deposit for executing provisional seizure on borrowers' assets or used as the guarantee deposit for credit card payment, as compensation reserve (Trust Department), as the collateral of securities issuer and for real-time gross settlement mechanism implemented by the Central Bank for the Interbank Funds Bank Transfer System. The Company provides negotiable certificates of deposit as the day guarantee for overdrafts and as such, the guarantee amount may be changed at any time and unused credit may still be used as liquid reserve.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIED CONTRACT COMMITMENTS

9.1 As of September 30, 2021, December 31, 2020 and September 30, 2020, the Company had the following commitments:

Item	September 30, 2021	December 31, 2020	September 30, 2020
Securities sold under repurchase agreements	\$3,880,286	\$8,175,272	\$6,636,845
Securities purchased under resale agreements	3,737,953	1,993,293	4,396,739
Loans yet to be appropriated by the borrowers (Note)	46,187,588	51,143,105	44,934,316
Credit line facility yet to be utilized by the credit card holders	9,256	10,643	8,912
Irrevocable credit card credit commitments	1,579,336	1,562,904	1,459,967
Standby letter of credit yet to be utilized by the clients	1,617,057	1,384,271	1,292,273
Guarantees	4,393,412	4,169,358	3,839,089
Amounts collected on behalf of customers	5,972,362	6,564,272	6,277,413
Agency loans payable	2,178,878	2,398,806	2,471,087
Trust assets	25,065,034	23,511,597	23,173,418
Marketable securities held under custody	30,091,239	31,973,189	32,373,594

Note: Including those belonging to non-cancellable loan commitments, cancellable loan commitments (unconditionally cancellable) and cancellable loan commitments (conditionally cancellable).

10. SIGNIFICANT DISASTER LOSS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS

12.1 Content and amount according to regulation

A. Details and amounts of trust businesses conducted in accordance with Regulations Governing Trust Enterprises

Trust Balance Sheet			
Assets	September 30, 2021	December 31, 2020	September 30, 2020
Bank deposits	\$857,731	\$797,407	\$587,317
Financial assets			
Stocks	52,701	39,435	9,818
Investment in bonds	195,000	140,460	105,647
Investment in funds	18,615,838	18,528,096	18,647,383
Real estates	5,343,764	4,006,199	3,823,253
Total	\$25,065,034	\$23,511,597	\$23,173,418

Trust Balance Sheet

Liabilities and Equity	September 30, 2021	December 31, 2020	September 30, 2020
Trust capital	\$25,248,180	\$23,639,707	\$23,188,071
Retained earnings	(183,146)	(128,110)	(14,653)
Total	<u>\$25,065,034</u>	<u>\$23,511,597</u>	<u>\$23,173,418</u>

Trust Property List

Property Item	September 30, 2021	December 31, 2020	September 30, 2020
Bank deposits	\$857,731	\$797,407	\$587,317
Stocks	52,701	39,435	9,818
Investment in bonds	195,000	140,460	105,647
Investment in funds	18,615,838	18,528,096	18,647,383
Real estates	5,343,764	4,006,199	3,823,253
Total	<u>\$25,065,034</u>	<u>\$23,511,597</u>	<u>\$23,173,418</u>

Trust Income Statement

Property Item	For the nine months ended September 30	
	2021	2020
Trust income		
Interest income	\$1,740	\$2,138
Investment income	907	320
Total trust income	<u>2,647</u>	<u>2,458</u>
Trust expenses		
Administrative expense	1,678	1,803
Taxes	269	291
Processing Fee	1	-
Other expenses	56,027	21,606
Total trust expenses	<u>57,975</u>	<u>23,700</u>
Net loss before income tax	(55,328)	(21,242)
Income tax expense	-	-
Net income (loss)	<u>(\$55,328)</u>	<u>(\$21,242)</u>

Note: The above gains or losses from the trust account belonged to the trustor and were not recognized by the Company.

12.2 Where the Company is a subsidiary of a financial holding company, apportionment of revenue, cost, expenses and profit or loss arising from business and transaction activities, joint business promotion activities, sharing of information or sharing of business facility or premise between the Company and the financial holding company and other subsidiaries: the Company is not a subsidiary of a financial holding company.

12.3 Financial instruments

1. Information on fair value - financial instruments not measured at fair value

(1) Except for the following significant differences between the carrying amount and the fair value, the carrying amount of financial instruments that are not measured at fair value is an approximation of fair value.

Item	September 30, 2021	
	Book value	Fair value
<u>Financial assets</u>		
Financial assets at amortized cost	49,304,516	49,983,401

Item	December 31, 2020	
	Book value	Fair value
<u>Financial assets</u>		
Financial assets at amortized cost	51,616,733	53,050,077

Item	September 30, 2020	
	Book value	Fair value
<u>Financial assets</u>		
Financial assets at amortized cost	47,321,160	48,690,458

(2) Level information on fair value

Item	September 30, 2021			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Financial assets at amortized cost	49,983,401	11,538,159	38,445,242	-

Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Financial assets at amortized cost	53,050,077	14,215,440	38,834,637	-

Item	September 30, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Financial assets at amortized cost	48,690,458	14,392,833	34,297,625	-

2. Information on fair value - financial assets at measurement of recurring fair value
(1) Level information on fair value

Item	September 30, 2021			
	Total	Quotation of the same asset in active market (Level 1)	Other major observable input value (Level 2)	Major unobservable input value (Level 3)
<u>Measurement of recurring fair value</u>				
<u>Non-derivative assets and liabilities</u>				
Assets				
Financial assets at fair value through profit and loss				
Stock investments	\$95,564	\$ 95,564	\$ -	\$ -
Fund investments	153,465	153,465	-	-
Bond investments	663,747	651,536	12,211	-
Other	9,995	9,995		
Total	\$922,771	\$910,560	\$ 12,211	\$ -
Financial assets at fair value through other comprehensive income				
Stock investments	\$2,873,161	\$1,332,867	\$ -	\$1,540,294
Bond investments	23,811,197	2,912,911	20,898,286	-
Total	\$26,684,358	\$4,245,778	\$20,898,286	\$1,540,294
<u>Derivative financial assets and liabilities</u>				
Assets				
Financial assets at fair value through profit and loss	\$49,602	\$56	\$49,546	\$-
Liabilities				
Financial liabilities at fair value through profit and loss	62,498	-	62,498	-

Item	December 31, 2020			
	Total	Quotation of the same asset in active market (Level 1)	Other major observable input value (Level 2)	Major unobservable input value (Level 3)
<u>Measurement of recurring fair value</u>				
<u>Non-derivative assets and liabilities</u>				
Assets				
Financial assets at fair value through profit and loss				
Stock investments	\$74,493	\$74,493	\$ -	\$ -
Fund investments	-	-	-	-
Bond investments	1,204,339	661,217	543,122	-
Total	\$1,278,832	\$735,710	\$543,122	\$ -
Financial assets at fair value through other comprehensive income				
Stock investments	\$2,229,484	\$908,944	\$-	\$1,320,540
Bond investments	22,897,840	4,085,680	18,812,160	-
Total	\$25,127,324	\$4,994,624	\$18,812,160	\$1,320,540
<u>Derivative financial assets and liabilities</u>				
Assets				
Financial assets at fair value through profit and loss	\$221,160	\$-	\$221,160	\$-
Liabilities				
Financial liabilities at fair value through profit and loss	31,323	-	31,323	-

Item	September 30, 2020			
	Total	Quotation of the same asset in active market (Level 1)	Other major observable input value (Level 2)	Major unobservable input value (Level 3)
<u>Measurement of recurring fair value</u>				
<u>Non-derivative assets and liabilities</u>				
Assets				
Financial assets at fair value through profit and loss				
Bond investments	816,927	565,446	251,481	-
Total	\$816,927	\$565,446	\$251,481	\$-
Financial assets at fair value through other comprehensive income				
Stock investments	\$1,730,783	\$502,885	\$-	\$1,227,898
Bond investments	20,214,008	4,942,400	15,271,608	-
Total	\$21,944,791	\$5,445,285	\$15,271,608	\$1,227,898
<u>Derivative financial assets and liabilities</u>				
Assets				
Financial assets at fair value through profit and loss	\$50,531	\$-	\$50,531	\$-
Liabilities				
Financial liabilities at fair value through profit and loss	22,664	-	22,664	-

(2) Definition of the three classes of fair value

Level 1 :

The input value of this category of financial instruments in active market shall be the open quotation of financial instruments of the same kind in active market. Active market as referred to are market featuring the following conditions: the subject matters of trade are homogenous; the buyers and the sellers can buy and sell at free will with information available to the public. The Company invested in the stocks and beneficiary certificates listed in TWSE and GTSM are hot items for investment in the bonds of the Central Government of Taiwan and derivatives with open quotation in open market at fair value. They all are Level 1 assets.

Level 2 :

The input value of this category of financial instruments includes the observable input value directly (such as price) or indirectly (inference from price) obtained from active market further to the open quotation and observable price in active market. The Company invested in foreign government bonds, corporate bonds, bank debentures, convertible bonds and majority of the derivatives are Level 2 assets.

Level 3 :

The input value of this category of financial instruments refers to the input parameters for measurement of fair value and it is not based on the information available from market (unobservable input parameters, such as: pricing model of options basing on historical volatility curve. But historical volatility cannot stand for the overall participation in market and the projected value of market volatility in the future). Some of the derivatives and equity instruments with no active market invested by the Company belonged to this level.

(3) Evaluation techniques and input values used to measure fair value

(A) Decision of fair value

If there is open quotation in the open market for the financial instruments, the open quotation in the open market shall be the fair value. The market price announced by major exchanges and determined as Bloomberg or Refinitiv are the foundation for fair value of quotation of equity instruments listed in TWSE (GTSM) and debt instruments that have active market.

If the open quotations from the exchanges, brokers, underwriters or pricing service institutions can be accessible timely and regularly, and such quotations can stand for the routine fair trade in market, such financial instruments have open quotation in the active market. If the aforementioned conditions cannot be satisfied, the market is not active. In

general, a market with wide spread buying and selling, significant variation in the buying or selling price or where trade volume is low will be an inactive market.

Further to the aforementioned financial instruments that have an active market, the fair value of all other financial instruments shall be obtained from pricing techniques or quotations from counterparties. For fair value obtained from pricing techniques, the fair value of financial instruments in similar nature and features at present time, the cash flow discount method or other pricing techniques, including the model for the calculation on the basis of the information from the market as of the balance sheet date (such as the yield rate curve of GTSM and the Fixing Rate of page TAIBIR 02 by Taiwan Depository & Clearing Corporation).

For financial instruments with no standardized estimation and are not so complicated, such as interest rate swap, FX swap contract and options, the Company will adopt the pricing techniques extensively used by market participants. The parameters commonly used in the pricing model of this type of financial instruments are observable market information.

For the more complex financial instruments, the fair value is measured by the evaluation model developed by the peers in the widely used evaluation methods and technologies. Such evaluation models are typically used for derivatives, debt instruments that are not publicly quoted (including debt instruments embedded in derivatives), or other debt instruments with low liquidity in the market. Some of the parameters used in such evaluation models are not market observable information, and the Company must make appropriate estimates based on assumptions.

(B) The evaluation methods of financial instruments are listed by category and attribute as follows:

- a. NTD Central Government bonds: The hundred dollars price is calculated based on the interest rate of the public debt market and theoretical interest rate announced by the counter trading center.
- b. NTD corporate bonds and financial bonds: The Company calculates the appropriate yield and then converts the hundred dollars price based on the corporate bond evaluation reference interest rate announced by the counter trading center, in conjunction with the appropriate credit rating and the remaining period.

- c. NTD convertible corporate bonds: The convertible (transfer) exchange of corporate bonds listed on the counter trading center is based on the closing price of the evaluation date. Those who do not have the closing price will be referred to the reference price of the company's debt trading (distribution) for the company's bond trading.
- d. Asset securitization goods: Use Bloomberg price information.
- e. NTD short-term bill: The future cash flow will be discounted in the appropriate period using the Fixing Rate on the TAIBIR page 02 of the Taiwan Central Depository and Clearing House.
- f. Foreign currency securities: The latest quotes available on the evaluation date by the instant information system (Bloomberg, Refinitiv or other platforms). If there is no relevant quote or evaluator above, the counterparty quote is used.
- g. Listed and OTC stocks, subscription (sales) warrants, depositary receipts: the closing price announced by the exchange or counter trading center.
- h. Unlisted cabinet company stocks: The fair value measurement is mainly based on the relevant financial information or the market price and parameters of the comparable listed company with similar business attributes.
- i. Beneficiary certificate: The fair value of close-end funds is closing price of open market and the fair value of open-end funds is net asset value of fund.
- j. Derivatives:
 - (a) Call/Put warrants and stock index futures: The fair value is open quotes for the active market
 - (b) Forwards contracts, currency swap, interest rate swap, cross currency swaps and margin trading: Discounted future cash flow method.
 - (c) Options: Mainly evaluated by Black-Scholes, binomial tree Methodology and Monte Carlo model.
 - (d) Part of derivatives use counterparty quotes.
- k. Mixing tool : Calculated by open market quotes, trading broker quotes or evaluation models.

(C) Adjustment of credit risk evaluation :

The adjustment of the risk assessment of derivative contracts in OTC trade could be classified as Credit Value Adjustments (CVA) and Debit Value Adjustments (DVA) so as to reflect the possible overdue amounts of the counterparties or the Company, and the possibility of collection or payment of the Company in whole at market value.

In consideration of the probability of default (PD) of the counterparties, multiplied by the loss given default (LGD), and further multiplied by exposure at default (EAD) to get the CVA. To the contrast, the Company will multiply the PD and the LGD and also the EAD of the Company to find out the DVA.

Most counterparties of the Company adopted 60% as the assumed LGD. However, other assumptions of the LGD may be taken with consideration to the nature of the risks involved and the data available.

- (4) Transfer between Level 1 and Level 2 assets for the nine months ended September 30, 2021 and 2020: The Company did not have any transfer between Level 1 assets and liabilities and Level 2 assets and liabilities.

- (5) Changes in Level 3:

Item	Financial assets at FVOCI	
	Investments in equity instruments	
	For the nine months ended September 30	
	2021	2020
Beginning balance	\$1,320,540	\$1,334,795
New equity acquisition	15,473	-
Recognized in other comprehensive income	204,281	(106,897)
Ending balance	\$1,540,294	\$1,237,898

- (6) Measurement process for fair value classified as Level 3:

The unlisted company stocks held by the Company in an inactive market are mainly based on the market method to estimate the fair value. The judgment is based on the same type of company evaluation, third party quotation, company net value and operating status assessment.

- (7) Quantified information on value fair measured on the basis of major unobservable input value (Level 3):

Part of domestic and foreign unlisted stocks are market-based, in which significant unobservable inputs include liquidity discounts and control

premiums. When liquidity discounts decrease or control premiums increase, the fair value of these investments will increase.

- (8) The sensitivity analysis of the fair value on assumption that could possibly and reasonable be substituted for measurement of Level 3 fair value:

The assets measured by the fair value of the third level of the fair value hierarchy of the Company are used to measure the significant unobservable inputs of fair value.

	Measurement technique	Major unobservable input value	Range	Relationship between input value and fair value
Financial assets at fair value through other comprehensive income - stocks	Market Approach	Lack of liquidity discount rate	20%~30%	The lower the degree of lack of liquidity, the lower the fair value estimate

12.4 Financial risk management

(1) Overview

The primary objectives of the Company’s risk management approach are to service customers whilst ensuring that the related business targets are met, maintaining the overall risk appetite and ensuring compliance with external regulatory requirements. Ultimately, the Company aims to achieve effective risk diversification, transfer and hedging whilst creating a three-way win situation for customers, shareholders and employees. Major risks the Company confronts include on- and off-balance-sheet credit risks, market risks (including interest rate, exchange rate, equity securities and product risks) and liquidity risks.

The Company has set written risk management policies or risk control procedures, which were reviewed and adopted by the Board of Directors in order to effectively identify, measure, monitor and control credit, market and liquidity risks.

(2) Risk management structure

The Risk Management Department of the Company manages risks in accordance with the risk management policies approved by the Board of Directors. The Risk Management Department works closely with business departments to identify, evaluate and hedge against the various financial risks. The Board of Directors sets written risk management policies, which cover specific risk exposures such as exchange rate risk, interest rate risk, credit risk, and risks arising from derivative and non-derivative transactions. On the other hand, internal audit is jointly responsible for conducting independent audits on risk management practices and the control environment.

(3) Credit risk

A. The sources and definition of credit risk

The Company is exposed to credit risk due to default on contracts by a client or a counterparty, which results in financial losses suffered by the Company. The sources of credit risks includes on- and off-balance-sheet assets and liabilities. A significant portion of credit risks originates from discounts and loans, credit card business, due from other banks, acceptances, investments in debt instruments and derivatives. The major off-balance-sheet items which expose the Company to credit risk are financial guarantees, letters of credit and loan guarantees.

B. Credit risk management policies

In order to ensure that credit risk is controlled with an acceptable level, the Company's credit risk management guidelines provide that the scope of credit risk management shall cover the management of credit risk arising from on- and off-balance-sheet asset and liability items. One of the credit risk management objectives is to maintain adequate capital to cover credit risk to better manage credit risk faced by the Company. It is critical to ensure internal control procedures are appropriately carried out to ensure that credit approval and investments are appropriately managed, which in turn will ensure that the various credit exposures comply with the statutory requirements.

Credit risk management procedures and measurement of credit risk for the Company's primary business activities are explained as follows:

(A) Credit business (including loan commitments and guarantees)

Explanations are provided as follows by the categories of credit assets and credit rating:

a. Types of credit assets

The Company classified credit assets into five categories. With the exception of normal credit assets which are classified as "Category One" assets, the remaining unsound credit that required special attention was evaluated based on the status of the creditor's right, loan collaterals and the length of time overdue, and classified as "Category Two - Special Mention", "Category Three - Substandard", "Category Four - Doubtful" and "Category Five- Loss". The Company has set the "Operational Guidelines for Evaluation of Credit Assets" and adopted the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans" as the basis for managing problem loans and collection of overdue credit.

b. Credit rating

The Company has formulated a credit rating scale and related rules based on business attributes and the size of operation to manage risks.

Corporate borrowers are grouped into eight categories according to their respective credit rating, while individual borrowers are grouped in terms of credit quality as follows according to the types of products and the borrower's credit rating (a) Home loan borrowers: four categories “excellent”, “good”, “fair” and “special approval”; (b) Others: seven categories of repayment capabilities - excellent, very strong, strong, satisfactory, weak, very weak and unrated.

(B) Due from banks and call loan to banks

The Company assesses the credit rating of the counterparty and refer to rating information provided by external rating agencies in Taiwan and overseas prior to undertaking a transaction. Each counterparty is assigned a rating and different levels of credit risk exposures.

(C) Investments in debt instruments and derivatives

The Company manages credit risk arising from debt instruments by assessing the credit rating of debt instruments provided by external rating agencies, the credit quality of bonds, status of a region and counterparty credit risks in order to identify credit risk associated with these types of instruments.

The Company undertakes derivative transactions with counterparties that are financial institutions. The majority of these financial institutions have investment-grade rating or above. The Company manages credit risk by controlling a counterparty's credit limit (including credit limit for call loans); any counterparty that is unrated or does not have an investment-grade rating must be assessed individually. If the counterparty is an individual customer, the risk exposure limit and terms applicable to such derivative instruments approved in accordance with general credit approval procedures are managed to control counterparty credit risk.

The Company rates the credit quality of debt instruments and derivatives as follows:

a. TWD debt instruments (without taking into account valuation adjustment and accumulated impairment loss)

Credit Rating
twAAA, government bond and NCD issued by the Central Bank
twAA+ ~ twAA-
twA+ ~ twA-
twBBB+ ~ twBBB-
Below and unrated

- b. Foreign-currency debt instruments (without taking into account valuation adjustment and accumulated impairment loss)

Credit Rating
Aaa
Aa1～Aa3
A1～A3
Baa1～Baa3
Below and unrated

- (D) Judgment that credit risk has increased significantly since the original recognition

The Company assesses the change in the risk of default in the expected duration of each financial asset on each reporting date to determine whether the credit risk has increased significantly since the original recognition.

For this assessment, the Company's considerations show that the credit risk has increased significantly and can be corroborated (including forward-looking information) since the original recognition. The main considerations include:

- (a) Information on overdue status and changes in internal credit rating

- a. When the credit contract amount is overdue for 31 to 90 days and there are no other adverse signs, it is determined that the credit risk of the financial assets has increased significantly since the original recognition, but the overdue period is more than 30 days, and the credit risk is significantly increased to refute the information. For example:

1. When the unpaid payment is administratively lost, it is not due to the financial difficulties of the borrower.
2. Payment due to business disputes between companies is overdue.
3. Credit card payables overdue for 30 days are caused by force majeure factors, such as card holders leaving the country or hospitalized.
4. The Company's various types of credit assets are not applicable.

The judgment of low credit risk can be regarded as the assumption that the credit risk has not increased significantly since the original recognition.

- (b) Actual operating conditions and debt performance

- a. The current or projected adverse changes in the operating, financial or economic conditions that are expected to result in significant changes in the borrower's ability to perform its debt obligations.

- b. The actual or expected significant change in the operating results of the borrower has significantly increased the credit risk of other financial instruments of the same borrower.
- (c) Other objective facts sufficient to establish a significant increase in credit risk.

For low credit risk and Stage1, the principle includes the normal repayment of credits of the creditor, the overdue period of less than 30 days (the secured creditor of the debt negotiation success); the financial assets of the investment grade, or the non-investment grade but the rating is not significantly reduced. In addition, considering the attributes of the counterparty and the financial instrument itself, there is no historical impairment experience in the past and the probability of future impairment is estimated to be extremely low (e.g., deposit and withdrawal), which is also considered a low risk location.

(E) Definition of default and credit impairment financial assets

When one or more events that have an adverse effect on the estimated future cash flows of a financial asset have occurred, the financial asset is credit-derogated. Evidence of credit impairment on financial assets includes observable information on:

(a) Quantitative indicators

The borrower delays the contract payment for more than 90 days.

(b) Qualitative indicators

If there is evidence that the borrower will not be able to pay the contract, or that the borrower has significant financial difficulties, such as:

- a. The borrower has gone bankrupt or may claim bankruptcy or financial restructuring.
- b. The borrower has gone or been dissolved.
- c. The borrower's other financial instrument contract has defaulted.
- d. The active market of the financial asset disappeared due to financial difficulties.
- e. Due to economic or contractual reasons relating to the financial difficulties of the borrower, the creditor of the borrower gives concessions to the borrower that would otherwise not be considered.
- f. Purchase or creation of financial assets at a substantial discount to reflect the occurrence of credit losses.

The aforementioned default and credit impairment definitions apply to all financial assets held by the Company and are used for financial assets for internal credit risk management purposes. The definition is consistent and applied to the relevant impairment assessment model.

(F) Write-off policy

The Company reverses the whole or part of the financial assets when it is unable to reasonably expect the whole or part of the recovered financial assets, and the indicators that cannot be reasonably expected to be recycled include:

- (a) The recourse has ceased.
- (b) The borrower has been assessed to have insufficient assets or sources of income to pay the outstanding amount.

The financial assets that have been written off by the Company may still have ongoing recourse activities and continue to follow the relevant policies.

(G) Measurement of expected credit losses

The Company's financial instruments that have not significantly increased the credit risk since the original recognition are based on the 12-month expected credit loss amount to measure the allowance loss of the financial instrument; the credit risk has increased significantly or credit impairment since the original recognition financial instruments and operating lease receivables are measured as the amount of expected credit losses during the duration of the period.

To measure expected credit losses, the Company considers the borrower's probability of default ("PD") for the next 12 months and duration, and includes the default loss rate (Loss given default, "LGD") multiplied by the default risk (Exposure at default, "EAD"), and considers the impact of the time value of money, and calculates the expected credit losses for 12 months and duration.

The probability of default is the probability of default of the borrower, and the rate of default is the loss ratio caused by the borrower's default. The default probability and default loss rate used in the impairment assessment of the credit business of the Company are based on the internal historical information of each combination (such as credit loss experience) and based on current observable information and forward-looking general economic information (e.g.: the economic growth rate announced by the Accounting Office) after adjusting the historical data, report the average economic growth rate for the first five years of the year, and report the forecast of the economic growth rate for the quarter in the annual accounting office. When the economic growth rate is revised, calculate the expected credit loss by calculating the forward-looking factor based on the difference between the previous five-year average and the current economic growth rate forecast. When the economic growth rate is upward, the forward-looking factor is always 1.

The Company assesses the amount of the loan default risk based on the total book value of the financial assets.

In addition, the Company estimates the credit loss factor (CCF) in the 12-month expected credit loss of the loan commitment based on the “Calculation Method for Bank-Owned Capital and Risky Assets and the Form - Credit Risk Standards Act”. According to the loan commitment, the part of the agreed financing amount is expected to be used during the future period of the report to determine the amount of default risk used to calculate the expected credit loss.

The estimated techniques or material assumptions used to assess expected credit losses did not change significantly for the nine months ended September 30, 2021 and 2020.

(H) Forward-looking information considerations

The Company has taken into account forward-looking information when measuring expected credit losses. According to the economic growth rate announced by the Executive Office of the Executive Yuan, the Company reported a simple average of the economic growth rate for the first five years of the year, and reported the forecast of the economic growth rate for the quarter in the annual accounting office. When compared with the economic growth rate during the repair period, the forward-looking factor is used to calculate the expected credit loss based on the difference between the simple average of the previous five years and the forecast of the economic growth rate of the current quarter. When the economic growth rate is upward, the forward-looking factor is always 1.

The economic growth rate announced by the Controller’s Office is based on the “General Information on National Income” under the “Statistics Table” of the “National Income and Economic Growth” of the Republic of China Statistical Information Network in February, May, August and November. The statistics obtained in February were used for the impairment assessments of February, March, and April. The statistics obtained in May were used for the impairment assessments of May, June, and July. The statistical data obtained in August were used for the impairment assessments of August, September and October. The statistics obtained in November were used for the impairment assessment of November, December and next January.

The judgment of the Company on the basis of the amortized cost measurement and the debt instrument investment measured at fair value through other comprehensive gains and losses, the judgment of the significant increase in credit risk is based on the external rating published by domestic and foreign credit rating agencies. The level change is one of its quantitative indicators, and the expected credit loss is measured by reference to the external rating level and Moody's regularly published default rate and default loss rate information. As the international credit rating agencies have considered forward-looking information when assessing credit ratings, the Company's assessment of the forward-looking information is appropriate and is included in the Company's assessment of the expected credit losses.

C. Credit risk hedging or mitigation policy

(A) Collateral

The Company implements a series of policies and measures to reduce credit risk among which one common practice is to request the borrower to provide collateral. In order to protect our credit claims, the Company has stipulated guidelines governing the range of collaterals accepted by the Company and the appraisal, management and disposal of collaterals. Such guidelines are used as the basis for managing the valuation of collaterals and calculation of the collateral to loan value amount. The main types of collateral for the Company's financial assets are as follows:

- (a) Real estates.
- (b) Movable properties.
- (c) Securities.
- (d) Ground rights.
- (e) Bank deposit receipts, negotiable deposit certificates, and current demand deposits of the Company.
- (f) Notes receivable arising from the operation of the borrower.
- (g) Credit or other rights that may be granted.

On the other hand, the loan agreement contains credit guarantee provision, collateral clauses and offsetting clauses to clearly define the acceptable terms with regard to decrease in credit limit, moving forward the maturity date and treating the whole outstanding balance as matured, When a credit event occurs in order to reduce credit risk.

Collaterals provided as security for other non-credit loans shall be determined according to the nature of the financial instrument. Only asset-backed securities and other similar financial instruments may be secured by an asset pool.

The Company's collateral policy has not changed significantly on the balance sheet date, and there has been no significant change in the quality of the overall collateral.

(B) Control of credit risk limit and risk concentration

The Company stipulates respective credit limits for loans granted to a single counterparty and a single group to avoid concentration of risks. The Company's investment policy and regulations governing control of risks associated with equity investments also include provisions stipulating limits on investments in a single individual (business entity) or a single affiliated enterprise (group). The Company has also set credit limits applicable to each respective industry, enterprise group and county to control asset concentration risks. Concentration of credit risk with respect to a single counterparty, enterprise group, affiliated enterprise, industry, and ultimately country is monitored by an integrated system.

(C) Other credit enhancements

The Company closely observes the value of the collateral of the financial instrument and considers the financial assets that needs impairment provision from the credit impairment. The financial assets that have been credit-impaired and the value of collateral to mitigate potential losses are as follows:

<u>September 30, 2021</u>	<u>Gross carrying amount</u>	<u>Allowance for impairment (IFRS 9 expected loss)</u>	<u>Total risk exposure (amortised cost)</u>	<u>The value of the collateral</u>
<u>Impaired financial assets :</u>				
Discounts and loans	\$1,471,243	\$373,031	\$1,098,212	\$1,128,983
Receivables				
- Receivables	2,918	2,918	-	-
- Credit cards	567	445	122	-
- Short-term advances	17,305	6,908	10,397	-
Overdue accounts that are not transferred from loans	1,796	1,796	-	-
Total	<u>\$1,493,829</u>	<u>\$385,098</u>	<u>\$1,108,731</u>	<u>\$1,128,983</u>

<u>December 31, 2020</u>	<u>Gross carrying amount</u>	<u>Allowance for impairment (IFRS 9 expected loss)</u>	<u>Total risk exposure (amortised cost)</u>	<u>The value of the collateral</u>
<u>Impaired financial assets :</u>				
Discounts and loans	\$2,172,396	\$281,631	\$1,890,765	\$1,698,775
Receivables				
- Receivables	14,538	12,886	1,652	-
- Credit cards	548	431	117	-
- Short-term advances	15,132	3,354	11,778	-
Overdue accounts that are not transferred from loans	613	613	-	-
Total	<u>\$2,203,227</u>	<u>\$298,915</u>	<u>\$1,904,312</u>	<u>\$1,698,775</u>
<u>September 30, 2020</u>	<u>Gross carrying amount</u>	<u>Allowance for impairment (IFRS 9 expected loss)</u>	<u>Total risk exposure (amortised cost)</u>	<u>The value of the collateral</u>
<u>Impaired financial assets :</u>				
Discounts and loans	\$2,013,280	\$335,518	\$1,677,762	\$1,481,061
Receivables				
- Receivables	17,333	13,447	3,886	-
- Credit cards	407	321	86	-
- Short-term advances	14,198	3,420	10,778	-
Overdue accounts that are not transferred from loans	89	89	-	-
Total	<u>\$2,045,307</u>	<u>\$352,795</u>	<u>\$1,692,512</u>	<u>\$1,481,061</u>

The Company's management considers that, upon evaluation, it is possible to constantly control and minimize the credit risk exposure arising from off-balance-sheet items due to the fact that the Company adopts more stringent credit review procedures and conduct regular post-loan reviews.

D. Concentration of credit risk exposures

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentrations arise from the Company's assets, liabilities, or off-balance-assets items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories, which include credit, loans and deposits, call loan to banks, investments, receivables and derivatives. As of September 30, 2021, December 31, 2020 and September 30, 2020, there was significant concentration of credit risk arising from loans to the Kaohsiung City Government totaling \$20,028,273 thousand, representing 10.68% of total loans, \$19,509,418 thousand, representing 10.60% of total loans, and \$20,230,078 thousand, representing 11.05% of total loans, respectively. Information on significant concentration of credit risks of the Company's other credit assets (including discounts and loans, overdue accounts that are not transferred from loans, remittances purchased, guarantee receivable, L/C receivable, acceptances receivable and factoring receivable-non-recourse) by industry, region and type of collaterals is summarized as follows:

(A) By industry

Type of Industry	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%
1.Private enterprises	80,709,489	43.03	80,727,396	43.87	80,270,699	43.85
2.Public-sector enterprises	1,969,985	1.05	2,358,072	1.28	2,427,934	1.33
3.Government institutions	19,236,151	10.26	18,777,296	10.21	20,095,456	10.98
4.Not-profit organization	403,250	0.22	419,720	0.23	410,013	0.22
5.Individuals	67,290,605	35.88	63,742,863	34.64	61,011,075	33.33
6.Financial institutions	17,931,227	9.56	17,971,104	9.77	18,836,540	10.29
Total	187,540,707	100.00	183,996,451	100.00	183,051,717	100.00

(B) By region

Region	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%
R.O.C.	174,621,503	93.12	168,848,095	91.77	165,615,612	90.47
United States	2,202,544	1.17	3,015,161	1.64	3,711,757	2.03
Asia	9,868,849	5.26	10,900,452	5.92	12,186,881	6.66
Europe	200,671	0.11	366,745	0.20	434,344	0.24
Africa	290,070	0.15	487,482	0.26	536,177	0.29
Oceania	357,070	0.19	378,516	0.21	566,946	0.31
Total	187,540,707	100.00	183,996,451	100.00	183,051,717	100.00

(C) By Collateral

Type of Collateral	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%
Unsecured	59,943,275	31.96	60,723,840	33.00	64,848,788	35.43
Secured	127,597,432	68.04	123,272,611	67.00	118,202,929	64.57
- Financial collateral	8,200,206	4.37	7,126,609	3.87	7,235,374	3.95
- Accounts receivable	866,934	0.46	839,284	0.46	906,945	0.50
- Real estate	97,565,456	52.03	98,002,253	53.26	93,561,201	51.11
- Guarantee	19,227,683	10.25	15,136,544	8.23	13,743,683	7.50
- Others	1,737,153	0.93	2,167,921	1.18	2,755,726	1.51
Total	187,540,707	100.00	183,996,451	100.00	183,051,717	100.00

E. Analysis of the credit quality of the Company's financial assets:

Some of the financial assets held by the Company, such as cash and cash equivalents, deposits with the Central Bank and interbank borrowings, financial assets measured at fair value through profit or loss, vouchers and bond investments, deposits, operating margins and delivery settlement funds, etc., are good credit ratings from the counterparties, the Company considered the credit risk is extremely low.

In addition to the above, analysis of the credit quality of other financial assets is as follows:

(A) Credit quality analysis on discounts, loans, receivables and overdue accounts that are not transferred from loans:

September 30, 2021				
Level Information	Stage 1 12-month expected credit losses	Stage 2 Lifetime credit losses	Stage 3 Lifetime credit losses	Total
Corporate finance - rating level	114,509,472	16,477	1,020,644	115,546,593
Internal rating A1, A2, A3	8,318,286	-	4,569	8,322,855
Internal rating B1, B2	42,795,656	6,703	265,927	43,068,286
Internal rating C1, C2, C3	26,400,855	6,253	268,742	26,675,850
Internal rating Bad D	-	-	386,223	386,223
Unrated rating	36,994,675	3,521	95,183	37,093,379
Consumer finance - rating level	66,977,578	122,237	473,185	67,573,000
Premium mortgages	6,311,853	12,239	63,887	6,387,979
Superior mortgages	632,663	851	10,020	643,534
Good mortgages	394,413	-	21,048	415,461

Specialized mortgages	6,245,030	6,643	44,504	6,296,177
Internal rating 1-2	23,836,739	818	104,560	23,942,117
Internal rating 3-4	12,388,343	27,835	63,856	12,480,034
Internal rating 5-6	2,016,570	4,567	64,622	2,085,759
Unrated rating	15,151,967	69,284	100,688	15,321,939
Gross carrying amount	181,487,050	138,714	1,493,829	183,119,593
Impairment allowance	552,982	781	385,098	938,861
According to the “Bank Assets Appraisal Loss Provision and Overdue Lending Collections for Bad Debts”, the impairments need to be recognized.				1,509,146
Total				2,448,007

December 31, 2020				
Level Information	Stage 1 12-month expected credit losses	Stage 2 Lifetime credit losses	Stage 3 Lifetime credit losses	Total
Corporate finance - rating level	114,515,649	6,628	1,574,967	116,097,244
Internal rating A1, A2, A3	7,940,942	-	10,331	7,951,273
Internal rating B1, B2	40,876,796	3,561	251,724	41,132,081
Internal rating C1, C2, C3	25,032,515	4	845,743	25,878,262
Internal rating Bad D	5,692	-	367,486	373,178
Unrated rating	40,659,704	3,063	99,683	40,762,450
Consumer finance - rating level	63,230,338	137,986	628,260	63,996,584
Premium mortgages	6,744,169	17,436	116,707	6,878,312
Superior mortgages	722,071	1,452	11,237	734,760
Good mortgages	461,992	-	21,283	483,275
Specialized mortgages	6,417,865	19,968	75,722	6,513,555
Internal rating 1-2	22,424,039	-	151,995	22,576,034
Internal rating 3-4	12,315,952	27,536	65,610	12,409,098
Internal rating 5-6	1,561,602	3,329	65,717	1,630,648
Unrated rating	12,582,648	68,265	119,989	12,770,902
Gross carrying amount	177,745,987	144,614	2,203,227	180,093,828
Impairment allowance	1,011,580	993	298,915	1,311,488
According to the “Bank Assets Appraisal Loss Provision and Overdue Lending Collections for Bad Debts”, the impairments need to be recognized.				772,079
Total				2,083,567

September 30, 2020				
Level Information	Stage 1 12-month expected credit losses	Stage 2 Lifetime credit losses	Stage 3 Lifetime credit losses	Total
Corporate finance - rating level	116,390,657	12,582	1,459,136	117,862,375
Internal rating A1, A2, A3	8,944,394	-	5,748	8,950,142
Internal rating B1, B2	40,464,695	9,429	236,637	40,710,761
Internal rating C1, C2, C3	24,419,591	-	696,216	25,115,807
Internal rating Bad D	-	-	347,818	347,818
Unrated rating	42,561,977	3,153	172,717	42,737,847
Consumer finance - rating level	60,556,087	170,215	586,171	61,312,473
Premium mortgages	6,481,932	25,773	117,464	6,625,169
Superior mortgages	753,310	-	9,894	763,204
Good mortgages	495,452	-	21,191	516,643
Specialized mortgages	6,110,975	11,324	57,349	6,179,648
Internal rating 1-2	22,057,094	6,183	128,782	22,192,059
Internal rating 3-4	11,584,207	31,567	66,545	11,682,319
Internal rating 5-6	1,402,571	1,849	70,528	1,474,948
Unrated rating	11,670,546	93,519	114,418	11,878,483
Gross carrying amount	176,946,744	182,797	2,045,307	179,174,848
Impairment allowance	1,055,646	1,364	352,795	1,409,805
According to the “Bank Assets Appraisal Loss Provision and Overdue Lending Collections for Bad Debts”, the impairments need to be recognized.				689,983
Total				2,099,788

(B) Credit quality analysis on guarantees, L/C, loans and financing commitments

September 30, 2021				
Level Information	Stage 1 12-month expected credit losses	Stage 2 Lifetime credit losses	Stage 3 Lifetime credit losses	Total
Corporate finance - rating level	12,138,363	18,000	33,840	12,190,203
Internal rating A1, A2, A3	2,601,580	-	-	2,601,580
Internal rating B1, B2	5,482,784	-	-	5,482,784
Internal rating C1, C2, C3	2,009,842	18,000	33,840	2,061,682
Internal rating Bad D	-	-	-	-
Unrated rating	2,044,157	-	-	2,044,157
Consumer finance - rating level	61,160	-	-	61,160
Premium mortgages	-	-	-	-
Superior mortgages	-	-	-	-
Good mortgages	-	-	-	-
Specialized mortgages	-	-	-	-
Internal rating 1-2	6,039	-	-	6,039
Internal rating 3-4	52,468	-	-	52,468
Internal rating 5-6	2,653	-	-	2,653
Unrated rating	-	-	-	-
Gross carrying amount	12,199,523	18,000	33,840	12,251,363
Impairment allowance	82,730	285	9,810	92,825
According to the “Bank Assets Appraisal Loss Provision and Overdue Lending Collections for Bad Debts”, the impairments need to be recognized.				63,794
Total				156,619

December 31, 2020				
Level Information	Stage 1 12-month expected credit losses	Stage 2 Lifetime credit losses	Stage 3 Lifetime credit losses	Total
Corporate finance - rating level	12,616,070	51,840	-	12,667,910
Internal rating A1, A2, A3	2,159,898	-	-	2,159,898
Internal rating B1, B2	5,480,708	51,840	-	5,532,548
Internal rating C1, C2, C3	1,427,696	-	-	1,427,696
Internal rating Bad D	-	-	-	-
Unrated rating	3,547,768	-	-	3,547,768
Consumer finance - rating level	68,697	-	-	68,697
Premium mortgages	-	-	-	-
Superior mortgages	-	-	-	-
Good mortgages	-	-	-	-
Specialized mortgages	-	-	-	-
Internal rating 1-2	215	-	-	215
Internal rating 3-4	54,715	-	-	54,715
Internal rating 5-6	13,767	-	-	13,767
Unrated rating	-	-	-	-
Gross carrying amount	12,684,767	51,840	-	12,736,607
Impairment allowance	124,850	3,150	-	128,000
According to the “Bank Assets Appraisal Loss Provision and Overdue Lending Collections for Bad Debts”, the impairments need to be recognized.				21,506
Total				149,506

September 30, 2020				
Level Information	Stage 1 12-month expected credit losses	Stage 2 Lifetime credit losses	Stage 3 Lifetime credit losses	Total
Corporate finance - rating level	12,518,757	51,840	15,614	12,586,211
Internal rating A1, A2, A3	2,013,066	-	-	2,013,066
Internal rating B1, B2	5,426,723	51,840	9,283	5,487,846
Internal rating C1, C2, C3	1,802,339	-	-	1,802,339
Internal rating Bad D	-	-	-	-
Unrated rating	3,276,629	-	6,331	3,282,960
Consumer finance - rating level	99,225	-	-	99,225
Premium mortgages	-	-	-	-
Superior mortgages	-	-	-	-
Good mortgages	-	-	-	-
Specialized mortgages	-	-	-	-
Internal rating 1-2	23,474	-	-	23,474
Internal rating 3-4	58,769	-	-	58,769
Internal rating 5-6	16,982	-	-	16,982
Unrated rating	-	-	-	-
Gross carrying amount	12,617,982	51,840	15,614	12,685,436
Impairment allowance	134,078	7,448	6,744	148,270
According to the “Bank Assets Appraisal Loss Provision and Overdue Lending Collections for Bad Debts”, the impairments need to be recognized.				8,302
Total				156,572

F. Policy on collateral acceptance:

The natures of the collateral that the Company accepts are land and buildings, etc. As of September 30, 2021, December 31, 2020, and September 30, 2020, the carrying amounts were all \$0 thousand.

G. Disclosures in accordance with the “Regulations Governing the Preparation of Financial Reports by Public Banks”:

(A) Asset quality of non-performing loans and overdue accounts

Year / Month			September 30, 2021				
Type of business			Amount of non-performing loan (Note 1)	Total loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Bad debt coverage ratio (Note 3)
Corporate Finance	Secured		285,066	51,172,629	0.56	979,748	343.69
	Unsecured		84,543	62,897,952	0.13	943,696	1,116.23
Consumer Finance	Residential mortgages (Note 4)		46,988	31,752,121	0.15	213,129	453.58
	Cash cards		-	-	-	-	-
	Micro-credit (Note 5)		8,565	1,110,963	0.77	30,015	350.44
	Others (Note 6)	Secured	96,470	32,411,864	0.30	228,395	236.75
		Unsecured	2,183	2,015,657	0.11	13,385	613.15
Total loans			523,815	181,361,186	0.29	2,408,368	459.77
			Amount of overdue accounts	Accounts receivable balance	Overdue account ratio	Allowance for doubtful accounts	Bad debt coverage ratio
Credit card business			328	207,811	0.16	1,321	402.74
Without recourse factoring (Note 7)			1,468	1,468	100.00	1,468	100.00

Year / Month			December 31, 2020				
Type of business			Amount of non-performing loan (Note 1)	Total loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Bad debt coverage ratio (Note 3)
Corporate Finance	Secured		247,542	51,274,780	0.48	651,986	263.38
	Unsecured		93,003	63,185,063	0.15	875,323	941.18
Consumer Finance	Residential mortgages (Note 4)		65,725	30,445,544	0.22	247,107	375.97
	Cash cards		-	-	-	-	-
	Micro-credit (Note 5)		16,579	1,202,073	1.38	41,391	249.66
	Others (Note 6)	Secured	109,779	30,128,421	0.36	220,475	200.84
		Unsecured	1,544	1,966,825	0.08	7,465	483.48
Total loans			534,172	178,202,706	0.30	2,043,747	382.60
			Amount of overdue accounts	Accounts receivable balance	Overdue account ratio	Allowance for doubtful accounts	Bad debt coverage ratio
Credit card business			613	153,133	0.40	1,701	277.49
Without recourse factoring (Note 7)			-	2,872	-	2,750	-

Year / Month			September 30, 2020				
Type of business			Amount of non-performing loan (Note 1)	Total loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Bad debt coverage ratio (Note 3)
Corporate Finance	Secured		240,816	49,566,776	0.49	563,904	234.16
	Unsecured		119,161	67,296,973	0.18	974,116	817.48
Consumer Finance	Residential mortgages (Note 4)		65,706	28,604,213	0.23	219,870	334.63
	Cash cards		730	9,217	7.92	827	113.29
	Micro-credit (Note 5)		13,985	1,175,386	1.19	29,431	210.45
	Others (Note 6)	Secured	107,686	29,365,461	0.37	250,397	232.53
		Unsecured	394	1,856,797	0.02	19,584	4,970.56
Total loans			548,478	177,874,823	0.31	2,058,129	375.24
			Amount of overdue accounts	Accounts receivable balance	Overdue account ratio	Allowance for doubtful accounts	Bad debt coverage ratio
Credit card business			89	210,505	0.04	1,155	1,297.75
Without recourse factoring (Note 7)			-	2,978	-	2,750	-

Note 1: The amount of non-performing loans was presented in accordance with the “Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. The amount included in overdue accounts for credit cards was presented in accordance with the Banking Bureau Letter (4) No.0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio = non-performing loans/ total loans. Overdue account ratio for credit cards = overdue accounts / balance of accounts receivable.

Note 3: Bad debt coverage ratio for loans = allowance for doubtful accounts of loans/ amount of non-performing loans. Coverage ratio for credit card accounts receivable = allowance for doubtful account / amount of overdue accounts.

Note 4: Residential mortgage is a form of financing secured by a residential property acquired (owned) by the borrower or his or her spouse or minor children, obtained by the borrower from the Bank for the purpose of purchasing the property or adding improvements to the dwelling.

Note 5: Micro-credit is regulated by the Banking Bureau Letter (4) No. 09440010950 dated December 19, 2005. It is a type of finance other than credit obtained from credit cards or cash cards.

Note 6: Consumer finance - other refers to other secured or unsecured consumer loans other than residential mortgages, cash cards and micro-credit.

Note 7: Pursuant to the Banking Bureau Letter No. 09850003180 dated August 24, 2009, the amount of without resource factoring will be recognized as overdue accounts within six months after the factor or insurance company resolved not to compensate the loss.

(B) Non-performing loans or overdue receivables exempted from declaration to the competent authority:

Item	September 30, 2021		December 31, 2020		September 30, 2020	
	Balance of Non-performing loans exempt	Balance of overdue receivables exempt	Balance of Non-performing loans exempt	Balance of overdue receivables exempt	Balance of Non-performing loans exempt	Balance of overdue receivables exempt
Amount exempt as a result of debt negotiation and performance in accordance with agreement (Note 1)	38	3	46	3	48	-
Amount exempt as a result of debt liquidation program and restructuring program (Note 2)	73,146	564	91,374	453	114,184	230
Total	73,184	567	91,420	456	114,232	230

Note 1: The amounts of non-performing loans and overdue receivables disclosed as a result of being exempt under debt negotiation arrangements pursuant to the Banking Bureau Letter (1) No. 09510001270 dated April 25, 2006.

Note 2: The amounts of non-performing loans and overdue receivables disclosed as a result of being exempt under the debt liquidation and restructuring program pursuant to the Banking Bureau Letter (1) No. 09700318940 of the FSC dated September 15, 2008 and No.10500134790 of the FSC dated September 20, 2016.

(C) Concentration of credit risk exposures of the Company:

Year	September 30, 2021			December 31, 2020			September 30, 2020		
Ranking (Note 1)	Industry (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / current net worth (%) (Note 4)	Industry (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / current net worth (%) (Note 4)	Industry (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / current net worth (%) (Note 4)
1	A Group (Real Estate Development Industry)	1,663,700	9.48%	A Group (Real Estate Development Industry)	1,755,288	10.77%	A Group (Real Estate Development Industry)	1,715,402	10.67%
2	B Group (Sports Stadium Industry)	1,655,690	9.43%	B Group (Sports Stadium Industry)	1,618,409	9.30%	B Group (Real Estate Development Industry)	1,669,795	10.39%
3	C Group (Other Financial Intermediation)	1,543,147	8.79%	C Group (Other Financial Intermediation)	1,608,552	9.87%	C Group (Sports Stadium Industry)	1,611,740	10.03%
4	D Group (Other Financial Intermediation)	1,521,460	8.67%	D Group (Other Financial Intermediation)	1,588,688	9.75%	D Group (Other Financial Intermediation)	1,593,331	9.91%
5	E Group (Real Estate Development Industry)	1,385,480	7.89%	E Group (Real Estate Development Industry)	1,492,180	9.16%	E Group (Other Financial Intermediation)	1,405,756	8.74%
6	F Group (Mortuary Services)	1,201,653	6.85%	F Group (Synthetic Resin and Plastic Manufacturing)	1,164,024	7.14%	F Group (Synthetic Resin and Plastic Manufacturing)	1,248,923	7.70%
7	G Group (Raw Material Manufacturing, Processing and Trading)	1,114,445	6.35%	G Group (Real Estate Development Industry)	1,151,830	7.07%	G Group (Mortuary Services)	1,141,226	7.10%
8	H Group (Real Estate Development Industry)	1,105,710	6.30%	H Group (Mortuary Services)	1,144,688	7.03%	H Group (Ship and Parts Manufacturing Industry)	1,139,782	7.09%
9	I Group (Iron and Steel Smelting Industry)	1,030,568	5.87%	I Group (Iron and Steel Smelting Industry)	1,062,685	6.52%	I Group (Transportation)	1,138,063	7.08%
10	J Group (Real Estate Development Industry)	1,014,562	5.78%	J Group (Real Estate Development Industry)	1,048,881	6.44%	J Group (Iron and Steel Smelting Industry)	1,079,161	6.71%

Note 1: The top ten enterprise groups other than government and public-sector enterprises according to their total amounts of outstanding loans.

Note 2: The term “enterprise group” refers to a group of corporate entities as defined by Article 6 of the “Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings”.

Note 3: Total outstanding loan amount is the sum of balances of all types of loans (including import negotiation, export negotiation, bills discounted, overdraft, short-term loan, short-term secured loan, margin loans receivable, medium-term unsecured loan, medium-term secured loan, long-term unsecured loan, long-term secured loan and overdue loan), remittance purchased, without recourse factoring, acceptances receivable and guarantees.

Note 4: Total outstanding loans amount / current net worth: net worth for domestic banks is calculated using the net worth of the Head Office where net worth for branch(es) of a foreign bank in Taiwan shall be calculated using the net worth of the branch(es).

(4) Liquidity risk

A. Sources and definition of liquidity risk

The Company defines liquidity risk as the potential financial loss that may be suffered by the Company as a result of inability to liquidate assets or obtain the finances required to meet financial obligations that are falling due. Examples include prepayment of deposits, channels through which and conditions under which the Company is able to obtain inter-bank loans have deteriorated or become more difficult due to specific market conditions, borrower's default status deteriorated and funds are not repaid according to schedule and difficulty in liquidating investments. Circumstances described above may reduce the level of the Company's available cash to conduct business activities such as extension of loans or trading and investments. Under extreme circumstances, illiquidity may potentially cause an overall decrease in the Company's balance-sheet positions, disposal of assets or inability to carry out loan commitments. Liquidity risk is inherent in the bank operations and may be affected by industry-specific or market events. The events include but not limited to: credit event, merger or acquisition, systematic shock and natural disaster.

B. Liquidity risk management policy

With the aim of maintaining long-term profitability and business growth, the Company adopts a management strategy that is in between the pro-active and passive approach to manage the liquidity of our funds.

a. The following benchmarks are used to evaluate and monitor the liquidity level of the Company's NTD funds:

(A) Cashflow gap for obligations falling due within 30 days (incl.).

(B) Cashflow gap for all other maturities

(C) Provide a deposit reserve in accordance with the regulatory ratio prescribed by the Central Bank.

(D) Liquidity reserve shall not fall below the minimum liquid assets to liabilities ratio for financial institutions prescribed by Central Bank.

(E) Deposit to loan ratio.

b. The following benchmarks are used to evaluate and monitor the liquidity level of the Company's major currency funds:

(A) Liquidity gap for the respective maturities to total assets ratio.

(B) Deposit reserve ratio provided in accordance with the Central Bank requirements.

C. Maturity analysis of non-derivative financial liabilities

The analysis of cash outflows associated with non-derivative financial liabilities of the Company is made according to the number of days remaining from the balance sheets date to the respective contract's maturity date. The amounts disclosed below were prepared on the basis of the cash flows arising from the contracts and as such may not correspond to the amounts of related items presented on the balance sheets.

September 30, 2021	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Deposits from the Central Bank and other banks	7,378,505	980,930	-	24,550	-	8,383,985
Due to Central Bank and other banks	-	-	2,272,510	738,020	-	3,010,530
Bills and bonds sold under repurchase agreements	3,844,550	34,702	-	-	-	3,879,252
Accounts payable	5,179,321	138,606	679,279	68,730	32,810	6,098,746
Deposits and remittances	22,572,280	32,395,146	33,083,444	44,256,831	105,488,255	237,795,956
Bonds payables	650,000	150,000	-	-	3,500,000	4,300,000
Lease liabilities (Note)	6,476	12,962	18,818	32,818	244,876	315,950
Other capital outflow upon maturity	5,566	4,626	718	64,886	218,807	294,603

December 31, 2020	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Deposits from the Central Bank and other banks	10,163,148	211,420	7,450	29,330	-	10,411,348
Due to Central Bank and other banks	-	549,570	618,290	-	-	1,167,860
Bills and bonds sold under repurchase agreements	8,136,728	34,657	-	-	-	8,171,385
Accounts payable	3,015,197	232,166	269,611	30,809	38,393	3,586,176
Deposits and remittances	24,205,630	38,574,664	33,777,561	43,065,190	90,560,215	230,183,260
Bonds payables	-	1,200,000	-	800,000	3,500,000	5,500,000
Lease liabilities (Note)	6,402	12,814	18,933	36,995	288,042	363,186
Other capital outflow upon maturity	170,030	12,055	9,560	3,271	269,530	464,446

September 30, 2020	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Deposits from the Central Bank and other banks	11,104,051	1,088,310	-	29,600	-	12,221,961
Due to Central Bank and other banks	-	-	-	660,470	-	660,470
Bills and bonds sold under repurchase agreements	6,598,467	27,996	6,646	-	-	6,633,109
Accounts payable	3,304,150	199,273	259,952	17,658	35,152	3,816,185
Deposits and remittances	20,162,110	29,768,668	42,327,361	44,719,216	86,335,770	223,313,125
Bonds payables	-	-	1,200,000	-	4,300,000	5,500,000
Lease liabilities (Note)	6,066	12,105	17,253	33,538	240,260	309,222
Other capital outflow upon maturity	175,648	9,460	73,264	4,335	258,562	521,269

Note: Further information on the maturity analysis of lease liabilities as follows:

September 30, 2021:

Expiration period				
Under 1 year	1 to 5 years	6 to 10 years	10 to 15 years	Total
71,074	151,132	93,744	-	315,950

December 31, 2020:

Expiration period				
Under 1 year	1 to 5 years	6 to 10 years	10 to 15 years	Total
75,144	172,762	115,280	-	363,186

September 30, 2020:

Expiration period				
Under 1 year	1 to 5 years	6 to 10 years	10 to 15 years	Total
68,962	154,425	85,835	-	309,222

The maturity analysis of demand deposits included in “Deposits and Remittances” in the above table is conducted across different maturity periods based on the past experience. Based on the assumption that all demand deposits must be repaid within the closest maturity as of September 30, 2021, December 31, 2020 and September 30, 2020, cash outflow in the next 0~30 days will increase by \$117,696,568 thousand, \$108,667,855 thousand and \$103,562,423 thousand, respectively.

D. Maturity analysis of derivative financial liabilities

Derivatives settled in gross amounts

The Company settles the following derivative instruments on gross amounts:

- Foreign exchange derivatives: foreign exchange futures and currency swaps.
- Interest rate derivatives: currency swap and interest swap.
- Credit derivatives: all credit default swaps are represented in gross amounts. Periodic payments are made to the buyer of the credit guarantee. A lump-sum payment is made to the buyer of the credit guarantee when a credit risk event occurs.

The Company's derivatives instruments settled in gross amounts are presented in the following table according to the days remaining from the balance sheets date to the respective contract's maturity date. Upon evaluation, a contract's maturity date is fundamental in understanding all derivative instruments presented on the balance sheets. The amounts disclosed below were prepared on the basis of the cash flows arising from the contracts and as such may not correspond to the amounts of related items presented on the balance sheets. The maturity of derivative financial liabilities settled in gross amounts is analyzed as follows:

September 30, 2021	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss						
- Foreign exchange derivatives	10,010,441	2,785,197	2,499,962	1,242,446	-	16,538,046
- Cash outflow	5,007,866	1,393,857	1,245,622	621,002	-	8,268,347
- Cash inflow	5,002,575	1,391,340	1,254,340	621,444	-	8,269,699
- Interest rate derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
Derivative financial liabilities for hedging purpose						
- Foreign exchange derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
- Interest rate derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
Total cash outflow	5,007,866	1,393,857	1,245,622	621,002	-	8,268,347
Total cash inflow	5,002,575	1,391,340	1,254,340	621,444	-	8,269,699
Net cashflow	5,291	2,517	(8,718)	(442)	-	(1,352)

December 31, 2020	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss						
- Foreign exchange derivatives	7,365,693	1,791,675	1,322,671	1,417,383	-	11,897,422
- Cash outflow	3,654,136	851,412	626,211	711,853	-	5,843,612
- Cash inflow	3,711,557	940,263	696,460	705,530	-	6,053,810
- Interest rate derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
Derivative financial liabilities for hedging purpose						
- Foreign exchange derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
- Interest rate derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
Total cash outflow	3,654,136	851,412	626,211	711,853	-	5,843,612
Total cash inflow	3,711,557	940,263	696,460	705,530	-	6,053,810
Net cashflow	(57,421)	(88,851)	(70,249)	6,323	-	(210,198)

September 30, 2020	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss						
- Foreign exchange derivatives	4,995,801	910,511	2,179,319	998,769	-	9,084,400
- Cash outflow	2,495,227	456,800	1,072,599	490,031	-	4,514,657
- Cash inflow	2,500,574	453,711	1,106,720	508,738	-	4,569,743
- Interest rate derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
Derivative financial liabilities for hedging purpose						
- Foreign exchange derivatives	-	-	-	-	-	-

- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
- Interest rate derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
Total cash outflow	2,495,227	456,800	1,072,599	490,031	-	4,514,657
Total cash inflow	2,500,574	453,711	1,106,720	508,738	-	4,569,743
Net cashflow	(5,347)	3,089	(34,121)	(18,707)	-	(55,086)

E. Maturity analysis of off-balance-sheet items

The maturity analysis of off-balance sheets items of the Company shows the days remaining from the balance sheets date to the maturity date. For financial guarantee contracts that were issued, the maximum guarantee amounts that may be claimed were included in the nearest maturity period. The amounts disclosed below were prepared on the basis of the cash flows arising from the contracts and as such may not correspond to the amounts of related items presented on the balance sheets.

September 30, 2021	Under 1 year	1~5 years	More than 5 years	Total
Irrevocable loan commitments	2,257,317	3,702,117	272,204	6,231,638
Irrevocable credit card commitments	1,377	7,879	-	9,256
Unused letters of credit	1,617,057	-	-	1,617,057
Other guarantees	2,584,236	1,804,515	4,661	4,393,412
Total	6,459,987	5,514,511	276,865	12,251,363

December 31, 2020	Under 1 year	1~5 years	More than 5 years	Total
Irrevocable loan commitments	3,178,110	3,781,866	212,359	7,172,335
Irrevocable credit card commitments	2,477	8,166	-	10,643
Unused letters of credit	1,384,271	-	-	1,384,271
Other guarantees	2,435,771	1,728,104	5,483	4,169,358
Total	7,000,629	5,518,136	217,842	12,736,607

September 30, 2020	Under 1 year	1~5 years	More than 5 years	Total
Irrevocable loan commitments	2,303,292	4,976,921	264,949	7,545,162
Irrevocable credit card commitments	2,222	6,690	-	8,912
Unused letters of credit	1,292,273	-	-	1,292,273
Other guarantees	2,255,193	1,575,015	8,881	3,839,089

Total	5,852,980	6,558,626	273,830	12,685,436
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F. Maturity analysis of lease agreement and capital expenditure commitments

The lease agreement commitments of the Company are operating lease commitments, which refer to the total minimum lease payments the Company should make as a lessor or a lessee under irrevocable operating lease terms and conditions.

The Company's capital expenditures commitments refer to the agreement signed by the Company to obtain the capital required for acquiring building and equipment.

The maturity analysis of the Company's lease and capital expenditure commitments is as follows:

September 30, 2021	Under 1 year	1~5 years	More than 5 years	Total
Lease agreement commitments				
Leases under IFRS 16	71,074	151,132	93,744	315,950
Operating lease income (lessor)	11,829	42,770	35,077	89,676
Capital expenditure commitments	-	-	-	-

December 31, 2020	Under 1 year	1~5 years	More than 5 years	Total
Lease agreement commitments				
Leases under IFRS 16	75,144	172,762	115,280	363,186
Operating lease income (lessor)	8,861	31,606	30,786	71,253
Capital expenditure commitments	-	-	-	-

September 30, 2020	Under 1 year	1~5 years	More than 5 years	Total
Lease agreement commitments				
Leases under IFRS 16	68,962	154,425	85,835	309,222
Operating lease income (lessor)	9,648	31,999	32,529	74,176

G. Information disclosed in accordance with the "Regulations Governing the Preparation of Financial Statements by Public Banks"

(A) The maturity structure of the Company's NTD capital

September 30, 2021							
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	244,010,757	20,255,641	20,767,735	18,836,144	31,874,033	21,887,391	130,389,813
Main maturing capital outflow	282,933,681	12,898,566	11,826,360	29,942,784	34,282,235	49,981,429	144,002,307
Maturity gap	(38,922,924)	7,357,075	8,941,375	(11,106,640)	(2,408,202)	(28,094,038)	(13,612,494)

December 31, 2020							
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	232,026,648	15,154,346	33,028,538	20,635,406	16,237,994	17,713,435	129,256,929
Main maturing capital outflow	274,454,606	9,025,450	13,912,778	35,114,483	33,787,929	48,874,713	133,739,253
Maturity gap	(42,427,958)	6,128,896	19,115,760	(14,479,077)	(17,549,935)	(31,161,278)	(4,482,324)

September 30, 2020							
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	225,899,543	14,369,999	14,915,198	21,484,441	31,640,879	21,176,948	122,312,078
Main maturing capital outflow	262,222,554	9,547,775	12,647,818	25,013,697	39,893,172	48,745,447	126,374,645
Maturity gap	(36,323,011)	4,822,224	2,267,380	(3,529,256)	(8,252,293)	(27,568,499)	(4,062,567)

(B) The maturity structure of the Company's USD capital

Unit: US\$ Thousand

September 30, 2021						
	Total	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	1,101,601	206,078	101,339	23,196	57,442	713,546
Main maturing capital outflow	1,260,269	348,460	264,241	217,767	183,535	246,266
Maturity gap	(158,668)	(142,382)	(162,902)	(194,571)	(126,093)	467,280

Unit: US\$ Thousand

December 31, 2020						
	Total	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	1,156,760	157,558	51,384	53,253	110,897	783,668
Main maturing capital outflow	1,373,115	390,080	357,082	232,434	237,087	156,432
Maturity gap	(216,355)	(232,522)	(305,698)	(179,181)	(126,190)	627,236

Unit: US\$ Thousand

September 30, 2020						
	Total	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	1,148,665	125,295	106,945	28,775	86,466	801,184
Main maturing capital outflow	1,357,928	376,209	331,299	264,752	223,190	162,478
Maturity gap	(209,263)	(250,914)	(224,354)	(235,977)	(136,724)	638,706

(5) Market Risk

A. Sources and definition of market risk

Market risk refers to the risk of changes in the fair value or future cash flows of on-and off-balance-sheet financial instruments held by the due to adverse changes in market prices in terms of interest rates, foreign exchange rates, stock prices, and commodity prices. Essentially, it refers to the risk of fluctuations in the Company's net profit or the values of investment portfolios as result of changes in the aforesaid risk factors.

Market risk confronting the Company mainly arises from fluctuations in the prices of equity instruments, interest rates and exchange rates. Positions in equity securities that are subject to market risk mainly consist of stocks listed on the stock/OTC stocks, funds, and ETFs. Positions subject to interest rate risks include bonds and foreign currency derivatives; positions subject to currency exchange risks primarily comprise of the various derivative instruments denominated in foreign currencies, and the various foreign-currency securities.

B. Market risk management policy

The Company monitors positions subject to market risk and the tolerable losses in accordance with the risk management objectives and limits approved by the Board of Directors.

The Company has set a market risk information system to effectively monitor the risk limits of the positions of financial instruments, conduct stress testing, sensitivity (DV01) and compute the value at risk (VaR). Such information is presented at the Assets-Liabilities and Risk Management Committee and Board of Directors' meetings as guidelines for decision making by senior management.

The Risk Management Department of the Company is primarily responsible for reporting to senior management on a regular basis the control status of investment portfolios. Such information is also communicated with the relevant departmental supervisors.

C. Market risk management procedures

(A) Identification and measurement

The business units and risk management unit of the Company has set market risk factors to identify positions exposed to risks and to measure market risk. Market risk factors refer to factors that may affect the value of interest rate, exchange rate and equity securities positions. Such factors include positions, sensitivity, stress testing and value at risk, which are used to measure the impact of interest risks, exchange rate risks and equity securities risks on the investment portfolios.

(B) Control and reporting

The Risk Management Department of the Company reports the information on the execution of market risk management objectives, positions, sensitivity, stress testing and VaR to the ALCO (Assets-Liabilities and Risk Management Committee). The Company has set clearly defined reporting procedures and all transactions are governed by specific risk limits and stop loss regulations. For example, where a transaction has reached the stop-loss limit, such transaction must be terminated immediately or the trading unit must submit in detail reasons for continuing the transaction and responsive measures to the Investment Review Committee or senior management for approval.

D. Trading-book risk management policy

Trading-book positions refer to financial instruments and physical commodities held for trading purposes or to hedge against trading-book positions. Positions held for earning profits from changes in bid-ask spread or changes in price and interest rate. Positions that do not belong to trading book are assigned to banking book.

(A) Strategy

The Company undertakes assessments and exercise controls to effectively control market risk and ensure that trading strategies adopted by business units are relatively free from constraints. The Company formulates risk limits for the respective investment portfolios on the basis of trading strategies, type of product and annual profit target to manage trading-book investment portfolios.

(B) Policies and procedures

The Company has formulated the “Market Risk Management Guidelines” and “Trading Book Policy and Procedures” as the key regulations to monitor trading-book positions.

(C) Valuation policy

Where market prices are available for valuation of trading-book financial instruments, the positions shall be valued at least once daily using readily available information obtained from independent resources.

(D) Methods of risk measurement

- a. Refer to Note 12.4 (5) I for assumptions and methods used to calculate VaR.
- b. The Company conducts stress testing under scenarios based on 100bp changes in interest rate, 15% change in the price of equity securities and 3% of major currency exchange rates. Results of stress testing are presented at the ALCO and Board of Directors' meetings.

E. Management of trading-book interest rate risk

(A) Definition of interest rate risk

"Interest rate risk" refers to the risk of changes in the fair value of the trading-book positions held by the Company or risk of financial loss as result of interest rate movements. Instruments subject to interest rate risk include securities and derivative instruments linked to interest rate.

(B) Trading-book interest rate management procedures

The Company carefully selects investment targets by conducting research on the issuer's credit standing and financial status, country risk and interest rate trends. The Company also formulates limits applicable to trading-book transactions and stop-loss limit (applicable to the trading unit, trader, and instruments traded) on the basis of management strategies and market conditions for approval by senior management or the Board of Directors.

(C) Methods of measurement

- a. Refer to Note 12.4 (5) I for VaR assumptions and computation method.
- b. Use DV01 to measure the degree of impact of interest rate risks on the investment portfolios on monthly basis.

F. Management of Banking-book interest rate risk

Management of Banking-book interest rate risk is primarily aimed at enhancing interest rate risk management, improving the efficiency of capital utilization.

(A) Strategy

Interest rate risk management aims at improving the Company's responsiveness to interest rate movement and involves measuring, managing and hedging against risks of adverse changes in the economic value of balance sheets items and profitability as a result of changes in interest rate.

(B) Management procedures

The Company uses the earnings view and economic value view analysis as the main Banking-book interest rate risk management method to monitor short-term and long-term interest rate risks on monthly basis. The monitoring results are reported to the ALCO and quarterly to the Board of Directors.

(C) Methods of measurement

To strengthen management of Banking-book interest rate risk, the Company has formulated monitoring indicators to conduct stress testing for measurement and monitoring as below:

a. Earnings view:

Not greater than 15% of the ratio of net interest income of the maximum adverse effect on earnings in the next 12 months based on assessing the interest rate sensitive asset and liability structure of the New Taiwan Dollar and major foreign currencies under the turbulent scenario of parallel upward/parallel downward shifts in interest rates.

b. Economic value view:

Evaluate the effect of the economic value of equity in the interest rate sensitive asset and liability structure of the New Taiwan Dollar and major foreign currencies under the turbulent scenario of parallel upward, parallel downward, steep changes, flat changes, short-term interest rate rise and short-term interest rate decline in interest rates. Not greater than 15% of Tier 1 Capital Ratio on the largest change in the economic value of equity (Δ EVE).

G. Management of exchange rate risk

(A) Definition of exchange rate risk

Exchange rate risk refers to the profit and loss arising from conversion from one currency to the other in different time periods. Exchange rate risk confronting the Company originates from spot and forward exchange contracts as well as derivatives. The Company aims to square all foreign exchange positions on a daily basis and as such, are subject to relatively low exchange rate risks.

(B) Exchange rate risk management policy, procedures and method of measurement

Exchange rate risks of the Company are monitored using VaR. Please refer to Note 12.4 (5) I for further details, and stipulate transaction limits and stop-loss limits applicable to each trading unit and trader.

The Company conducts stress testing on exchange rate risks at least once a year under scenarios with a 3% change in the exchange rate of major currencies. Results of stress testing are presented to the ALCO and Board of Directors for approval. Please refer to Note 12.4 (5) I for further details on stress testing.

H. Management of price risk of equity securities

(A) Definition of the price risk of equity securities

Mark risk confronting the Company includes individual risks arising from changes in the market price of individual equity securities as well as general market risk arising from a general movement in market prices.

(B) The purpose for managing the price risk of equity securities

Price risk management aims at preventing severe fluctuations in the prices of equity securities from causing a deterioration in The Company's financial status or profitability and aims at improving the efficiency of fund utilization and ensuring sound business operation.

(C) Procedures for managing the price risk of equity securities

The Company stipulates investment stop-loss limits. If a trading unit continues to hold a trading position in the situation where the stop-loss limit has been reached, special approval is required from management or the Investment Review Committee.

(D) Method of measurement

Price risk arising from trading-book equity securities is controlled on the basis of VaR. Please refer to Note 12.5 (5) IX for further details.

Following IFRS 9, price risk arising from non-trading book equity securities held by the Company is monitored by appropriate mechanisms designed specifically to meet the needs of the Company's business development.

I. Market risk valuation technique

(A) VaR (Value at Risk, VaR)

The Company uses the VaR model to conduct monthly evaluation on the market risk of positions held and the maximum potential loss that may arise for reporting to the ALCO and senior management.

Value at risk is a statistical estimate of potential losses on current positions that may result from adverse market movements. VaR is defined as “the worst expected loss” over a target horizon with a given level of confidence (99%) and normal market environment. As such, it is still probable (1%) that the actual loss may exceed the VaR estimate. The VaR model assumes a minimum holding period (10 business days) prior to closing off the positions. The Company evaluates the VaR of positions held by the Historical Simulation Method. This valuation method cannot prevent losses as result of severe market fluctuations.

Item	For the nine months ended September 30					
	2021			2020		
	Average	Highest	Lowest	Average	Highest	Lowest
Foreign exchange VaR	200,234	333,976	115,018	298,737	365,544	188,044
Interest rate VaR	66,835	149,573	26,610	118,267	173,435	64,274
Equity securities VaR	205,902	231,983	173,695	141,538	205,788	41,944
Total VaR	189,003	332,629	122,448	246,300	326,522	122,310

(B) Stress testing

Stress testing is used to measure the maximum potential loss arising from the risk asset portfolios that may be suffered by the Company in the worst case scenario. The Risk Management Dept. conducts stress testing on interest rate risk, exchange rate risk and equity securities risk. Results of stress testing are presented to the ACLO and Board of Directors for approval.

J. Concentration of exchange rate risk

The following table shows the concentration of exchange rate risk exposures arising from all assets and liabilities expressed in the respective currencies and carrying amounts held by the Company as of September 30, 2021 and 2020 and December 31, 2020 (only information for the top 4 currencies is disclosed).

Unit: FCY / NTD Thousand

	September 30, 2021			
	USD	AUD	CNY	ZAR
<u>Foreign Currency Financial Assets</u>				
Cash and cash equivalents	\$5,360	\$ 4,606	\$62,565	\$12,956
Due from Central Bank and call loans to banks	7,500	-	-	-
Financial assets at fair value through profit or loss	4,451	-	-	5,779
Financial assets at fair value through other comprehensive income	260,510	277,861	249,025	224,119
Investments in debt instruments at amortizes cost	212,697	49,223	149,897	68,294
Accounts receivable	7,801	27,212	-	-
Discounts and loans	392,738	35,000	248,276	-
Other financial assets	27,144	-	-	-
Property and equipment	11	-	-	-
Other assets	40,211	-	263,313	650,751
Total assets	\$958,423	\$393,902	\$973,076	\$961,899
Exchange rate	27.86	20.09	4.305	1.845
NTD equivalent of total assets	\$26,701,665	\$7,913,491	\$4,189,092	\$1,774,704
<u>Foreign Currency Financial Liabilities</u>				
Deposits from the Central Bank and other banks	36,294	89,000	378,000	490,000
R/P bills and bonds liabilities	30,636	148,882	-	-
Deposits and remittances	863,161	52,375	594,510	470,596
Other financial liabilities	578	-	-	-
Accounts payable	972	22,961	2	-
Other liabilities	240	80,616	529	1,295
Total liabilities	\$931,881	\$393,834	\$973,041	\$961,891
Exchange rate	27.86	20.09	4.305	1.845
NTD equivalent of total liabilities	\$25,962,205	\$7,912,125	\$4,188,942	\$1,774,689

Unit: FCY / NTD Thousand

	December 31, 2020			
	USD	AUD	CNY	ZAR
<u>Foreign Currency Financial Assets</u>				
Cash and cash equivalents	\$25,455	\$4,435	\$62,705	\$7,484
Due from Central Bank and call loans to banks	11,500	-	-	6,000
Financial assets at fair value through profit or loss	1,924	1,011	-	151,146
Financial assets at fair value through other comprehensive income	243,921	279,022	330,834	253,002
Investments in debt instruments at amortizes cost	272,460	55,747	284,648	248,511
Accounts receivable	12,845	25,992	-	-
Discounts and loans	476,446	35,000	79,170	-
Other financial assets	91	-	-	-
Property and equipment	15	-	-	-
Other assets	49,277	-	281,399	738,954
Total assets	\$1,093,934	\$401,207	\$1,038,756	\$1,405,097
Exchange rate	28.1	21.65	4.31	1.922
NTD equivalent of total assets	\$30,739,545	\$8,686,132	\$4,477,038	\$2,700,596
<u>Foreign Currency Financial Liabilities</u>				
Deposits from the Central Bank and other banks	61,514	74,000	459,000	862,000
R/P bills and bonds liabilities	127,833	209,913	-	-
Deposits and remittances	842,511	57,517	579,643	541,798
Other financial liabilities	568	-	-	-
Accounts payable	15,136	1,821	2	-
Other liabilities	6,469	57,881	-	1,295
Total liabilities	\$1,054,031	\$401,132	\$1,038,645	\$1,405,093
Exchange rate	28.1	21.65	4.31	1.922
NTD equivalent of total liabilities	\$29,618,271	\$8,684,508	\$4,476,560	\$2,700,589

Unit: FCY / NTD Thousand

	September 30, 2020			
	USD	AUD	CNY	ZAR
<u>Foreign Currency Financial Assets</u>				
Cash and cash equivalents	\$17,843	\$2,488	\$80,387	\$12,060
Due from Central Bank and call loans to banks	16,500	400	-	-
Financial assets at fair value through profit or loss	252	-	-	134,983
Financial assets at fair value through other comprehensive income	228,300	211,911	338,111	252,922
Investments in debt instruments at amortizes cost	262,515	53,197	350,778	255,773
Accounts receivable	8,595	-	-	-
Discounts and loans	523,764	45,000	30,107	-
Other finance asset	61	-	-	-
Property and equipment	16	-	-	-
Other assets	28,460	15,437	162,129	715,141
Total assets	\$1,086,306	\$328,433	\$961,512	\$1,370,879
Exchange rate	29.125	20.74	4.277	1.716
NTD equivalent of total assets	\$31,638,662	\$6,811,700	\$4,112,387	\$2,352,428
<u>Foreign Currency Financial Liabilities</u>				
Deposits from the Central Bank and other banks	46,168	145,500	341,895	803,000
R/P bills and bonds liabilities	139,205	122,668	-	-
Deposits and remittances	850,522	60,192	616,771	566,579
Other financial liabilities	878	-	-	-
Accounts payable	3,466	2	2,733	-
Other liabilities	15,990	-	-	1,295
Total liabilities	\$1,056,229	\$328,362	\$961,399	\$1,370,874
Exchange rate	29.125	20.74	4.277	1.716
NTD equivalent of total liabilities	\$30,762,670	\$6,810,228	\$4,111,904	\$2,352,420

K. Information on foreign currency financial assets and liabilities with significant impacts:

Unit: in thousands

Item	September 30, 2021			December 31, 2020			September 30, 2020		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets									
Monetary Items									
USD	927,263	27.86	25,833,547	1,092,672	28.1	30,704,083	1,095,602	29.125	31,909,408
GBP	23,977	37.42	897,219	17,860	38.3	684,038	12,241	37.35	457,201
HKD	113,539	3.578	406,243	137,593	3.625	498,775	137,519	3.758	516,796
AUD	393,901	20.09	7,913,471	401,207	21.65	8,686,132	312,996	20.74	6,491,537
SGD	3,351	20.47	68,595	2,185	21.26	46,453	1,106	21.27	23,525
CHF	365	29.83	10,888	240	31.93	7,663	249	31.66	7,883
CAD	22,630	21.91	495,823	16,030	21.95	351,859	11,816	21.74	256,880
JPY	3,909,434	0.2489	973,058	1,865,103	0.2726	508,427	3,116,834	0.2758	859,623
CNY	709,763	4.305	3,055,530	757,358	4.31	3,264,213	799,383	4.277	3,418,961
ZAR	311,148	1.845	574,068	666,143	1.922	1,280,327	655,737	1.716	1,125,245
SEK	1,544	3.17	4,894	543	3.43	1,862	271	3.24	878
KRW	133,690	0.0236	3,155	133,750	0.0259	3,464	133,490	0.0249	3,324
EUR	20,675	32.33	668,423	24,277	34.55	838,770	17,090	34.19	584,307
NZD	22,681	19.18	435,022	11,915	20.3	241,875	4,315	19.19	82,805
Non-monetary Items									
USD	4,406	27.86	122,751	15	28.1	422	16	29.125	466
Financial Liabilities									
Monetary Items									
USD	934,623	27.86	26,038,597	1,056,781	28.1	29,695,546	1,046,045	29.125	30,466,061
GBP	24,326	37.42	910,279	8,385	38.3	321,146	18,561	37.35	693,253
HKD	64,134	3.578	229,471	139,917	3.625	507,199	138,241	3.758	519,510
AUD	313,218	20.09	6,292,550	343,251	21.65	7,431,384	328,363	20.74	6,810,249
SGD	2,137	20.47	43,744	1,151	21.26	24,470	123	21.27	2,616
CHF	238	29.83	7,100	321	31.93	10,250	322	31.66	10,195
CAD	5,162	21.91	113,099	9,469	21.95	207,845	10,140	21.74	220,444
JPY	3,487,866	0.2489	868,130	1,583,199	0.2726	431,580	1,285,104	0.2758	354,432
CNY	972,513	4.305	4,186,668	1,038,645	4.31	4,476,560	961,399	4.277	4,111,904
ZAR	961,891	1.845	1,774,689	1,405,093	1.922	2,700,589	1,370,874	1.716	2,352,420
SEK	121	3.17	384	175	3.43	600	132	3.24	428
EUR	11,046	32.33	357,117	10,240	34.55	353,792	11,933	34.19	407,989
NZD	21,568	19.18	413,674	73,127	20.3	1,484,478	12,653	19.19	242,811
Non-monetary Items									
USD	748	27.86	20,839	842	28.1	23,660	1,214	29.125	35,358
CNY	529	4.305	2,277	-	4.31	-	-	4.277	-
EUR	4	32.33	129	-	34.55	-	-	34.19	-

L. Disclosures in accordance with the Regulations Governing the Preparation of Financial Statements by Public Banks

(A) Interest rate sensitivity of the Company's assets and liabilities (NTD)

September 30, 2021					
Item	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	189,864,422	8,164,453	1,278,507	28,549,241	227,856,623
Interest rate sensitive liabilities	73,799,290	110,315,283	23,329,189	5,177,032	212,620,794
Interest rate sensitivity gap	116,065,132	(102,150,830)	(22,050,682)	23,372,209	15,235,829
Net worth					16,814,026
Ratio of interest rate sensitive assets to liabilities (%)					107.17
Ratio of interest rate sensitivity gap to net worth (%)					90.61

December 31, 2020					
Item	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	177,641,142	8,151,460	2,020,645	31,844,214	219,657,461
Interest rate sensitive liabilities	73,290,454	108,294,912	15,905,581	5,515,639	203,006,586
Interest rate sensitivity gap	104,350,688	(100,143,452)	(13,884,936)	26,328,575	16,650,875
Net worth					15,093,913
Ratio of interest rate sensitive assets to liabilities (%)					108.20
Ratio of interest rate sensitivity gap to net worth (%)					110.32

September 30, 2020					
Item	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	172,440,369	8,163,303	1,855,768	32,298,636	214,758,076
Interest rate sensitive liabilities	66,151,074	107,667,130	17,478,549	6,429,322	197,726,075
Interest rate sensitivity gap	106,289,295	(99,503,827)	(15,622,781)	25,869,314	17,032,001
Net worth					15,199,123
Ratio of interest rate sensitive assets to liabilities (%)					108.61
Ratio of interest rate sensitivity gap to net worth (%)					112.06

Explanation 1: Refer to total NTD assets and liabilities of all onshore branches of the Company, excluding contingent assets or liabilities.

Explanation 2: Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.

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

Explanation 4: Ratio of interest rate sensitive assets to liabilities = Interest rate sensitive assets ÷ interest rate sensitive liabilities (refer to NTD interest rate sensitive assets and interest rate sensitive liabilities).

(B) Analysis of interest rate sensitive assets and liabilities (USD)

Unit: US\$ Thousand ; %

September 30, 2021					
Item	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	442,395	45,211	3,090	407,044	897,740
Interest rate sensitive liabilities	468,322	177,993	114,423	169,353	930,091
Interest rate sensitivity gap	(25,927)	(132,782)	(111,333)	237,691	(32,351)
Net worth					26,542
Ratio of interest rate sensitive assets to liabilities (%)					96.52
Ratio of interest rate sensitivity gap to net worth (%)					(121.89)

December 31, 2020					
Item	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	587,964	39,199	17,620	376,468	1,021,251
Interest rate sensitive liabilities	669,950	149,160	119,949	92,777	1,031,836
Interest rate sensitivity gap	(81,986)	(109,961)	(102,329)	283,691	(10,585)
Net worth					39,883
Ratio of interest rate sensitive assets to liabilities (%)					98.97
Ratio of interest rate sensitivity gap to net worth (%)					(26.54)

September 30, 2020					
Item	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	622,967	54,795	5,477	359,245	1,042,484
Interest rate sensitive liabilities	615,973	222,427	107,187	90,310	1,035,897
Interest rate sensitivity gap	6,994	(167,632)	(101,710)	268,935	6,587
Net worth					30,077
Ratio of interest rate sensitive assets to liabilities (%)					100.64
Ratio of interest rate sensitivity gap to net worth (%)					21.90

Explanation 1: Refer to total USD assets and liabilities of all onshore branches of the Company, excluding contingent assets or liabilities.

Explanation 2: Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.

Explanation 3: Interest rate sensitivity gap = interest rate sensitive assets — interest rate sensitive liabilities.

Explanation 4: Ratio of interest rate sensitive assets to liabilities = Interest rate sensitive assets ÷ interest rate sensitive liabilities (refer to USD interest rate sensitive assets and interest rate sensitive liabilities).

(6) Transfer of Financial Assets

Transferred financial assets not derecognized in whole

Most of the financial assets in routine operation of the Company already transferred but not qualified for overall derecognized are debt securities under R/P agreements or equity securities lent out under securities lending agreements. These transactions resulted in the transfer of cash flow from contracts to a third party and also reflect the liabilities of the Company deriving from the responsibilities of repurchase the transferred financial assets at fixed price in the future. For this type of transactions, the Company cannot use, sell, or lien the transferred financial assets within the term of trade but the Company still have to assume the interest risk and credit risk, therefore these instruments were not derecognized in whole. The following table shows the financial assets and other financial liabilities not qualified for derecognized in whole:

September 30, 2021		
Financial asset category	Book value of transferred financial assets	Book value of related financial liabilities
Financial assets at fair value through other comprehensive income		
R/P contracts	3,291,514	3,121,593
Financial assets at amortized cost		
R/P contracts	794,702	757,659

December 31, 2020		
Financial asset category	Book value of transferred financial assets	Book value of related financial liabilities
Financial assets at fair value through other comprehensive income		
R/P contracts	5,129,827	4,861,707
Financial assets at amortized cost		
R/P contracts	3,369,728	3,309,678

September 30, 2020		
Financial asset category	Book value of transferred financial assets	Book value of related financial liabilities
Financial assets at fair value through other comprehensive income		
R/P contracts	2,607,674	2,506,917
Financial assets at amortized cost		
R/P contracts	4,151,845	4,126,192

(7) Offsetting between financial assets and financial liabilities

The Company also did not have the offsetting conditions as required by the notification. However, the Company has entered into a general agreement with counterparties for settlement in net value or similar agreements, such as R/P in similar agreements. The aforementioned general agreements on delivery at net amount or similar agreements provided that if the trading parties elect to deliver at net amount, they may offset the financial assets with financial liabilities in the transaction for delivery, or delivery at total amount. If either side of the trading parties is defaulted, the other side may elect to deliver at net amount.

The following table provides the quantified information on the financial assets and financial liabilities to be executed under the general agreement on net amount delivery:

September 30, 2021:

Financial assets	Recognized total financial assets	Recognized total financial liabilities offset on balance sheet	Net financial assets on balance sheet	Amount not offset on balance sheet		
				Financial instruments	Collaterals in cash received	Net amount
Derivatives	\$49,602	\$-	\$49,602	(\$32,699)	(\$986)	\$15,917

Financial liabilities	Recognized total financial liabilities	Recognized total financial assets offset on balance sheet	Net financial liabilities on balance sheet	Amount not offset on balance sheet		
				Financial instruments	Collaterals in cash under lien	Net amount
Derivatives	\$62,498	\$-	\$62,498	(\$32,699)	(\$17,830)	\$11,969
R/P bills and bond liabilities	3,879,252	-	3,879,252	(3,870,200)	(9,052)	-
Total	\$3,941,750	\$-	\$3,941,750	(\$3,902,899)	(\$26,882)	\$11,969

December 31, 2020:

Financial assets	Recognized total financial assets	Recognized total financial liabilities offset on balance sheet	Net financial assets on balance sheet	Amount not offset on balance sheet		
				Financial instruments	Collaterals in cash received	Net amount
Derivatives	\$221,160	\$-	\$221,160	(\$27,708)	(\$1,413)	\$192,039

Financial liabilities	Recognized total financial liabilities	Recognized total financial assets offset on balance sheet	Net financial liabilities on balance sheet	Amount not offset on balance sheet		
				Financial instruments	Collaterals in cash under lien	Net amount
Derivatives	\$31,323	\$-	\$31,323	(\$27,708)	(\$3,615)	\$-
R/P bills and bond liabilities	8,171,385	-	8,171,385	(8,163,463)	(7,922)	-
Total	\$8,202,708	\$-	\$8,202,708	(\$8,191,171)	(\$11,537)	\$-

September 30, 2020:

Financial assets	Recognized total financial assets	Recognized total financial liabilities offset on balance sheet	Net financial assets on balance sheet	Amount not offset on balance sheet		
				Financial instruments	Collaterals in cash received	Net amount
Derivatives	\$50,531	\$-	\$50,531	(\$13,912)	(\$15)	\$36,604

Financial liabilities	Recognized total financial liabilities	Recognized total financial assets offset on balance sheet	Net financial liabilities on balance sheet	Amount not offset on balance sheet		
				Financial instruments	Collaterals in cash under lien	Net amount
Derivatives	\$22,664	\$-	\$22,664	(\$13,912)	(\$8,752)	\$-
R/P bills and bond liabilities	6,633,109	-	6,633,109	(6,633,109)	-	-
Total	\$6,655,773	\$-	\$ 6,655,773	(\$6,647,021)	(\$8,752)	\$-

(8) Financial instruments affected by Interest Rate Benchmark Reform

The Company's benchmark interest rate type of financial instrument links affected by Interest Rate Benchmark Reform is the London Interbank Offered Rate (LIBOR). The Company has begun to negotiate with the counterparty of financial instrument transactions, and expects to replace LIBOR with the Taipei foreign exchange market USD interest rate (TAIFX), but there is a difference between the old and new interest rates. Therefore, when an existing contract is modified from a linked LIBOR to a linked new alternative reference rate, the additional adjustments to the aforementioned differences are required to ensure that the interest rate basis before and after the modification is economically equivalent.

The Company has formulated a LIBOR conversion plan to deal with risk management policy adjustments, internal process adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues that are required to meet the changes in interest rate indicators. The Company has identified all the information systems and internal processes that need to be updated, and completed some of the updates on September 30, 2021. The Company expects to complete all affected contract amendments with counterparties in financial instrument transactions in December 2021.

As of September 30, 2021, the Company's financial instruments affected by Interest Rate Benchmark Reform were consolidated as follows:

Items	Balance Sheet Asset		Off Balance Sheet Asset
	Loan	Bond investment	Letter of Credit Receivable
USD LIBOR	10,895,057	1,339,234	534,964
EUR LIBOR	419,060	-	4,511
GBP LIBOR	119,627	-	-
JPY LIBOR	27,059	-	68,854
Total	11,460,803	1,339,234	608,329

12.5 Capital Management

(1) Overview

The Company adopts the following capital management objectives:

- (A) The primary objectives of the Company in capital management is to ensure that the core capital of the Company meets the regulatory capital requirement and shall at least equal to the minimum capital adequacy ratio required by law. The Company follows the regulations enforced by the competent authority for calculation of the core capital and regulatory capital.
- (B) Capital requirement is estimated on the basis of the risk components and features of the risks the Company bounds to confront for proper risk management and the optimization allocation of assets so that the Company has sufficient capital to tackle with the risks.

(2) Capital Management Procedures

The Company maintain an adequate capital adequacy ratio that meets the requirements of the competent authority. The Company lodges the capital adequacy ratio with the competent authority on a quarterly basis.

The Company possesses Tier I Capital and Tier II capital as equity in accordance with the “Regulations Governing the Capital Adequacy and Capital Category of Companys” of FSC:

- (A) Tier 1 Capital: Including common stock equity tier 1 capital and other non-common equity tier 1 capital.
 - Common stock equity tier 1 capital: It refers to common stock equity (ordinary share capital and share premium, additional paid-in capital, subscribed stock, legal reserve, special reserve, accumulated earnings, non-controlling interests, other component of equity, and etc.) deducting intangible assets, deferred income tax assets from the previous year , unrealized gain on financial assets at fair value through other comprehensive income (not classified as capital instruments of financial related business and debt instrument of TLAC), the insufficiency of operation reserves and allowance for bad debts, properties revaluation increments, unamortized loss on sale of substandard debts and other adjustments prescribed by other calculation methods and regulations.
 - Other non-common equity tier 1 capital: Including non-cumulative perpetual preferred stock and share premium, non-cumulative perpetual subordinated debt, and non-cumulative perpetual preferred stock and share premium issued by the subsidiary of the Company and not directly or indirectly held by the Company.

(B) Tier 2 capital: It includes cumulative perpetual preferred stock and share premium, cumulative perpetual subordinated debt, convertible subordinated bond, long-term subordinated bond, non-perpetual preferred stock and share premium, retained earnings increments measured at fair value or revaluation of properties on the first-time adoption of International Accounting Standards, 45% of gains from increments of investment properties at fair value model and unrealized holding gains of available-for-sale financial assets, 45% of unrealized gain on financial assets at fair value through other comprehensive income (not classified as capital instruments of financial related business and debt instrument of TLAC), operation reserves and allowance for bad debts, cumulative perpetual preferred stock and share premium issued by the subsidiary of the Company and not directly or indirectly held by the Company, and etc.

(3) Capital adequacy: The third quarter financial report is exempt from disclosure.

12.6 Profitability

Unit: %

Item		For the nine months ended September 30	
		2021	2020
Return on assets	Before income tax	0.28	0.25
	After income tax	0.25	0.21
Return on equity	Before income tax	4.65	4.28
	After income tax	4.12	3.67
Net income ratio		22.74	20.45

Explanation: 1. Return on assets = Income before (after) income tax / average total assets.

2. Return on equity = Income before (after) income tax / average net worth

3. Net income ratio = net income (loss) after income tax / net operating revenue

4. Net income before (after) income tax refers to the amount of income for the period from January to the current quarter.

12.7 Other matters

Evaluation for the effect of coronavirus disease:

1. The credit rating, default rate and recovery rate of investment targets of the Company's investment in securities (financial assets measured at fair value through profit and loss, debt instruments measured at fair value through other comprehensive income, and debt instrument investments measured at amortized cost, etc.) are limited affected by Coronavirus Infections. In addition, when observing the issuance status of the domestic bond market this year, issuers increased the scale of fundraising in view of the low interest rate environment, and

investors also increased their investment in corporate bonds or financial bonds due to the low interest rate of central government bonds. The epidemic didn't affect significantly the issuance or subordinated flow of the bond market. In terms of equity instruments, the investment targets are mainly market-weighted stocks, and the fundamentals of the industry have been limited by the epidemic. Moreover, with the global central bank's injection of funds to rescue the market, the stock market atmosphere quickly turned optimistic, and the epidemic did not have a significant impact on the evaluation of the bank's stock positions.

2. Given that the government's various relief and revitalization measures are still being implemented, and the domestic Coronavirus Infections is in a stable state, the quality of the Company's credit is still under control. And the loan customers, which has applied to the relief or revitalization measures can not only improve the enterprises' ability to perform contracts in the future, but also solve the shortage of the enterprises' working capital due to the combination of grace period. Therefore, the creditors affected by the Coronavirus infections will not cause significant adverse effects on the Company's asset quality in the future.

13.SUPPLEMENTARY DISCLOSURES

13.1 Information on significant transactions

- (1) Cumulative purchase or sale of shares in the same investee company in excess of \$300 million or 10% of paid-in capital: None.
- (2) Acquisition of real estate in excess of \$300 million or 10% of paid-in capital: None.
- (3) Disposal of real estate in excess of \$300 million or 10% of paid-in capital: None.
- (4) Allowance for service fees to related parties in excess of \$5 million: None.
- (5) Receivables from related parties in excess of \$300 million or 10% of the paid-in capital: Appendix 1.
- (6) Information on sale of non-performing loans: None.
- (7) Type of and other relevant information on securitization instruments approved for issuance in accordance with the securitization rules governing financial assets and real estate: None.
- (8) Other significant transactions sufficient to influence the decisions of financial statement users: None.

13.2 Information on investees: The third quarter financial report is exempt from disclosure.

13.3 Information on Investments in Mainland China: None.

13.4 Information of major shareholders (List of all shareholders with ownership of 5 percent or greater showing the name and the number of shares and percentage of ownership held by each shareholder): Appendix 2.

Appendix 1

BANK OF KAOHSIUNG CO., LTD.

Statement of Receivables from Related Parties in Excess of \$300 Million or 10% of Paid-in Capital

September 30, 2021

Unit: NT\$ Thousand

Company in Which Accounts Receivables Are Recognized	Counterparty	Relationship	Balance of Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Amount of Receivables From Related Parties Subsequently Collected	Allowance for Doubtful accounts
					Amount	Handling Method		
Bank of Kaohsiung Ltd.	Kaohsiung City Government	Major shareholder of the Company	20,028,273	Not applicable to financial institutions	None	Not applicable	As of November 10, 2021, 2,108,459 thousand was collected.	-

Appendix 2

BANK OF KAOHSIUNG CO., LTD.
Information Of Major Shareholder
September 30, 2021

Name of Shareholder	Total Shares Owned	Ownership Percentage
Kaohsiung City Government	487,141,391	41.65%
Jinn Her Enterprise Co., Ltd.	162,263,160	13.87%

Note: The information of main shareholder in this table is calculated by the TDCC on the last business day at the end of each quarter. The total number of common shares and special shares held by the shareholders who have completed the delivery of the company without physical registration (including treasury shares) is more than 5%. As for the share capital recorded in the Company's financial report and the number of shares actually delivered by the company without physical registration may be different due to the calculation basis.

14.SEGMENT INFORMATION

14.1 General Information:

The reportable segments of the Company is strategies business units that provide different products and services and are capable of generating revenues and incurring expenses. Due to the fact that each strategic enterprise unit require different technology and marketing strategies, the decision-makers of the Company separately manages and monitors the operating results of the respective enterprise units in order to make decisions on resource allocation and performance reviews. The reportable segments are as follows:

- (1) DBU, which primarily engages in deposit taking and underwriting of loans in the domestic market.
- (2) OBU& Finance Administration Department, which primarily engages in the investment and trading of securities and offshore deposits and loans.
- (3) Other segments, which primarily engages in public treasury, trust and insurance agency businesses.

14.2 Measurement of Segment Information:

The Company decision makers separately monitor the operating results of the respective operating segments to make decisions on resource allocation and performance reviews. Segment performance is evaluated on the operating income or loss derived by the segment concerned. Such operating income or loss is measured by methods consistent with those adopted for the income and expense items in the financial statements.

14.3 Financial Information by Segment

The three months ended September 30, 2021 :

	DBU	OBU& Finance Administration Dept.	Other Segments	Adjustment & Elimination	Total
Interest and service fee income from external customers	\$787,825	\$271,266	\$83,370	\$-	\$1,142,461
Interest and service fee income from internal segments	195,170	-	-	(195,170)	-
Interest and service fee paid to external customers	(276,905)	(6,876)	(5,774)	-	(289,555)
Interest and service fee paid to internal segments	-	(123,310)	(71,860)	195,170	-
Other net revenue	16,133	113,847	-	-	129,980
Net revenue	722,223	254,927	5,736	-	982,886
Bad debt expense	(56,142)	(29,782)	-	-	(85,924)
Operating expenses	(573,873)	(24,281)	(28,288)	-	(626,442)
Segment profit or loss	\$92,208	\$200,864	(\$22,552)	\$-	\$270,520

Assets

Capital expenditure on noncurrent assets	\$46,490	\$-	\$-	\$-	\$ 46,490
Segment assets	\$175,839,336	\$93,262,951	\$12,626,475	\$159,900	\$281,888,662
Segment liabilities	\$160,617,100	\$91,229,060	\$12,489,016	\$-	\$264,335,176

(1) Internal segment revenues and expenses were eliminated.

(2) Segment profit (loss) excluded income tax expense amounting to \$34,399 thousand.

(3) Segment assets excluded deferred income tax assets amounting to \$159,900 thousand.

For the three months ended September 30, 2020 :

	DBU	OBU& Finance Administration Dept.	Other Segments	Adjustment & Elimination	Total
Interest and service fee income from external customers	\$732,298	\$319,346	\$65,976	\$ -	\$1,117,620
Interest and service fee income from internal segments	228,886	-	-	(228,886)	-
Interest and service fee paid to external customers	(353,266)	(15,430)	(5,367)	-	(374,063)
Interest and service fee paid to internal segments	-	(180,394)	(48,492)	228,886	-
Other net revenue	15,462	168,011	-	-	183,473
Net revenue	623,380	291,533	12,117	-	927,030
Bad debt expense	(275)	(94,862)	-	-	(95,137)
Operating expenses	(567,932)	(26,438)	(23,145)	-	(617,515)
Segment profit or loss	\$55,173	\$170,233	(\$11,028)	\$-	\$214,378
Assets					
Capital expenditure on noncurrent assets	\$279,358	\$-	\$-	\$-	\$279,358
Segment assets	\$167,913,630	\$91,323,005	\$9,730,140	\$156,064	\$269,122,839
Segment liabilities	\$153,777,505	\$89,704,046	\$9,566,172	\$-	\$253,047,723

(1) Internal segment revenues and expenses were eliminated.

(2) Segment profit (loss) excluded income tax expense amounting to \$30,939 thousand.

(3) Segment assets excluded deferred income tax assets amounting to \$156,064 thousand.

For the nine months ended September 30, 2021 :

	DBU	OBU& Finance Administration Dept.	Other Segments	Adjustment & Elimination	Total
Interest and service fee income from external customers	\$2,302,058	\$835,414	\$242,826	\$-	\$3,380,298
Interest and service fee income from internal segments	597,395	-	-	(597,395)	-
Interest and service fee paid to external customers	(857,489)	(24,428)	(17,411)	-	(899,328)
Interest and service fee paid to internal segments	-	(384,529)	(212,866)	597,395	-
Other net revenue	57,756	521,149	-	-	578,905
Net revenue	2,099,720	947,606	12,549	-	3,059,875
Bad debt expense	(350,086)	(34,405)	-	-	(384,491)
Operating expenses	(1,738,378)	(77,154)	(75,484)	-	(1,891,016)
Segment profit or loss	\$11,256	\$836,047	(\$62,935)	\$-	\$784,368
Assets					
Capital expenditure on noncurrent assets	\$99,311	\$-	\$-	\$-	\$99,311
Segment assets	\$175,839,336	\$93,262,951	\$12,626,475	\$159,900	\$281,888,662
Segment liabilities	\$160,617,100	\$91,229,060	\$12,489,016	\$-	\$264,335,176

(1) Internal segment revenues and expenses were eliminated.

(2) Segment profit (loss) excluded income tax expense amounting to \$88,625 thousand.

(3) Segment assets excluded deferred income tax assets amounting to \$159,900 thousand.

For the nine months ended September 30, 2020 :

	DBU	OBU& Finance Administration Dept.	Other Segments	Adjustment & Elimination	Total
Interest and service fee income from external customers	\$2,282,140	\$1,115,757	\$199,050	\$-	\$3,596,947
Interest and service fee income from internal segments	862,227	-	-	(862,227)	-
Interest and service fee paid to external customers	(1,236,898)	(101,627)	(20,032)	-	(1,358,557)
Interest and service fee paid to internal segments	-	(718,339)	(143,888)	862,227	-
Other net revenue	52,575	533,272	-	-	585,847
Net revenue	1,960,044	829,063	35,130	-	2,824,237
Bad debt expense	57,848	(330,616)	-	-	(272,768)
Operating expenses	(1,721,829)	(83,090)	(71,787)	-	(1,876,706)
Segment profit or loss	\$296,063	\$415,357	(\$36,657)	\$-	\$674,763

Assets					
Capital expenditure on noncurrent assets	\$589,735	\$-	\$-	\$-	\$589,735
Segment assets	\$167,913,630	\$91,323,005	\$9,730,140	\$ 156,064	\$269,122,839
Segment liabilities	\$153,777,505	\$89,704,046	\$9,566,172	\$-	\$253,047,723

(1) Internal segment revenues and expenses were eliminated.

(2) Segment profit (loss) excluded income tax expense amounting to \$97,074 thousand.

(3) Segment assets excluded deferred income tax assets amounting to \$156,064 thousand.

14.4 Information by product:

The business segment is the main operating segment. No need for additional business information.

14.5 Information by geographic location:

The interim financial statements are exempt from disclosure.

14.6 Information on major client:

The interim financial statements are exempt from disclosure.