

**Taichung Commercial Bank Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Taichung Commercial Bank Co., Ltd.

Introduction

We have reviewed the accompanying consolidated financial statements of Taichung Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of September 30, 2021 and 2020, the consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public 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 consolidated 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 consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit 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 consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021 and 2020, its consolidated financial performance for the three months ended September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Public 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 Wen-Yea Shyu and Shu-Lin Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 4, 2021

Notice to Readers

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

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

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CASH AND CASH EQUIVALENTS (Note 6)	\$ 15,306,763	2	\$ 11,709,619	2	\$ 11,880,929	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7 and 36)	35,159,928	5	40,371,218	5	33,525,924	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Note 8)	32,591,744	5	30,867,825	4	25,367,651	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Note 9)	45,420,863	6	41,009,840	6	38,955,524	5
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10 and 36)	106,968,801	14	112,624,454	15	112,351,823	16
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 11)	13,298,572	2	12,773,121	2	12,217,335	2
RECEIVABLES, NET (Notes 12 and 36)	14,867,809	2	13,483,664	2	11,552,013	2
CURRENT TAX ASSETS (Note 4)	-	-	3,279	-	3,363	-
NOTES DISCOUNTED AND LOANS, NET (Notes 13 and 35)	466,431,753	62	456,541,322	62	450,373,747	63
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Note 14)	167,360	-	163,148	-	165,101	-
RESTRICTED ASSETS, NET (Notes 15 and 36)	382,193	-	439,283	-	424,907	-
OTHER FINANCIAL ASSETS, NET (Note 16)	-	-	2,246	-	4,746	-
PROPERTIES AND EQUIPMENT, NET (Note 17)	13,292,542	2	12,332,669	2	12,237,584	2
RIGHT-OF-USE ASSETS, NET (Note 18)	836,502	-	978,218	-	1,037,456	-
INVESTMENT PROPERTIES, NET (Note 19)	17,947	-	18,014	-	18,036	-
INTANGIBLE ASSETS, NET (Note 20)	210,626	-	213,470	-	190,345	-
DEFERRED TAX ASSETS (Note 4)	802,618	-	795,104	-	870,696	-
OTHER ASSETS (Notes 21 and 36)	<u>2,544,124</u>	<u>-</u>	<u>2,443,527</u>	<u>-</u>	<u>2,653,879</u>	<u>-</u>
TOTAL	<u>\$ 748,300,145</u>	<u>100</u>	<u>\$ 736,770,021</u>	<u>100</u>	<u>\$ 713,831,059</u>	<u>100</u>
LIABILITIES AND EQUITY						
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 22)	\$ 5,265,859	1	\$ 7,037,338	1	\$ 7,026,107	1
FUNDS BORROWED FROM THE CENTRAL BANK AND OTHER BANKS (Notes 23 and 36)	10,165,119	2	8,510,652	1	7,738,085	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Note 8)	529,839	-	785,819	-	473,634	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Note 24)	1,204,989	-	2,300,077	-	3,224,876	-
PAYABLES (Notes 25 and 35)	6,917,990	1	7,349,384	1	7,885,296	1
CURRENT TAX LIABILITIES (Note 4)	206,252	-	162,112	-	73,096	-
DEPOSITS AND REMITTANCES (Notes 26 and 35)	646,174,062	86	636,589,468	87	617,160,528	87
BANK DEBENTURES (Notes 27 and 35)	11,500,000	2	11,500,000	2	11,500,000	2
OTHER FINANCIAL LIABILITIES (Note 28)	2,665,478	-	1,695,813	-	1,685,164	-
PROVISIONS (Notes 4 and 29)	1,404,233	-	1,424,492	-	1,368,104	-
LEASE LIABILITIES (Note 18)	877,604	-	1,006,781	-	1,062,110	-
DEFERRED TAX LIABILITIES (Note 4)	111,021	-	111,021	-	111,021	-
OTHER LIABILITIES (Note 30)	<u>1,085,721</u>	<u>-</u>	<u>975,311</u>	<u>-</u>	<u>885,599</u>	<u>-</u>
Total liabilities	<u>688,108,167</u>	<u>92</u>	<u>679,448,268</u>	<u>92</u>	<u>660,193,620</u>	<u>92</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 31)						
Ordinary shares	43,385,205	6	41,516,943	6	39,016,943	6
Capital surplus	803,606	-	803,606	-	726,981	-
Retained earnings						
Legal reserve	10,677,008	1	9,469,859	1	9,469,859	1
Special reserve	149,678	-	150,243	-	150,243	-
Unappropriated earnings	3,645,121	1	4,077,345	1	3,016,377	1
Other equity	<u>1,531,360</u>	<u>-</u>	<u>1,303,757</u>	<u>-</u>	<u>1,257,036</u>	<u>-</u>
Total equity attributable to owners of the Bank	<u>60,191,978</u>	<u>8</u>	<u>57,321,753</u>	<u>8</u>	<u>53,637,439</u>	<u>8</u>
Total equity	<u>60,191,978</u>	<u>8</u>	<u>57,321,753</u>	<u>8</u>	<u>53,637,439</u>	<u>8</u>
TOTAL	<u>\$ 748,300,145</u>	<u>100</u>	<u>\$ 736,770,021</u>	<u>100</u>	<u>\$ 713,831,059</u>	<u>100</u>

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

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 32 and 35)	\$ 3,076,449	91	\$ 2,912,789	95	\$ 9,158,685	92	\$ 9,189,570	108
INTEREST EXPENSE (Notes 32 and 35)	(728,123)	(22)	(887,936)	(29)	(2,247,342)	(23)	(3,039,082)	(36)
NET INTEREST	2,348,326	69	2,024,853	66	6,911,343	69	6,150,488	72
NET INCOME AND LOSS OTHER THAN INTEREST								
Service fee income, net (Notes 32 and 35)	859,671	25	777,941	25	2,486,777	25	2,134,870	25
(Losses) gains on financial assets and liabilities at fair value through profit or loss (Note 32)	(19,447)	-	(178)	-	355,673	4	(61,993)	(1)
Realized gains on financial assets at fair value through other comprehensive income (Note 32)	136,361	4	113,652	4	149,056	1	147,763	2
Foreign exchange gains, net	58,933	2	150,110	5	64,626	1	139,060	2
Reversal of (impairment losses) on financial assets (Notes 9, 10 and 32)	586	-	448	-	(2,446)	-	(6,673)	-
Share of gain (loss) of associates accounted for using the equity method (Note 14)	279	-	(839)	-	(402)	-	(2,510)	-
Other non-interest gains, net (Notes 29 and 32)	3,382	-	2,687	-	13,281	-	14,273	-
TOTAL NET REVENUE	<u>3,388,091</u>	<u>100</u>	<u>3,068,674</u>	<u>100</u>	<u>9,977,908</u>	<u>100</u>	<u>8,515,278</u>	<u>100</u>
PROVISION FOR BAD DEBTS EXPENSE, COMMITMENTS AND GUARANTEES (Notes 12, 13, 29 and 32)	(23,142)	(1)	(218,794)	(7)	(696,120)	(7)	(398,611)	(5)
OPERATING EXPENSES								
Employee benefits expenses (Note 32)	(1,136,466)	(33)	(998,710)	(33)	(3,276,354)	(33)	(2,909,593)	(34)
Depreciation and amortization expenses (Note 32)	(128,776)	(4)	(121,645)	(4)	(391,176)	(4)	(359,281)	(4)
Other selling and administrative expenses (Notes 32 and 35)	(568,097)	(17)	(467,039)	(15)	(1,447,678)	(14)	(1,374,722)	(16)
Total operating expenses	<u>(1,833,339)</u>	<u>(54)</u>	<u>(1,587,394)</u>	<u>(52)</u>	<u>(5,115,208)</u>	<u>(51)</u>	<u>(4,643,596)</u>	<u>(54)</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,531,610	45	1,262,486	41	4,166,580	42	3,473,071	41
INCOME TAX EXPENSE (Notes 4 and 33)	(241,084)	(7)	(166,285)	(5)	(599,736)	(6)	(536,032)	(6)
NET PROFIT FOR THE PERIOD	<u>1,290,526</u>	<u>38</u>	<u>1,096,201</u>	<u>36</u>	<u>3,566,844</u>	<u>36</u>	<u>2,937,039</u>	<u>35</u>

(Continued)

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized (losses) gains on investments in equity instruments at fair value through other comprehensive income	\$ (33,371)	(1)	\$ 40,197	1	\$ 281,401	3	\$ 141,281	2
Share of the other comprehensive income of associates accounted for using the equity method	4,674	-	3,653	-	4,614	-	10,823	-
Income tax expense relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 33)	2,639	-	(3,848)	-	(636)	-	(74)	-
Items that will not be reclassified subsequently to profit or loss, net of income tax	(26,058)	(1)	40,002	1	285,379	3	152,030	2
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on the translation of financial statements of foreign operations	(1,268)	-	827	-	34,791	-	(12,484)	-
Unrealized gain (loss) on investments in debt instruments designated as at fair value through other comprehensive income	15,949	1	106,593	4	(20,382)	-	290,122	3
Items that may be reclassified subsequently to profit or loss, net of income tax	14,681	1	107,420	4	14,409	-	277,638	3
Other comprehensive (loss) income for the period, net of income tax	(11,377)	-	147,422	5	299,788	3	429,668	5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 1,279,149	38	\$ 1,243,623	41	\$ 3,866,632	39	\$ 3,366,707	40
EARNINGS PER SHARE (Note 34)								
Basic	\$ 0.30		\$ 0.27		\$ 0.82		\$ 0.72	
Diluted	\$ 0.30		\$ 0.27		\$ 0.82		\$ 0.72	

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

(Concluded)

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank					Other Equity		Total Equity
	Capital Stock Ordinary Shares	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	
			Legal Reserve	Special Reserve				
BALANCE AT JANUARY 1, 2020	\$ 37,088,349	\$ 726,981	\$ 8,188,237	\$ 150,243	\$ 4,302,204	\$ (96,316)	\$ 949,508	\$ 51,309,206
Appropriation of 2019 earnings								
Legal reserve	-	-	1,281,622	-	(1,281,622)	-	-	-
Cash dividends	-	-	-	-	(1,038,474)	-	-	(1,038,474)
Share dividends	1,928,594	-	-	-	(1,928,594)	-	-	-
Net profit for the nine months ended September 30, 2020	-	-	-	-	2,937,039	-	-	2,937,039
Other comprehensive (loss) income for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	(12,484)	442,152	429,668
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	2,937,039	(12,484)	442,152	3,366,707
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	25,824	-	(25,824)	-
BALANCE AT SEPTEMBER 30, 2020	<u>\$ 39,016,943</u>	<u>\$ 726,981</u>	<u>\$ 9,469,859</u>	<u>\$ 150,243</u>	<u>\$ 3,016,377</u>	<u>\$ (108,800)</u>	<u>\$ 1,365,836</u>	<u>\$ 53,637,439</u>
BALANCE AT JANUARY 1, 2021	\$ 41,516,943	\$ 803,606	\$ 9,469,859	\$ 150,243	\$ 4,077,345	\$ (121,110)	\$ 1,424,867	\$ 57,321,753
Appropriation of 2020 earnings								
Legal reserve	-	-	1,207,149	-	(1,207,149)	-	-	-
Special reserve	-	-	-	(565)	565	-	-	-
Cash dividends	-	-	-	-	(996,407)	-	-	(996,407)
Share dividends	1,868,262	-	-	-	(1,868,262)	-	-	-
Net profit for the nine months ended September 30, 2021	-	-	-	-	3,566,844	-	-	3,566,844
Other comprehensive income for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	34,791	264,997	299,788
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	-	3,566,844	34,791	264,997	3,866,632
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	72,185	-	(72,185)	-
BALANCE AT SEPTEMBER 30, 2021	<u>\$ 43,385,205</u>	<u>\$ 803,606</u>	<u>\$ 10,677,008</u>	<u>\$ 149,678</u>	<u>\$ 3,645,121</u>	<u>\$ (86,319)</u>	<u>\$ 1,617,679</u>	<u>\$ 60,191,978</u>

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

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,166,580	\$ 3,473,071
Adjustments for:		
Depreciation expenses	343,548	315,657
Amortization expenses	47,628	43,624
Provision for bad debts expense, commitments and guarantees liabilities	696,120	398,611
(Gains) losses on financial assets and liabilities at fair value through profit or loss	(355,673)	61,993
Gain on disposal of properties and equipment	(1,114)	(280)
Interest expense	2,247,342	3,039,082
Interest revenue	(9,158,685)	(9,189,570)
Dividend income	(144,329)	(87,920)
Net changes in provision for losses on others	-	(1,165)
Share of loss of associates	402	2,510
Gains on disposal of investments in debt instruments at fair value through other comprehensive income	(4,727)	(59,843)
Impairment losses on financial assets	2,446	6,673
Unrealized loss on foreign currency exchange	310,142	944,804
Gain on lease suspension	(5,803)	(1,139)
Total adjustment	<u>(6,022,703)</u>	<u>(4,526,963)</u>
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	(1,087,950)	(1,101,237)
Financial assets at fair value through profit or loss	(520,343)	(206,205)
Receivables	(1,556,492)	928,629
Notes discounted and loans	(10,423,207)	(15,214,651)
Other financial assets	3,340	(1,782)
Other assets	3,517	(600,421)
Due to the Central Bank and other banks	(1,771,479)	499,047
Financial liabilities at fair value through profit or loss	(1,103,883)	(608,072)
Securities sold under repurchase agreements	(1,095,088)	(7,144,149)
Payables	(681,746)	1,651,818
Deposits and remittances	9,584,594	33,838,571
Other financial liabilities	50,636	126,614
Provision for employee benefits	(48,988)	(42,990)
Other liabilities	(30,534)	(4,346)
Changes in operating assets and liabilities	<u>(8,677,623)</u>	<u>12,120,826</u>
Cash (used in) generated from operations	(10,533,746)	11,066,934
Interest received	9,329,992	9,583,687
Dividends received	144,329	87,920

(Continued)

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
Interest paid	\$ (1,985,240)	\$ (2,793,721)
Income tax paid	<u>(560,467)</u>	<u>(911,863)</u>
Net cash (used in) generated from operating activities	<u>(3,605,132)</u>	<u>17,032,957</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(6,643,951)	(12,844,657)
Proceeds from disposal of financial assets at fair value through other comprehensive income	2,410,896	5,873,738
Purchase of financial assets at amortized cost	(672,525,496)	(589,161,984)
Proceeds from sale of financial assets at amortized cost	677,821,764	583,827,560
Payments for properties and equipment	(1,117,391)	(1,717,304)
Proceeds from disposal of properties and equipment	1,253	765
Increase in refundable deposits	(50,824)	(237,079)
Payments for intangible assets	<u>(42,240)</u>	<u>(72,842)</u>
Net cash used in investing activities	<u>(145,989)</u>	<u>(14,331,803)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from Central Bank and other banks	1,654,467	1,646,045
Proceeds from commercial papers issued	919,029	384,467
Repayments of bank debentures	-	(2,500,000)
Proceeds from (refund of) guarantee deposits received	140,944	(8,797)
Repayments of principal portion of lease liabilities	(178,348)	(142,198)
Cash dividends distributed	<u>(996,407)</u>	<u>(1,038,474)</u>
Net cash generated from (used in) financing activities	<u>1,539,685</u>	<u>(1,658,957)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>34,791</u>	<u>(12,484)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,176,645)	1,029,713
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>46,249,219</u>	<u>38,341,346</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 44,072,574</u>	<u>\$ 39,371,059</u>

(Continued)

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<u>September 30</u>	
	2021	2020
RECONCILIATIONS OF THE AMOUNTS IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE CONSOLIDATED BALANCE SHEETS AT SEPTEMBER 30, 2021 AND 2020		
Cash and cash equivalents in the consolidated balance sheets	\$ 15,306,763	\$ 11,880,929
Due from the central bank and call loans to other banks in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	15,467,239	15,272,795
Securities purchased under resell agreements in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>13,298,572</u>	<u>12,217,335</u>
Cash and cash equivalents at the end of the period	<u>\$ 44,072,574</u>	<u>\$ 39,371,059</u>

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

(Concluded)

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Taichung Commercial Bank Co., Ltd. (the “Bank”), formerly known as Taichung District Association Saving Co., Ltd. (“Taichung District Association”) was established on September 27, 1952 by the Taiwan Provincial Government. It was incorporated in April 1953 and started operations in August of the same year. In July 1975, the Banking Act of the Republic of China was revised and implemented. On January 1, 1978, the Taichung District Association Saving Co., Ltd. (Taichung District Association) was restructured into Taichung SME Bank Co., Ltd. (“Taichung SME Bank”) and its shares were listed on May 15, 1984.

In line with the national financial policy to provide public and social financial services and support the economic construction as well as the development of industrial and commercial, Taichung SME Bank was renamed as Taichung Commercial Bank Co., Ltd. in December 1998. As of September 30, 2021, the Bank had a business department, a trust department, a foreign exchange transaction department, 81 domestic branches, a Malaysia Labuan branch and an offshore banking unit (OBU). The operations of the Bank consist of planning, managing, operating a trust business and overseas financial business. These operations are regulated under the Banking Act of the Republic of China (“ROC”).

At the time of establishment, the amount of capital invested by the Bank was \$500 thousand. In line with the government degree, in order to improve the capital structure and cooperate with the government decree, the Bank has successively applied for the increase and decrease of capital. As of September 30, 2021, the Bank’s capital amount was \$43,385,205 thousand.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank’s board of directors on November 4, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and
IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

The Group elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by

updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

For the hedging relationships that are subject to the reform, the Group applies the following temporary exceptions:

- 1) The changes to the hedging relationship that are needed to reflect the changes required by the reform are treated as a continuation of the existing hedging relationship.
 - 2) If an alternative benchmark rate that is reasonably expected to be separately identifiable within a period of 24 months, the Group designates the rate as a non-contractually specified risk component.
 - 3) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
 - 4) The Group allocates the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and designates the hedged benchmark rate separately.
- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- 1) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- 2) The Group chose the accounting policy from options permitted by the standards;

- 3) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- 4) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- 5) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared 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 IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than those required in a complete set of annual financial statements.

b. Basis of preparation

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

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

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

c. Classification of current and non-current assets and liabilities

Accounts included in the Group’s consolidated financial statements are not classified as current or non-current but are stated in the order of their liquidity. Refer to Note 39 for the maturity analysis of assets and liabilities.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

2) Subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements are as follows:

Investor Company	Subsidiary	Main Business and Products	Percentage of Equity Held (%)		
			September 30, 2021	December 31, 2020	September 30, 2020
Taichung Commercial Bank Co., Ltd.	Taichung Bank Insurance Brokers Co., Ltd.	Insurance broker industry	100	100	100
	Taichung Bank Leasing Corporation Limited	Leasing business	100	100	100
	Taichung Commercial Bank Securities Co., Ltd.	Securities industry	100	100	100
Taichung Bank Leasing Corporation Limited	TCCBL Co., Ltd.	Financial leasing and investment business	100	100	100
TCCBL Co., Ltd.	Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Financial leasing business	100	100	100
Taichung Commercial Bank Securities Co., Ltd.	Taichung Bank Venture Capital Co., Ltd.	Venture capital business	100	100	-

Note: Taichung Commercial Bank Securities Co., Ltd. was newly established by a resolution of the board of directors of Taichung Commercial Bank Securities Co., Ltd. on June 12, 2020. Taichung Bank Venture Capital Co., Ltd. with the reinvestment amount is \$210,000 thousand.

3) Subsidiaries not included in the consolidated financial statements: None.

e. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2020.

1) Employee benefits

Retirement benefits

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.

Other long-term employee benefits

Other long-term employee benefits for an interim period are accounted for in the same way as the accounting required for defined benefit plans except that annual remeasurement is recognized in profit or loss.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The same critical accounting judgments and key sources of estimation uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2020. Please refer to Note 5 to the consolidated financial statements as of December 31, 2020 for the details of critical accounting judgments and key sources of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 4,185,659	\$ 4,414,344	\$ 4,490,870
Checks for clearing	921,592	1,249,821	2,220,161
Due from banks	<u>10,199,512</u>	<u>6,045,454</u>	<u>5,169,898</u>
	<u>\$ 15,306,763</u>	<u>\$ 11,709,619</u>	<u>\$ 11,880,929</u>

- a. The loss allowance was measured at an amount equal to 12-month ECLs per historical experience and forward-looking information; there was no loss allowance on cash and cash equivalents as of September 30, 2021, December 31, 2020 and September 30, 2020.
- b. Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of September 30, 2021 and 2020 are shown in the consolidated statements of cash flows. Reconciliations as of December 31, 2020 are stated below:

	December 31, 2020
Reconciliations of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2020	
Cash and cash equivalents in the consolidated balance sheets	\$ 11,709,619
Due from the Central Bank and call loans to other banks in accordance with cash and cash equivalents under IAS 7 "Statement of Cash Flows"	21,766,479
Securities purchased under resell agreements in accordance with cash and cash equivalents under IAS 7 "Statement of Cash Flows"	<u>12,773,121</u>
Cash and cash equivalents at the end of the year	<u>\$ 46,249,219</u>

- c. The amount of time deposits due from other banks as the operating deposit of Taichung Commercial Bank Securities Co., Ltd. was \$200,000 thousand on September 30, 2021, December 31, 2020 and September 30, 2020, which were transferred to the refundable deposits. Refer to Note 21.

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS

	September 30, 2021	December 31, 2020	September 30, 2020
Deposit reserves			
Deposit reserves for checking accounts	\$ 9,830,504	\$ 19,301,038	\$ 12,425,261
Deposit reserves for demand accounts	19,546,609	18,458,399	18,108,129
Inter-bank clearing account	4,019,363	2,017,397	1,998,913
Deposit reserves for foreign currency deposits	75,181	73,057	75,309
Call loans to banks	1,628,271	461,327	858,312
Deposit reserves for trust compensation	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
	<u>\$ 35,159,928</u>	<u>\$ 40,371,218</u>	<u>\$ 33,525,924</u>

- a. The loss allowance was measured at an amount equal to 12-month ECLs per historical experience and forward-looking information; there was no loss allowance on due from the Central Bank and call loans to other banks as of September 30, 2021, December 31, 2020 and September 30, 2020.
- b. The monthly depository reserves to be deposited in the Central Bank of the Republic of China are calculated by applying the legally required reserve ratio to the monthly average balance of the reserve accounts. These reserve accounts can be used at any time but the demand accounts can only be used for monthly deposit reserve adjustments. In addition, the Group deposited reserves in the amount of \$5,000,000 thousand for demand accounts on deposits paid to other securities lender project from Central Bank on September 30, 2021, December 31, 2020 and September 30, 2020. Refer to Note 36.
- c. The Group deposited the reserves for trust compensation on government bonds measured at amortized cost on September 30, 2021, December 31, 2020 and September 30, 2020, with a nominal amount of \$60,000 thousand. Refer to Note 36.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets at FVTPL</u>			
Commercial papers	\$ 25,535,700	\$ 24,872,947	\$ 20,399,973
Domestic listed shares and emerging market shares	711,860	862,462	690,571
Domestic unlisted shares	46,290	7,508	37,500
Foreign listed shares	-	88,533	-
PEM group policy assets	805,986	799,269	801,209
Beneficiary certificates	534,016	363,744	287,577
Corporate bonds	434,065	203,112	141,161
Asset swap contracts	4,052,263	3,048,884	2,546,402
Cross-currency swap contracts	95,257	96,053	121,237
Foreign exchange forward contracts	45,731	168,822	89,109

(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
Cross-currency option contracts	\$ 323,402	\$ 354,336	\$ 252,283
Interest rate-linked structured instruments	<u>7,174</u>	<u>2,155</u>	<u>629</u>
	<u>\$ 32,591,744</u>	<u>\$ 30,867,825</u>	<u>\$ 25,367,651</u>

Financial liabilities at FVTPL

Cross-currency swap contracts	163,587	369,085	185,297
Foreign exchange forward contracts	33,080	66,415	34,173
Cross-currency option contracts	325,998	348,164	252,435
Non-deliverable forward contracts	-	-	1,100
Interest rate-linked structured instruments	<u>7,174</u>	<u>2,155</u>	<u>629</u>
	<u>\$ 529,839</u>	<u>\$ 785,819</u>	<u>\$ 473,634</u>

(Concluded)

- a. The Group engages in exchange rate related derivative financial contracts, mainly to provide customers and the Group with hedging instruments for foreign exchange positions arising from transactions such as import/export and currency exchange, to avoid the risks arising from the business and to flatten the demand for foreign exchange funds arising from non-transactional operations.
- b. The nominal principal amounts of outstanding derivative contracts as of September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
	Contract Amount	Interest Rate Range	Contract Amount	Interest Rate Range	Contract Amount	Interest Rate Range
Asset swap contracts	\$ 4,037,900	0.80%-4.25%	\$ 3,039,300	0.90%-3.50%	\$ 2,541,300	0.90%-3.50%
Cross-currency swap contracts	12,082,404	-	9,459,647	-	7,620,135	-
Foreign exchange forward contracts	6,885,287	-	7,224,302	-	7,187,787	-
Cross-currency option contracts	40,683,209	-	23,537,713	-	26,335,046	-
Non-deliverable forward contracts	-	-	-	-	115,860	-
Interest rate-linked structured instrument contracts	157,882	5.00%-6.20%	109,938	5.25%-6.20%	126,614	6.20%-6.75%

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2021	December 31, 2020	September 30, 2020
Investments in equity instruments at FVTOCI	\$ 3,890,094	\$ 3,176,107	\$ 2,740,101
Investments in debt instruments at FVTOCI	<u>41,530,769</u>	<u>37,833,733</u>	<u>36,215,423</u>
	<u>\$ 45,420,863</u>	<u>\$ 41,009,840</u>	<u>\$ 38,955,524</u>

- a. Investments in equity instruments at FVTOCI

	September 30, 2021	December 31, 2020	September 30, 2020
Domestic listed shares	\$ 2,744,604	\$ 2,113,147	\$ 1,663,402
Domestic unlisted shares	831,171	751,556	778,983
Foreign listed shares	<u>314,319</u>	<u>311,404</u>	<u>297,716</u>
	<u>\$ 3,890,094</u>	<u>\$ 3,176,107</u>	<u>\$ 2,740,101</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

Dividend income of \$134,111 thousand, \$77,994 thousand, \$144,329 thousand and \$87,920 thousand were recognized in profit or loss for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, respectively.

b. Investments in debt instruments at FVTOCI

	September 30, 2021	December 31, 2020	September 30, 2020
Corporate bonds	\$ 31,033,757	\$ 26,959,132	\$ 26,228,004
Government bonds	5,160,426	5,379,466	5,581,002
Foreign bonds	3,128,378	3,486,270	2,399,499
Bank debentures	<u>2,208,208</u>	<u>2,008,865</u>	<u>2,006,918</u>
	<u>\$ 41,530,769</u>	<u>\$ 37,833,733</u>	<u>\$ 36,215,423</u>

Foreign bonds denominated in foreign currencies were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
USD	\$ 39,000	\$ 50,000	\$ 39,500
CNY	445,000	445,000	260,000
AUD	6,000	6,000	6,000

1) The Group recognized impairment (loss) of \$(685) thousand, \$15 thousand, \$(5,839) thousand and \$(4,049) thousand for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, respectively, after assessing the expected credit losses of the investments in debt instruments at FVTOCI.

2) Refer to Note 39 for information relating to their credit risk management and impairment.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	September 30, 2021	December 31, 2020	September 30, 2020
Foreign bonds	\$ 23,779,911	\$ 24,794,803	\$ 25,400,717
Government bonds	11,594,596	12,654,717	12,675,397
NCDs issued by the CBC	62,035,000	64,970,000	64,070,000
Corporate bonds	<u>10,506,497</u>	<u>11,159,474</u>	<u>11,160,571</u>
	107,916,004	113,578,994	113,306,685
Less: Allowance for impairment loss	(30,603)	(34,140)	(34,462)
Less: Withdrawal of reserves for trust compensation and refundable deposits	<u>(916,600)</u>	<u>(920,400)</u>	<u>(920,400)</u>
	<u>\$ 106,968,801</u>	<u>\$ 112,624,454</u>	<u>\$ 112,351,823</u>

- a. The foreign bonds denominated in foreign currencies were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
USD	\$ 662,197	\$ 661,159	\$ 670,159
CNY	800,000	890,000	890,000
AUD	53,000	66,000	66,000
ZAR	450,000	490,000	490,000

- b. As of September 30, 2021, December 31, 2020 and September 30, 2020, the government bonds and the foreign bonds at amortized cost amounted to \$1,200,000 thousand and \$0 (US\$0), \$1,200,000 thousand and \$1,123,960 thousand (US\$40,000 thousand) and \$1,200,000 thousand and \$2,039,136 thousand (US\$70,400 thousand), respectively, which had been sold under repurchase agreements. Refer to Note 40 for information relating to their carrying amounts.
- c. The Group recognized impairment (loss) of \$1,271 thousand, \$433 thousand, \$3,393 thousand and \$(2,624) thousand for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, respectively, after assessing the expected credit losses of the investments in debt instruments at amortized cost.
- d. Refer to Note 39 for information relating to their credit risk management and impairment.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities purchased amounted to \$13,298,572 thousand, \$12,773,121 thousand and \$12,217,335 thousand under repurchase agreements as of September 30, 2021, December 31, 2020 and September 30, 2020, were subsequently sold for \$13,299,339 thousand, \$12,774,072 thousand and \$12,218,539 thousand, respectively, with interest rates ranging from 0.22% to 0.23%, 0.21% to 0.25% and 0.28% to 0.29%, respectively.

12. RECEIVABLES, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Notes receivable	\$ 6,205,521	\$ 4,694,417	\$ 4,316,484
Receivables on credit cards	712,652	742,251	698,905
Accounts receivable factored without recourse	308,326	154,805	145,957
Acceptances	711,295	443,447	531,439
Interest receivables	1,008,231	1,049,138	976,801
Receivables on foreign currency settlement	3,398	1,082,521	631,765
Lease receivables	3,927,760	3,461,743	3,259,716
Assignment receivables	905,614	991,861	753,985
Receivables on securities settlement	1,832,195	1,324,586	620,060
Other receivables	390,248	584,053	556,758
	<u>16,005,240</u>	<u>14,528,822</u>	<u>12,491,870</u>
Less: Unrealized interest income	(807,844)	(722,637)	(654,369)
Less: Allowance for doubtful accounts	<u>(329,587)</u>	<u>(322,521)</u>	<u>(285,488)</u>
	<u>\$ 14,867,809</u>	<u>\$ 13,483,664</u>	<u>\$ 11,552,013</u>

- a. Movements in the total carrying amount of receivables for the nine months ended September 30, 2021 and 2020 were as follows:

For the nine months ended September 30, 2021

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2021	\$ 73,430,829	\$ 371,436	\$ 313,418	\$ 74,115,683
Transfers to lifetime ECL	(189,227)	189,691	(464)	-
Transfers to credit-impaired financial assets	(73,762)	(36,878)	110,640	-
Transfers to 12-month ECLs	34,591	(34,416)	(175)	-
New receivables purchased or originated	8,869,702	1,267	31,078	8,902,047
Write-offs	-	(14,729)	(121,134)	(135,863)
Derecognition	(7,499,042)	(82,324)	(82,908)	(7,664,274)
Foreign exchange differences and other changes	<u>864,619</u>	<u>2,797</u>	<u>12,911</u>	<u>880,327</u>
Balance at September 30, 2021	<u>\$ 75,437,710</u>	<u>\$ 396,844</u>	<u>\$ 263,366</u>	<u>\$ 76,097,920</u>

For the nine months ended September 30, 2020

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2020	\$ 62,904,165	\$ 557,317	\$ 315,071	\$ 63,776,553
Transfers to lifetime ECL	(133,702)	134,222	(520)	-
Transfers to credit-impaired financial assets	(53,837)	(138,401)	192,238	-
Transfers to 12-month ECLs	7,341	(7,178)	(163)	-
New receivables purchased or originated	6,227,712	3,572	31,978	6,263,262
Write-offs	-	(423)	(118,704)	(119,127)
Derecognition	(5,262,172)	(301,110)	(99,967)	(5,663,249)
Foreign exchange differences and other changes	<u>(228,217)</u>	<u>(6,015)</u>	<u>10,526</u>	<u>(223,706)</u>
Balance at September 30, 2020	<u>\$ 63,461,290</u>	<u>\$ 241,984</u>	<u>\$ 330,459</u>	<u>\$ 64,033,733</u>

The abovementioned carrying amounts of receivables include due from the banks, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, notes receivable, receivables on credit cards, accounts receivable factored without recourse, acceptances, interest receivables, lease receivables, assignment receivables, receivables on securities settlement, other receivables, other financial assets (including delinquent receivables not arising from loans) and refundable deposits.

- b. Movements in the allowance for doubtful accounts of receivables for the nine months ended September 30, 2021 and 2020 were as follows:

For the nine months ended September 30, 2021

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	\$ 91,312	\$ 9,199	\$ 174,311	\$ 274,822	\$ 49,220	\$ 324,042
Reconciliation arising from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(3,166)	3,388	(222)	-	-	-
Transfers to credit-impaired financial assets	(1,139)	(917)	2,056	-	-	-
Transfers to 12-month ECLs	2,211	(2,124)	(87)	-	-	-
Derecognition of financial assets in current period	(35,960)	(2,308)	(34,368)	(72,636)	-	(72,636)
New financial assets purchased or originated	74,431	85	22,760	97,276	-	97,276
Difference of impairment loss under regulations	-	-	-	-	31,141	31,141
Write-offs	-	(14,729)	(71,813)	(86,542)	(49,321)	(135,863)
Recovery of written-offs	-	-	-	-	11,447	11,447
Foreign exchange differences and other changes	<u>(24,562)</u>	<u>15,608</u>	<u>83,561</u>	<u>74,607</u>	<u>-</u>	<u>74,607</u>
Balance at September 30, 2021	\$ 103,127	\$ 8,202	\$ 176,198	\$ 287,527	\$ 42,487	\$ 330,014

For the nine months ended September 30, 2020

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 95,880	\$ 11,625	\$ 165,224	\$ 272,729	\$ 23,828	\$ 296,557
Reconciliation arising from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(1,304)	1,673	(369)	-	-	-
Transfers to credit-impaired financial assets	(494)	(2,633)	3,127	-	-	-
Transfers to 12-month ECLs	1,205	(1,077)	(128)	-	-	-
Derecognition of financial assets in current period	(51,082)	(7,169)	(32,660)	(90,911)	-	(90,911)
New financial assets purchased or originated	51,785	565	10,973	63,323	-	63,323
Difference of impairment loss under regulations	-	-	-	-	74,353	74,353
Write-offs	-	(423)	(43,701)	(44,124)	(75,003)	(119,127)
Recovery of written-offs	-	-	-	-	11,267	11,267
Foreign exchange differences and other changes	<u>(11,402)</u>	<u>2,026</u>	<u>60,944</u>	<u>51,568</u>	<u>-</u>	<u>51,568</u>
Balance at September 30, 2020	\$ 84,588	\$ 4,587	\$ 163,410	\$ 252,585	\$ 34,445	\$ 287,030

The allowance for doubtful accounts of the abovementioned receivables includes allowances for delinquent receivables not arising from loans, refer to Note 16.

- c. Refer to Note 36 for information relating to notes receivable as a guarantee for interbank financing.

13. NOTES DISCOUNTED AND LOANS, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Bills negotiated	\$ 311,348	\$ 293,388	\$ 345,783
Overdrafts	1,433	1,310	687
Secured overdrafts	8,792	30,988	26,088
Accounts receivable financing	39,662	51,149	68,038
Securities margin loans receivables	1,326,766	1,099,366	1,016,352
Short-term unsecured loans	40,834,715	39,175,727	40,193,932
Short-term secured loans	98,732,018	101,315,539	100,501,803
Medium-term unsecured loans	58,199,293	54,480,676	54,560,597
Medium-term secured loans	113,963,581	110,808,195	107,069,733
Long-term unsecured loans	8,357,182	6,842,847	6,115,636
Long-term secured loans	150,060,803	147,939,346	145,820,721
Delinquent loans	<u>937,728</u>	<u>814,242</u>	<u>1,430,715</u>
	472,773,321	462,852,773	457,150,085
Add: Adjustment of premium or discount	30,667	23,940	20,802
Less: Allowance for doubtful accounts	<u>(6,372,235)</u>	<u>(6,335,391)</u>	<u>(6,797,140)</u>
	<u>\$ 466,431,753</u>	<u>\$ 456,541,322</u>	<u>\$ 450,373,747</u>

- a. As of September 30, 2021, December 31, 2020 and September 30, 2020, the delinquent loans on which interest ceased to accrue amounted to \$937,728 thousand, \$814,242 thousand and \$1,430,715 thousand, respectively. The unrecognized interest receivables on these loans were \$16,152 thousand, \$18,132 thousand and \$24,229 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.
- b. There was no credit loan written off without a lawsuit for the nine months ended September 30, 2021 and 2020.
- c. Movements in the total carrying amount of notes discounted and loans for the nine months ended September 30, 2021 and 2020 were as follows:

For the nine months ended September 30, 2021

	12-month ECLs	Lifetime ECL	Credit- impaired Financial Assets	Total
Balance at January 1, 2021	\$ 439,608,628	\$ 14,857,468	\$ 8,410,617	\$ 462,876,713
Transfers to lifetime ECL	(5,986,416)	6,032,193	(45,777)	-
Transfers to credit-impaired financial assets	(635,244)	(832,461)	1,467,705	-
Transfers to 12-month ECLs	2,348,777	(2,325,227)	(23,550)	-
New notes discounted and loans purchased or originated	188,247,289	1,047,435	139,853	189,434,577
Write-offs	-	-	(968,567)	(968,567)
Derecognition	(152,885,264)	(3,316,503)	(1,284,941)	(157,486,708)
Foreign exchange differences and other changes	<u>(20,106,747)</u>	<u>(699,133)</u>	<u>(246,147)</u>	<u>(21,052,027)</u>
Balance at September 30, 2021	<u>\$ 450,591,023</u>	<u>\$ 14,763,772</u>	<u>\$ 7,449,193</u>	<u>\$ 472,803,988</u>

For the nine months ended September 30, 2020

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2020	\$ 415,543,744	\$ 16,873,865	\$ 9,554,442	\$ 441,972,051
Transfers to lifetime ECL	(6,404,508)	6,637,971	(233,463)	-
Transfers to credit-impaired financial assets	(693,022)	(1,603,415)	2,296,437	-
Transfers to 12-month ECLs	2,517,913	(2,504,873)	(13,040)	-
New notes discounted and loans purchased or originated	196,572,970	1,228,874	375,746	198,177,590
Write-offs	-	(1,834)	(487,805)	(489,639)
Derecognition	(162,537,506)	(4,281,055)	(1,587,289)	(168,405,850)
Foreign exchange differences and other changes	(13,867,947)	(223,413)	8,095	(14,083,265)
Balance at September 30, 2020	\$ 431,131,644	\$ 16,126,120	\$ 9,913,123	\$ 457,170,887

- d. Movements in the allowance for doubtful accounts of notes discounted and loans for the nine months ended September 30, 2021 and 2020 were as follows:

For the nine months ended September 30, 2021

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	\$ 1,725,305	\$ 925,826	\$ 1,856,155	\$ 4,507,286	\$ 1,828,105	\$ 6,335,391
Reconciliation arising from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(11,841)	15,635	(3,794)	-	-	-
Transfers to credit-impaired financial assets	(3,290)	(89,512)	92,802	-	-	-
Transfers to 12-month ECLs	98,949	(96,649)	(2,300)	-	-	-
Derecognition of financial assets in current period	(802,936)	(141,266)	(257,321)	(1,201,523)	-	(1,201,523)
New financial assets purchased or originated	774,283	46,324	43,069	863,676	-	863,676
Difference of impairment loss under regulations	-	-	-	-	900,368	900,368
Write-offs	-	-	(255,256)	(255,256)	(713,311)	(968,567)
Recovery of written-offs	-	-	-	-	472,635	472,635
Foreign exchange differences and other changes	(363,958)	89,373	244,840	(29,745)	-	(29,745)
Balance at September 30, 2021	\$ 1,416,512	\$ 749,731	\$ 1,718,195	\$ 3,884,438	\$ 2,487,797	\$ 6,372,235

For the nine months ended September 30, 2020

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 1,776,628	\$ 852,354	\$ 2,468,257	\$ 5,097,239	\$ 1,476,478	\$ 6,573,717
Reconciliation arising from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(12,240)	181,222	(168,982)	-	-	-
Transfers to credit-impaired financial assets	(3,922)	(100,426)	104,348	-	-	-
Transfers to 12-month ECLs	86,512	(85,274)	(1,238)	-	-	-
Derecognition of financial assets in current period	(895,004)	(179,080)	(328,379)	(1,402,463)	-	(1,402,463)
New financial assets purchased or originated	995,266	47,658	204,012	1,246,936	-	1,246,936
Difference of impairment loss under regulations	-	-	-	-	200,755	200,755
Write-offs	-	(550)	(180,957)	(181,507)	(308,132)	(489,639)
Recovery of written-offs	-	-	-	-	473,824	473,824
Foreign exchange differences and other changes	(213,417)	196,530	210,897	194,010	-	194,010
Balance at September 30, 2020	\$ 1,733,823	\$ 912,434	\$ 2,307,958	\$ 4,954,215	\$ 1,842,925	\$ 6,797,140

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

The following table shows the Group's proportion of ownership and voting right of associates at the end of the reporting date:

	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	Proportion of Ownership (%)	Amount	Proportion of Ownership (%)	Amount	Proportion of Ownership (%)
Associates that are not individually material						
Taichung Bank Securities Investment Trust Co., Ltd.	<u>\$ 167,360</u>	38.46	<u>\$ 163,148</u>	38.46	<u>\$ 165,101</u>	38.46

The share of profit (loss) of the investments in associates accounted for using the equity method was as follows:

Investee Company	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Taichung Bank Securities Investment Trust Co., Ltd.	<u>\$ 279</u>	<u>\$ (839)</u>	<u>\$ (402)</u>	<u>\$ (2,510)</u>

Investment was accounted for using the equity method and the share of profit (loss) of the investment was calculated based on financial statements which have been reviewed.

The Group is the single largest shareholder of Taichung Bank Securities Investment Trust Co., Ltd. with 38.46% interest in the investee, in which the remaining interest is held by several other shareholders. The Group considered the absolute size of its holding, and the relative size and dispersion of the other shareholdings in Taichung Bank Securities Investment Trust Co., Ltd. and concluded that it does not have control over Taichung Bank Securities Investment Trust Co., Ltd. The management of the Group considered the Group as exercising significant influence over Taichung Bank Securities Investment Trust Co., Ltd. and, therefore, classified Taichung Bank Securities Investment Trust Co., Ltd. as associate of the Group.

15. RESTRICTED ASSETS, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Restricted assets - cash in banks	\$ 370,923	\$ 436,106	\$ 422,893
Payments pending settlement	<u>11,270</u>	<u>3,177</u>	<u>2,014</u>
	<u>\$ 382,193</u>	<u>\$ 439,283</u>	<u>\$ 424,907</u>

Refer to Note 36 for information relating to the restricted assets - cash in banks, which are used as collateral for financing to other banks.

16. OTHER FINANCIAL ASSETS, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Other delinquent receivables, net	\$ -	\$ 2,246	\$ 2,246
Time deposits with original maturities of more than 3 months	<u>-</u>	<u>-</u>	<u>2,500</u>
	<u>\$ -</u>	<u>\$ 2,246</u>	<u>\$ 4,746</u>

The interest rate of time deposits with original maturities of more than 3 months was 0.82% on September 30, 2020.

Other delinquent receivables, net were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Delinquent receivables not arising from loans	\$ 427	\$ 3,767	\$ 3,788
Less: Allowance for doubtful accounts (Note 12)	<u>(427)</u>	<u>(1,521)</u>	<u>(1,542)</u>
	<u>\$ -</u>	<u>\$ 2,246</u>	<u>\$ 2,246</u>

17. PROPERTIES AND EQUIPMENT, NET

	For the Nine Months Ended September 30, 2021						
	Land	Buildings and Structures	Transportation Equipment	Miscellaneous Equipment	Lease Improvements	Construction in Progress	Total
<u>Cost</u>							
Balance, January 1, 2021	\$ 7,847,588	\$ 2,101,530	\$ 59,101	\$ 2,009,496	\$ 8,975	\$ 3,250,482	\$ 15,277,172
Additions	227	5,827	1,301	118,270	7,825	983,941	1,117,391
Disposals	-	-	(1,455)	(22,143)	-	-	(23,598)
Reclassifications	-	-	6,239	(6,066)	-	(2,733)	(2,560)
Exchange differences, net	-	-	(6)	(181)	-	-	(187)
Balance, September 30, 2021	<u>7,847,815</u>	<u>2,107,357</u>	<u>65,180</u>	<u>2,099,376</u>	<u>16,800</u>	<u>4,231,690</u>	<u>16,368,218</u>
<u>Accumulated depreciation</u>							
Balance, January 1, 2021	-	1,231,486	36,075	1,596,941	3,001	-	2,867,503
Additions	-	28,970	5,326	119,002	1,468	-	154,766
Disposals	-	-	(1,454)	(22,005)	-	-	(23,459)
Reclassifications	-	-	2,256	(2,256)	-	-	-
Exchange differences, net	-	-	(6)	(128)	-	-	(134)
Balance, September 30, 2021	-	<u>1,260,456</u>	<u>42,197</u>	<u>1,691,554</u>	<u>4,469</u>	-	<u>2,998,676</u>
<u>Impairment</u>							
Balance, January 1, 2021	<u>77,000</u>	-	-	-	-	-	<u>77,000</u>
Balance, September 30, 2021	<u>77,000</u>	-	-	-	-	-	<u>77,000</u>
Balance, September 30, 2021	<u>\$ 7,770,815</u>	<u>\$ 846,901</u>	<u>\$ 22,983</u>	<u>\$ 407,822</u>	<u>\$ 12,331</u>	<u>\$ 4,231,690</u>	<u>\$ 13,292,542</u>
	For the Nine Months Ended September 30, 2020						
	Land	Buildings and Structures	Transportation Equipment	Miscellaneous Equipment	Lease Improvements	Construction in Progress	Total
<u>Cost</u>							
Balance, January 1, 2020	\$ 7,847,588	\$ 2,101,530	\$ 54,053	\$ 1,900,254	\$ 7,799	\$ 1,526,236	\$ 13,437,460
Additions	-	-	530	104,981	318	1,611,475	1,717,304
Disposals	-	-	(126)	(19,002)	-	-	(19,128)
Exchange differences, net	-	-	(28)	(771)	-	-	(799)
Balance, September 30, 2020	<u>7,847,588</u>	<u>2,101,530</u>	<u>54,429</u>	<u>1,985,462</u>	<u>8,117</u>	<u>3,137,711</u>	<u>15,134,837</u>
<u>Accumulated depreciation</u>							
Balance, January 1, 2020	-	1,191,481	29,932	1,453,794	1,632	-	2,676,839
Additions	-	30,007	4,704	126,771	1,009	-	162,491
Disposals	-	-	(126)	(18,517)	-	-	(18,643)
Exchange differences, net	-	-	(8)	(426)	-	-	(434)
Balance, September 30, 2020	-	<u>1,221,488</u>	<u>34,502</u>	<u>1,561,622</u>	<u>2,641</u>	-	<u>2,820,253</u>
<u>Impairment</u>							
Balance, January 1, 2020	<u>77,000</u>	-	-	-	-	-	<u>77,000</u>
Balance, September 30, 2020	<u>77,000</u>	-	-	-	-	-	<u>77,000</u>
Balance, September 30, 2020	<u>\$ 7,770,588</u>	<u>\$ 880,042</u>	<u>\$ 19,927</u>	<u>\$ 423,840</u>	<u>\$ 5,476</u>	<u>\$ 3,137,711</u>	<u>\$ 12,237,584</u>

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

Building and structures	
Building	30 to 60 years
Renovation	10 to 29 years
Transportation equipment	2 to 5 years
Miscellaneous equipment	1 to 15 years
Lease improvements	2 to 5 years

18. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2021	December 31, 2020	September 30, 2020	
<u>Carrying amounts</u>				
Land and buildings	\$ 815,118	\$ 789,200	\$ 818,940	
Transportation equipment	<u>21,384</u>	<u>189,018</u>	<u>218,516</u>	
	<u>\$ 836,502</u>	<u>\$ 978,218</u>	<u>\$ 1,037,456</u>	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Additions to right-of-use assets	<u>\$ 21,722</u>	<u>\$ 279,734</u>	<u>\$ 230,244</u>	<u>\$ 362,325</u>
Depreciation charge for right-of-use assets				
Land and buildings	\$ 33,900	\$ 32,897	\$ 100,977	\$ 99,850
Transportation equipment	<u>27,992</u>	<u>18,664</u>	<u>87,738</u>	<u>53,249</u>
	<u>\$ 61,892</u>	<u>\$ 51,561</u>	<u>\$ 188,715</u>	<u>\$ 153,099</u>

The Group suspended the leases of some land and buildings and transportation equipment before the leases expired. The amount of right-of-use assets was derecognized was \$95,002 thousand, \$5,735 thousand, \$182,917 thousand, and \$52,324 thousand for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, respectively, and disposal gain of \$1,942 thousand, \$78 thousand, \$5,803 thousand, \$1,139 thousand was recognized for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, respectively.

Except for the aforementioned suspension and addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2021 and 2020.

b. Lease liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Carrying amounts	<u>\$ 877,604</u>	<u>\$ 1,006,781</u>	<u>\$ 1,062,110</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Land	1.01%-4.14%	1.01%-4.14%	1.01%-4.14%
Buildings	1.01%-5.95%	1.01%-5.95%	1.01%-5.95%
Transportation equipment	1.01%-5.96%	1.01%-5.96%	1.01%-5.96%

c. Material lease-in activities and terms

The Group leases domestic offices, ATM sites and transportation equipment with lease terms of 1 to 15 years. The lease contract specifies that lease payments will be adjusted on the basis of changes in market rental rates. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of freehold properties are set out in Note 19.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Expenses relating to short-term leases	\$ <u>637</u>	\$ <u>705</u>	\$ <u>1,811</u>	\$ <u>2,245</u>
Expenses relating to low-value asset leases	\$ <u>2,401</u>	\$ <u>1,888</u>	\$ <u>6,801</u>	\$ <u>5,661</u>
Total cash outflow for leases	\$ <u>(71,114)</u>	\$ <u>(58,901)</u>	\$ <u>(215,952)</u>	\$ <u>(175,546)</u>

The Group leases certain office equipment under leases which qualify as short-term leases and certain computer equipment under leases which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

19. INVESTMENT PROPERTIES, NET

	For the Nine Months Ended September 30, 2021		
	Land	Structures	Total
<u>Cost</u>			
Balance, January 1, 2021	\$ 15,801	\$ 5,972	\$ 21,773
Balance, September 30, 2021	<u>15,801</u>	<u>5,972</u>	<u>21,773</u>
<u>Accumulated depreciation</u>			
Balance, January 1, 2021	-	3,759	3,759
Additions	-	<u>67</u>	<u>67</u>
Balance, September 30, 2021	<u>-</u>	<u>3,826</u>	<u>3,826</u>
Balance, September 30, 2021	\$ <u>15,801</u>	\$ <u>2,146</u>	\$ <u>17,947</u>
	For the Nine Months Ended September 30, 2020		
	Land	Structures	Total
<u>Cost</u>			
Balance, January 1, 2020	\$ 15,801	\$ 5,972	\$ 21,773
Balance, September 30, 2020	<u>15,801</u>	<u>5,972</u>	<u>21,773</u>

(Continued)

For the Nine Months Ended September 30, 2020

	Land	Structures	Total
<u>Accumulated depreciation</u>			
Balance, January 1, 2020	\$ -	\$ 3,670	\$ 3,670
Additions	<u>-</u>	<u>67</u>	<u>67</u>
Balance, September 30, 2020	<u>-</u>	<u>3,737</u>	<u>3,737</u>
Balance, September 30, 2020	<u>\$ 15,801</u>	<u>\$ 2,235</u>	<u>\$ 18,036</u> (Concluded)

- a. The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Building and structures

Building	60 years
Renovation	10 to 25 years

- b. The fair values of the investment properties of the Group on December 31, 2020 and 2019 were \$53,579 thousand and \$53,847 thousand, respectively. The fair value was not evaluated by independent qualified professional valuers. The valuation was arrived at by reference to the market evidence of transaction price for similar properties, and the fair value was measured by using Level 3 inputs. There was no significant change in the fair value as of September 30, 2021 and 2020 compared to that of December 31, 2020 and 2019.
- c. The abovementioned investment properties were leased out for 5 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.
- d. The maturity analysis of lease payments receivable under operating leases of investment properties as of September 30, 2021, December 31, 2020 and September 30, 2020 is as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Year 1	\$ 864	\$ 864	\$ -
Year 2	864	-	-
Year 3	864	-	-
Year 4	<u>864</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,456</u>	<u>\$ 864</u>	<u>\$ -</u>

20. INTANGIBLE ASSETS, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Business rights	\$ 28,000	\$ 28,000	\$ 28,000
Computer software	<u>182,626</u>	<u>185,470</u>	<u>162,345</u>
	<u>\$ 210,626</u>	<u>\$ 213,470</u>	<u>\$ 190,345</u>

- a. Business rights of the Group arose from the transfer of Fengxing Securities Co., Ltd., which was classified as intangible assets with indefinite useful lives and not subject to amortization. As of September 30, 2021, there was no impairment loss of the business rights.
- b. Movements of intangible assets were as follows:

	For the Nine Months Ended September 30	
	2021	2020
Balance, January 1	\$ 213,470	\$ 153,125
Additions	42,240	72,842
Amortization	(47,628)	(43,624)
Reclassifications	2,560	8,093
Exchange differences, net	<u>(16)</u>	<u>(91)</u>
Balance, September 30	<u>\$ 210,626</u>	<u>\$ 190,345</u>

Computer software is amortized on a straight-line basis over its estimated useful life as follows:

Computer software	1-5 years
-------------------	-----------

21. OTHER ASSETS, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Refundable deposits	\$ 2,245,483	\$ 2,198,459	\$ 1,908,552
Prepayments	181,986	136,226	219,054
Receipts under payment for shares underwriting	114,681	107,826	524,861
Others	<u>1,974</u>	<u>1,016</u>	<u>1,412</u>
	<u>\$ 2,544,124</u>	<u>\$ 2,443,527</u>	<u>\$ 2,653,879</u>

As of September 30, 2021, December 31, 2020 and September 30, 2020, the time deposits and government bonds at amortized cost, which amounted to \$1,056,600 thousand, \$1,060,400 thousand and \$1,060,400 thousand, respectively, were pledged as collateral to the district court for litigation related to the overdraft of the U.S. dollar clearing account and the guarantee deposits of business operations. These amounts were stated classified under refundable deposits. Refer to Note 36.

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	September 30, 2021	December 31, 2020	September 30, 2020
Call loans from banks	\$ 5,100,000	\$ 6,411,231	\$ 6,400,000
Due to Chunghwa Post Co., Ltd.	165,846	326,094	326,094
Due to banks	<u>13</u>	<u>300,013</u>	<u>300,013</u>
	<u>\$ 5,265,859</u>	<u>\$ 7,037,338</u>	<u>\$ 7,026,107</u>

23. FUNDS BORROWED FROM THE CENTRAL BANK AND OTHER BANKS

	September 30, 2021	December 31, 2020	September 30, 2020
Funds borrowed from the central bank	\$ 3,069,280	\$ 2,167,280	\$ 1,749,180
Funds borrowed from other banks	<u>7,095,839</u>	<u>6,343,372</u>	<u>5,988,905</u>
	<u>\$ 10,165,119</u>	<u>\$ 8,510,652</u>	<u>\$ 7,738,085</u>
Funds borrowed from the central bank (%)	0.10	0.10	0.10
Funds borrowed from other banks (%)	0.95-5.45	0.95-5.23	1.00-5.31

Refer to Note 36 for information relating to collateral provided for funds borrowed from the central bank and other banks.

24. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Government bonds	\$ 1,204,989	\$ 1,203,592	\$ 1,203,055
Foreign bonds	<u>-</u>	<u>1,096,485</u>	<u>2,021,821</u>
	<u>\$ 1,204,989</u>	<u>\$ 2,300,077</u>	<u>\$ 3,224,876</u>

The details of repurchase price and interest rate at the end of period were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Government bonds	\$ 1,205,307	\$ 1,203,981	\$ 1,203,395
Foreign bonds	<u>-</u>	<u>1,097,527</u>	<u>2,022,949</u>
	<u>\$ 1,205,307</u>	<u>\$ 2,301,508</u>	<u>\$ 3,226,344</u>
Government bonds	0.17%-0.18%	0.20%-0.21%	0.25%-0.26%
Foreign bonds	-	0.38%	0.34%-0.35%

The foreign bonds denominated in foreign currencies were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
USD	\$ -	\$ 39,022	\$ 69,802

25. PAYABLES

	September 30, 2021	December 31, 2020	September 30, 2020
Accrued expenses	\$ 1,829,086	\$ 1,653,548	\$ 1,482,315
Accounts payable for delivery	1,416,096	1,526,955	747,159
Notes and checks in clearing	921,592	1,249,821	2,220,161
Acceptances	712,828	455,797	533,420
Interest payable	585,873	327,521	710,453
Collections payable	370,100	144,075	785,644
Factored accounts payable	115,598	105,876	111,594
Foreign currency settlement payable	3,660	1,083,053	631,905
Other payables	<u>963,157</u>	<u>802,738</u>	<u>662,645</u>
	<u>\$ 6,917,990</u>	<u>\$ 7,349,384</u>	<u>\$ 7,885,296</u>

26. DEPOSITS AND REMITTANCES

	September 30, 2021	December 31, 2020	September 30, 2020
Checking	\$ 6,805,271	\$ 8,826,292	\$ 6,637,778
Demand	187,762,723	171,324,169	158,222,906
Demand savings	154,808,323	150,643,016	140,396,488
Time	142,267,573	150,519,288	157,124,241
Time savings	154,469,780	155,188,149	154,746,175
Remittances	<u>60,392</u>	<u>88,554</u>	<u>32,940</u>
	<u>\$ 646,174,062</u>	<u>\$ 636,589,468</u>	<u>\$ 617,160,528</u>

27. BANK DEBENTURES

	September 30, 2021	December 31, 2020	September 30, 2020
Subordinated financial debenture	<u>\$ 11,500,000</u>	<u>\$ 11,500,000</u>	<u>\$ 11,500,000</u>

a. The Bank issued first subordinated financial debenture and second subordinated financial debenture on June 25, 2013 and December 16, 2013, respectively, which were approved under ruling reference No. 10200089330 issued by the Banking Bureau of the FSC on April 8, 2013. Details of the financial subordinated debenture's issuance are summarized as follows:

1) Total approved principal: \$6,000,000 thousand.

2) Principal issued:

a) Debenture I on 2013: \$2,500,000 thousand.

b) Debenture II on 2013: \$3,000,000 thousand.

3) Denomination:

a) Debenture I on 2013: \$500 thousand, issued at par.

b) Debenture II on 2013: \$500 thousand, issued at par.

- 4) Period:
 - a) Debenture I on 2013: 7 years with maturity on June 25, 2020.
 - b) Debenture II on 2013: 6 years with maturity on December 16, 2019.
 - 5) Nominal interest rate:
 - a) Debenture I on 2013: Fixed interest rate, 2.1%.
 - b) Debenture II on 2013: Fixed interest rate, 2.1%.
 - 6) Repayment: The subordinated financial debenture will be paid on the maturity date.
 - 7) The interest will be paid semi-annually from the issuance date.
- b. The Bank issued first subordinated financial debenture on December 28, 2015, which was approved under ruling reference No. 10400200460 issued by the Banking Bureau of the FSC on August 26, 2015. Details of the subordinated financial debenture's issuance are summarized as follows:
- 1) Total approved principal: \$1,500,000 thousand.
 - 2) Principal issued: \$1,500,000 thousand.
 - 3) Denomination: \$10,000 thousand, issued at par.
 - 4) Period: No due date.
 - 5) Nominal interest rate: According to the interest rate of one-year time savings deposit of Chunghwa Post Co., Ltd., plus 3.08%.
 - 6) Repayment: To be executed according to the issuance.
 - 7) The interest will be paid annually from the issuance date.
- c. The Bank issued first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture, third no due date non-cumulative subordinated financial debenture and first no due date non-cumulative subordinated financial debenture on March 28, 2017, May 18, 2017, August 28, 2017 and December 28, 2016, respectively, which were approved under ruling reference No. 10500210950 issued by the Banking Bureau of the FSC on September 2, 2016. Details of the subordinated financial debenture's issuance are summarized as follows:
- 1) Total approved principal: \$3,500,000 thousand.
 - 2) Principal issued:
 - a) Debenture I on 2016: \$1,500,000 thousand.
 - b) Debenture I on 2017: \$1,000,000 thousand.
 - c) Debenture II on 2017: \$500,000 thousand.
 - d) Debenture III on 2017: \$500,000 thousand.
 - 3) Denomination:
 - a) Debenture I on 2016: \$10,000 thousand, issued at par.
 - b) Debenture I on 2017: \$10,000 thousand, issued at par.
 - c) Debenture II on 2017: \$10,000 thousand, issued at par.
 - d) Debenture III on 2017: \$10,000 thousand, issued at par.

- 4) Period: No due date.
 - 5) Nominal interest rate: According to the interest rate of one-year time savings deposit of Chunghwa Post Co., Ltd., plus 3.08%.
 - 6) Repayment: To be executed according to the issuance.
 - 7) The interest will be paid annually from the issuance date.
- d. The Bank issued first no due date non-cumulative subordinated financial debenture, fourth no due date non-cumulative subordinated financial debenture and fifth no due date non-cumulative subordinated financial debenture on April 25 2018, December 5, 2017 and December 27, 2017, respectively, which were approved under ruling reference No. 10600229120 issued by the Banking Bureau of the FSC on September 22, 2017. Details of the subordinated financial debenture's issuance are summarized as follows:
- 1) Total approved principal: \$5,000,000 thousand.
 - 2) Principal issued:
 - a) Debenture IV on 2017: \$1,350,000 thousand.
 - b) Debenture V on 2017: \$2,650,000 thousand.
 - c) Debenture I on 2018: \$1,000,000 thousand.
 - 3) Denomination:
 - a) Debenture IV on 2017: \$10,000 thousand, issued at par.
 - b) Debenture V on 2017: \$10,000 thousand, issued at par.
 - c) Debenture I on 2018: \$10,000 thousand, issued at par.
 - 4) Period: No due date.
 - 5) Nominal interest rate: According to the interest rate of one-year time savings deposit of Chunghwa Post Co., Ltd., plus 3.08%.
 - 6) Repayment: To be executed according to the issuance.
 - 7) The interest will be paid annually from the issuance date.
- e. The Bank issued second no due date non-cumulative subordinated financial debenture on December 18, 2018, which was approved under ruling reference No. 10702156550 issued by the Banking Bureau of the FSC on August 23, 2018. Details of the subordinated financial debenture issuance is summarized as follows:
- 1) Total approved principal: \$1,500,000 thousand.
 - 2) Principal issued: \$1,500,000 thousand.
 - 3) Denomination: \$10,000 thousand, issued at par.
 - 4) Period: No due date.
 - 5) Nominal interest rate: According to the interest rate of one-year time savings deposit of Chunghwa Post Co., Ltd., plus 3.08%.

- 6) Repayment: To be executed according to the issuance.
- 7) The interest will be paid annually from the issuance date.

28. OTHER FINANCIAL LIABILITIES

	September 30, 2021	December 31, 2020	September 30, 2020
Commercial papers payable	\$ 2,507,596	\$ 1,588,567	\$ 1,558,550
Structured commodity principal	<u>157,882</u>	<u>107,246</u>	<u>126,614</u>
	<u>\$ 2,665,478</u>	<u>\$ 1,695,813</u>	<u>\$ 1,685,164</u>

29. PROVISIONS

	September 30, 2021	December 31, 2020	September 30, 2020
Provision for employee benefits	\$ 1,040,294	\$ 1,089,282	\$ 1,090,782
Provision for losses on guarantees	277,963	235,963	199,963
Other provision	12,864	13,097	10,634
Provision for loan commitments	55,272	72,060	66,725
Provision for outstanding loss	<u>17,840</u>	<u>14,090</u>	<u>-</u>
	<u>\$ 1,404,233</u>	<u>\$ 1,424,492</u>	<u>\$ 1,368,104</u>

a. Details of provision for employee benefits were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Benefit plans	\$ 858,417	\$ 913,854	\$ 922,773
Preferential interest on employees' deposits	143,150	139,406	134,953
Other long-term employee benefit liabilities	<u>38,727</u>	<u>36,022</u>	<u>33,056</u>
	<u>\$ 1,040,294</u>	<u>\$ 1,089,282</u>	<u>\$ 1,090,782</u>

1) Defined contribution plans

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

The amounts of contributions paid by the Group in accordance with the defined contribution plan and recognized in the consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020 in the amounts of \$27,819 thousand, \$25,399 thousand, \$81,957 thousand and \$74,902 thousand, respectively.

2) Defined benefit plans

The defined benefit plan adopted by the Bank of the Group in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Bank contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Bank has no right to influence the investment policy and strategy.

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans in accordance with the pension cost rate for the nine months ended September 30, 2021 and 2020 is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Operating expenses	<u>\$ 3,147</u>	<u>\$ 4,167</u>	<u>\$ 9,441</u>	<u>\$ 12,455</u>

3) Preferential interest on employees' deposit plans

The Group has revised the interest rate of the employees' savings deposit since December 21, 2014, in accordance with the regulations of the Financial Management Law No. 10110000850 and the Regulations Governing the Preparation of Financial Reports by Public Banks. The estimation of preferential interest on employee's deposit liabilities was carried out by qualified actuaries.

For the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the related expenses under preferential interest on employees' deposits plan recognized in the consolidated statements of comprehensive income amounted to \$1,248 thousand, \$1,173 thousand, \$3,744 thousand and \$3,520 thousand, respectively.

4) Other long-term employee benefit liabilities

Other long-term employee benefits of the Group are long-term disability benefits. If the employee does not encounter any casualty due to occupational disaster or accidental death, the Group will pay the pension according to the seniority.

For the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the Group recognized \$1,242 thousand, \$1,179 thousand, \$3,726 thousand and \$3,537 thousand of total expenses related to the long-term employee benefits in the consolidated statements of comprehensive income, respectively.

b. Movements of the provision for losses on guarantees were as follows:

For the nine months ended September 30, 2021

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	\$ 168,958	\$ 4,799	\$ 36,355	\$ 210,112	\$ 25,851	\$ 235,963
Reconciliation arising from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(1,848)	1,848	-	-	-	-
Transfers to credit-impaired financial assets	(5)	-	5	-	-	-
Transfers to 12-month ECLs	740	(740)	-	-	-	-
Derecognition of financial assets in current period	(104,584)	(3,384)	-	(107,968)	-	(107,968)
New financial assets purchased or originated	122,872	9,940	-	132,812	-	132,812
Difference of impairment loss under regulations	-	-	-	-	11,442	11,442
Foreign exchange differences and other changes	(13,995)	21,581	(1,872)	5,714	-	5,714
Balance at September 30, 2021	\$ 172,138	\$ 34,044	\$ 34,488	\$ 240,670	\$ 37,293	\$ 277,963

For the nine months ended September 30, 2020

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 109,720	\$ 1,778	\$ 58,621	\$ 170,119	\$ 4,344	\$ 174,463
Reconciliation arising from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(54)	54	-	-	-	-
Transfers to credit-impaired financial assets	(6)	-	6	-	-	-
Transfers to 12-month ECLs	7,402	(768)	(6,634)	-	-	-
Derecognition of financial assets in current period	(72,856)	(1,010)	(15,608)	(89,474)	-	(89,474)
New financial assets purchased or originated	110,532	2,164	-	112,696	-	112,696
Difference of impairment loss under regulations	-	-	-	-	13,835	13,835
Foreign exchange differences and other changes	(11,786)	725	(496)	(11,557)	-	(11,557)
Balance at September 30, 2020	\$ 142,952	\$ 2,943	\$ 35,889	\$ 181,784	\$ 18,179	\$ 199,963

For the nine months ended September 30, 2021 and 2020, a provision was recognized for bad-debt expense, commitments and guarantees.

c. Movements of the other provision were as follows:

For the nine months ended September 30, 2021

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	\$ 9,157	\$ 3,263	\$ -	\$ 12,420	\$ 677	\$ 13,097
Reconciliation arising from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	-	-	-	-	-	-
Transfers to credit-impaired financial assets	-	-	-	-	-	-
Transfers to 12-month ECLs	-	-	-	-	-	-
Derecognition of financial assets in current period	(8,934)	(3,263)	-	(12,197)	-	(12,197)
New financial assets purchased or originated	9,685	-	-	9,685	-	9,685
Difference of impairment loss under regulations	-	-	-	-	2,475	2,475
Foreign exchange differences and other changes	(196)	-	-	(196)	-	(196)
Balance at September 30, 2021	\$ 9,712	\$ -	\$ -	\$ 9,712	\$ 3,152	\$ 12,864

For the nine months ended September 30, 2020

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 9,638	\$ -	\$ 7	\$ 9,645	\$ 2,233	\$ 11,878
Reconciliation arising from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	-	-	-	-	-	-
Transfers to credit-impaired financial assets	-	-	-	-	-	-
Transfers to 12-month ECLs	-	-	-	-	-	-
Derecognition of financial assets in current period	(9,638)	-	(7)	(9,645)	-	(9,645)
New financial assets purchased or originated	9,182	-	-	9,182	-	9,182
Difference of impairment loss under regulations	-	-	-	-	(781)	(781)
Foreign exchange differences and other changes	-	-	-	-	-	-
Balance at September 30, 2020	\$ 9,182	\$ -	\$ -	\$ 9,182	\$ 1,452	\$ 10,634

For the nine months ended September 30, 2021 and 2020, a provision was recognized for bad-debt expense, commitments and guarantees.

d. Movements of the loan commitments were as follows:

For the nine months ended September 30, 2021

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	\$ 58,968	\$ 7,205	\$ 2,555	\$ 68,728	\$ 3,332	\$ 72,060
Reconciliation arising from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(2)	2	-	-	-	-
Transfers to credit-impaired financial assets	(310)	296	14	-	-	-
Transfers to 12-month ECLs	1,773	(1,773)	-	-	-	-
Derecognition of financial assets in current period	(26,525)	(5,397)	(686)	(32,608)	-	(32,608)
New financial assets purchased or originated	15,005	32	-	15,037	-	15,037
Difference of impairment loss under regulations	-	-	-	-	2,146	2,146
Foreign exchange differences and other changes	(1,474)	125	(14)	(1,363)	-	(1,363)
Balance at September 30, 2021	\$ 47,435	\$ 490	\$ 1,869	\$ 49,794	\$ 5,478	\$ 55,272

For the nine months ended September 30, 2020

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 48,760	\$ 1,848	\$ 4,025	\$ 54,633	\$ 8,724	\$ 63,357
Reconciliation arising from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(4)	4	-	-	-	-
Transfers to credit-impaired financial assets	(2)	(7)	9	-	-	-
Transfers to 12-month ECLs	1,689	(1,689)	-	-	-	-
Derecognition of financial assets in current period	(3,375)	(137)	(4,025)	(7,537)	-	(7,537)
New financial assets purchased or originated	16,822	956	1,672	19,450	-	19,450
Difference of impairment loss under regulations	-	-	-	-	(3,084)	(3,084)
Foreign exchange differences and other changes	(5,916)	464	(9)	(5,461)	-	(5,461)
Balance at September 30, 2020	\$ 57,974	\$ 1,439	\$ 1,672	\$ 61,085	\$ 5,640	\$ 66,725

For the nine months ended September 30, 2021 and 2020, a provision was recognized for bad-debt expense, commitments and guarantees.

- e. Please refer to Note 37 for the amount of \$17,840 thousand and \$14,090 thousand for the outstanding compensation provision of the Bank on September 30, 2021 and December 31, 2020.

30. OTHER LIABILITIES

	September 30, 2021	December 31, 2020	September 30, 2020
Guarantee deposits received	\$ 708,092	\$ 567,148	\$ 573,267
Advance receipts	287,119	318,649	225,372
Credit transactions	4,465	3,604	2,720
Others	<u>86,045</u>	<u>85,910</u>	<u>84,240</u>
	<u>\$ 1,085,721</u>	<u>\$ 975,311</u>	<u>\$ 885,599</u>

31. EQUITY

a. Share capital

Ordinary shares

	September 30, 2021	December 31, 2020	September 30, 2020
Number of shares authorized (in thousands)	<u>6,150,000</u>	<u>6,150,000</u>	<u>6,150,000</u>
Shares authorized	<u>\$ 61,500,000</u>	<u>\$ 61,500,000</u>	<u>\$ 61,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>4,338,521</u>	<u>4,151,694</u>	<u>3,901,694</u>
Shares issued	<u>\$ 43,385,205</u>	<u>\$ 41,516,943</u>	<u>\$ 39,016,943</u>

Ordinary shares issued have a par value of \$10, carry one vote per share and carry the right to receive dividends.

As of January 1, 2020, the Bank had issued ordinary shares totaling \$37,088,349 thousand, divided into 3,708,835 thousand ordinary shares at par value of \$10 per share.

In September 2020, the Bank transferred \$1,928,594 thousand of unappropriated earnings to ordinary shares, consisting of 192,859 thousand ordinary shares at par value of \$10 per share. As of September 30, 2020, the Bank had increased the number of ordinary shares to \$39,016,943 thousand, consisting of 3,901,694 thousand ordinary shares at par value of \$10 per share. In July 2020, the board of directors of the Bank resolved to issue 250,000 thousand ordinary shares with a par value of \$10, for a consideration of \$10.2 per share issued at premium. On October 13, 2020, the above transaction was approved under ruling reference No. 1090359541 issued by the Banking Bureau of the FSC.

In September 2021, the Bank transferred \$1,868,262 thousand of unappropriated earnings to ordinary shares, consisting of 186,826 thousand ordinary shares at par value of \$10 per share. As of September 30, 2021, the Bank had increased ordinary shares to \$43,385,205 thousand, consisting of 4,338,521 thousand ordinary shares at par value of \$10 per share.

b. Capital surplus

	September 30, 2021	December 31, 2020	September 30, 2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*			
<u>Issuance of ordinary shares</u>	\$ 713,633	\$ 713,633	\$ 663,633
<u>May be used to offset a deficit only</u>			
Issuance of ordinary shares - employee share options	58,664	58,664	32,124
Expired employee share options	6,767	6,767	6,682
Share of changes in capital surplus of associates	16,813	16,813	16,813
Conversion of bank debentures' components	<u>7,729</u>	<u>7,729</u>	<u>7,729</u>
	<u>\$ 803,606</u>	<u>\$ 803,606</u>	<u>\$ 726,981</u>

* Such capital surplus may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Bank's capital surplus and to once a year).

c. Appropriation of earnings and dividend policy

Under the Bank's dividend policy as set forth in the Articles, where the Bank made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 30% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 32.

The appropriation of earnings mentioned above shall be retained by the board of directors in accordance with the changing operating environment, operation and investment needs. When dividends are declared, cash dividends must be at least 10% of total dividends declared.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Bank's paid-in capital. The legal reserve may be used to offset deficits. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash.

In addition, the Banking Act limits the appropriation of cash dividends to 15% of the Bank's paid-in capital. But when the legal reserve equals the Bank's paid-in capital, this 15% limit may be waived. If the ratio of own capital to risky assets does not meet the standards set by the competent authority, the appropriation of earnings in cash or other assets should be subject to the restrictions or prohibitions of the relevant regulations.

Under related regulations, a special reserve is appropriated from the balance of the retained earnings at an amount from the net income and unappropriated earnings that is equal to the debit balance of accounts in the shareholders' equity section. Afterward, if there is any reversal of the decrease in shareholders' equity, the Bank is allowed to appropriating retained earnings from the reversal amount.

According to Order No. 1010012865 issued by the FSC (repealed at December 31, 2021), Order No. 1010047490 issued by the FSC (repealed at March 31, 2021), Order No. 1090150022 issued by the FSC, Order No. 10901500221 issued by the FSC and International Financial Reporting Standards and “Q&A on the application of the reference to the special reserve following adoption of IFRSs”, retained earnings should be appropriated to or reversed from a special reserve by the Bank. Afterward, if there is any reversal of the decrease in other shareholders’ equity, the Bank is allowed to appropriating retained earnings from the reversal amount. According to Order No. 10510001510 issued by the FSC, a special reserve should be appropriated between 0.5% and 1% of net income after tax when banks appropriate earnings of 2016 through 2018. After that, under No. 10802714560 issued by the FSC, the Bank no longer use special reserve to protect the right of its employee in response to the developments of financial technology since 2019. From the fiscal year of 2019, the Bank can reverse the amount of expenditure of employees’ transfer arising from financial technology development within the amount of the abovementioned special reserve from 2016 to 2018.

The appropriations of earnings for 2020 and 2019 had been approved in the shareholders’ meeting of the Bank on July 1, 2021 and June 30, 2020, respectively, as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 1,207,149	\$ 1,281,622	\$ -	\$ -
Special reserve	(565)	-	-	-
Cash dividends	996,407	1,038,474	0.24	0.28
Share dividends	1,868,262	1,928,594	0.45	0.52

d. Other equity items

	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain on Financial Assets at FVTOCI	Total
Balance at January 1, 2021	\$ (121,110)	\$ 1,424,867	\$ 1,303,757
Recognized for the period			
Unrealized gains (losses)			
Equity instruments	-	281,401	281,401
Debt instruments	-	(26,221)	(26,221)
Net remeasurement of loss allowance - debt instruments	-	5,839	5,839
Share from associates accounted for using the equity method	-	4,614	4,614
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(72,185)	(72,185)
Cumulative translation adjustment			
Exchange differences for current period	34,791	-	34,791
Income tax related to other comprehensive income	-	(636)	(636)
Balance at September 30, 2021	<u>\$ (86,319)</u>	<u>\$ 1,617,679</u>	<u>\$ 1,531,360</u>

(Continued)

	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain on Financial Assets at FVTOCI	Total
Balance at January 1, 2020	\$ (96,316)	\$ 949,508	\$ 853,192
Recognized for the period			
Unrealized gains			
Equity instruments	-	141,281	141,281
Debt instruments	-	286,073	286,073
Net remeasurement of loss allowance - debt instruments	-	4,049	4,049
Share from associates accounted for using the equity method	-	10,823	10,823
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(25,824)	(25,824)
Cumulative translation adjustment			
Exchange differences for current period	(12,484)	-	(12,484)
Income tax related to other comprehensive income	-	(74)	(74)
Balance at September 30, 2020	<u>\$ (108,800)</u>	<u>\$ 1,365,836</u>	<u>\$ 1,257,036</u> (Concluded)

32. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

a. Net interest

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Interest revenue</u>				
Notes discounted and loans	\$ 2,489,368	\$ 2,378,977	\$ 7,422,161	\$ 7,519,126
Due from banks and call loans				
to the other banks	18,125	20,890	54,551	73,840
Investment in securities	370,221	363,293	1,109,937	1,148,841
Installment plan	92,238	68,018	270,367	205,186
Rental	90,316	63,251	251,507	178,254
Revolving interests of credit cards	8,172	8,929	26,024	27,741
Securities purchased under resell agreements	5,488	7,519	18,003	29,874
Accounts receivable factoring without recourse	2,445	1,820	5,840	6,397
Others	76	92	295	311
	<u>3,076,449</u>	<u>2,912,789</u>	<u>9,158,685</u>	<u>9,189,570</u> (Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Interest expense</u>				
Deposits	\$ (551,605)	\$ (715,911)	\$ (1,715,137)	\$ (2,409,679)
Financial debentures	(112,757)	(117,971)	(334,593)	(380,614)
Funds borrowed from the Central Bank and other banks	(46,914)	(35,302)	(141,613)	(134,082)
Due to the Central Bank and other banks	(353)	(1,094)	(1,981)	(2,707)
Securities sold under repurchase agreements	(1,158)	(4,117)	(7,351)	(79,137)
Structured instruments	(2,115)	(2,066)	(5,606)	(4,372)
Lease liabilities	(9,276)	(9,204)	(28,992)	(25,442)
Others	(3,945)	(2,271)	(12,069)	(3,049)
	<u>(728,123)</u>	<u>(887,936)</u>	<u>(2,247,342)</u>	<u>(3,039,082)</u>
	<u>\$ 2,348,326</u>	<u>\$ 2,024,853</u>	<u>\$ 6,911,343</u>	<u>\$ 6,150,488</u> (Concluded)

b. Service fee income, net

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Service fee income</u>				
Brokering	\$ 268,725	\$ 301,261	\$ 837,892	\$ 814,780
Trust business	329,381	299,058	919,740	763,718
Loans	183,047	131,492	501,259	411,258
Guarantee	54,674	34,711	155,248	107,037
Others	90,709	78,791	268,199	224,810
	<u>926,536</u>	<u>845,313</u>	<u>2,682,338</u>	<u>2,321,603</u>
<u>Service fee expense</u>				
Commission	(18,392)	(26,404)	(60,857)	(71,747)
Cross-bank transactions	(8,753)	(9,543)	(28,468)	(27,022)
Others	(39,720)	(31,425)	(106,236)	(87,964)
	<u>(66,865)</u>	<u>(67,372)</u>	<u>(195,561)</u>	<u>(186,733)</u>
	<u>\$ 859,671</u>	<u>\$ 777,941</u>	<u>\$ 2,486,777</u>	<u>\$ 2,134,870</u>

The Group provides custody, trust, investment management and consultancy services to third parties, so the Group's activities involve the planning, management and trading decisions of financial instruments. For the trust funds or investment portfolios that are managed and used on behalf of the trustee, the independent accounting reports and preparation of financial statements for internal management purposes are not included in the Group's consolidated financial statements.

c. Gain on financial assets and liabilities at fair value through profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Realized profit or loss</u>				
Commercial papers	\$ 15,422	\$ 17,126	\$ 46,428	\$ 67,999
Shares	(17,784)	65,199	106,071	67,258
Beneficiary certificates	24,559	10,483	32,315	(35,999)
Derivative financial instruments	(54,868)	(50,684)	1,077	55,982
Corporate bonds	<u>1,530</u>	<u>-</u>	<u>2,000</u>	<u>906</u>
	<u>(31,141)</u>	<u>42,124</u>	<u>187,891</u>	<u>156,146</u>
<u>Valuation</u>				
Commercial papers	(56)	348	733	(7,645)
Shares	(13,792)	3,828	33,274	1,814
Beneficiary certificates	(25,487)	12,388	40,189	30,336
PEM Group policy assets	4,139	(6,917)	13,852	(198,811)
Derivative financial instruments	50,983	(52,282)	80,301	(44,538)
Corporate bonds	<u>(4,093)</u>	<u>333</u>	<u>(567)</u>	<u>705</u>
	<u>11,694</u>	<u>(42,302)</u>	<u>167,782</u>	<u>(218,139)</u>
	<u>\$ (19,447)</u>	<u>\$ (178)</u>	<u>\$ 355,673</u>	<u>\$ (61,993)</u>

- 1) For the nine months ended September 30, 2021 and 2020, realized profit or loss of gain on financial assets and liabilities at fair value through profit or loss included disposal profit amounted to \$68,069 thousand and \$45,468 thousand, dividend income amounted to \$27,624 thousand and \$26,616 thousand and interest revenue amounted to \$92,198 thousand and \$84,062 thousand, respectively.
- 2) Net income from exchange rate commodities includes realized and unrealized gains and losses on exchange forward contracts, cross-currency options and cross-currency swaps. The translation gains or losses included net income from exchange rate commodities when significant assets and liabilities denominated in foreign currencies classified as at FVTPL are not designated for hedging relationship.

d. Realized gains on financial assets at fair value through other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Dividend income	\$ 134,111	\$ 77,994	\$ 144,329	\$ 87,920
Gain on disposal of bonds	<u>2,250</u>	<u>35,658</u>	<u>4,727</u>	<u>59,843</u>
	<u>\$ 136,361</u>	<u>\$ 113,652</u>	<u>\$ 149,056</u>	<u>\$ 147,763</u>

e. Reversal of (impairment losses) on financial assets

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Investments in debt instruments at FVTOCI	\$ (685)	\$ 15	\$ (5,839)	\$ (4,049)
Financial assets at amortized cost	<u>1,271</u>	<u>433</u>	<u>3,393</u>	<u>(2,624)</u>
	<u>\$ 586</u>	<u>\$ 448</u>	<u>\$ (2,446)</u>	<u>\$ (6,673)</u>

f. Other non-interest gains (losses), net

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
(Losses) gains on disposal of properties and equipment	\$ (73)	\$ 235	\$ 1,114	\$ 280
Others	<u>3,455</u>	<u>2,452</u>	<u>12,167</u>	<u>13,993</u>
	<u>\$ 3,382</u>	<u>\$ 2,687</u>	<u>\$ 13,281</u>	<u>\$ 14,273</u>

g. Provision for bad debts expense, commitments and guarantee liabilities

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Bad debts on receivables	\$ 28,552	\$ 41,875	\$ 130,832	\$ 100,281
(Reversal of) bad debts on notes discounted and loans	(10,408)	157,366	540,118	268,555
Losses on guarantees	14,000	11,500	42,000	25,500
(Reversal of) loan commitments	(5,001)	8,053	(16,608)	4,275
Others	<u>(4,001)</u>	<u>-</u>	<u>(222)</u>	<u>-</u>
	<u>\$ 23,142</u>	<u>\$ 218,794</u>	<u>\$ 696,120</u>	<u>\$ 398,611</u>

h. Employee benefits expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Salaries	\$ 989,588	\$ 866,715	\$ 2,859,454	\$ 2,489,827
Labor and health insurance	57,708	51,318	170,086	167,639
Pension expense	30,966	29,566	91,398	87,357
Other employee expenses	<u>58,204</u>	<u>51,111</u>	<u>155,416</u>	<u>164,770</u>
	<u>\$ 1,136,466</u>	<u>\$ 998,710</u>	<u>\$ 3,276,354</u>	<u>\$ 2,909,593</u>

i. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Bank, the Bank accrues employees' compensation and remuneration of directors at rates of 0.5%-3% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. For the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the accrual rates and amounts of employees' compensation and the remuneration of directors were as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2021	2020
Employees' compensation	0.75%	0.94%
Remuneration of directors	2.48%	1.50%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Employees' compensation	<u>\$ 11,526</u>	<u>\$ 9,469</u>	<u>\$ 31,731</u>	<u>\$ 32,884</u>
Remuneration of directors	<u>\$ 37,950</u>	<u>\$ 18,954</u>	<u>\$ 104,850</u>	<u>\$ 52,385</u>

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

The appropriations of employees' compensation and remuneration of directors for 2020 and 2019 that were resolved by the Bank's board of directors on February 25, 2021 and February 25, 2020, respectively, are as shown below:

	Cash	
	2020	2019
Employees' compensation	<u>\$ 35,975</u>	<u>\$ 38,880</u>
Remuneration of directors	<u>\$ 96,195</u>	<u>\$ 77,759</u>

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

Information on the employees' compensation and remuneration of directors resolved by the Bank's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

j. Depreciation and amortization expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Properties and equipment	\$ 50,897	\$ 54,762	\$ 154,766	\$ 162,491
Investment properties	22	22	67	67
Right-of-use assets	61,892	51,561	188,715	153,099
Intangible assets	<u>15,965</u>	<u>15,300</u>	<u>47,628</u>	<u>43,624</u>
	<u>\$ 128,776</u>	<u>\$ 121,645</u>	<u>\$ 391,176</u>	<u>\$ 359,281</u>

k. Other selling and administrative expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Taxes	\$ 181,375	\$ 163,055	\$ 539,076	\$ 497,829
Professional service	64,470	34,349	154,915	130,520
Advertisement	42,457	31,554	51,999	95,585
Insurance	44,950	37,933	132,579	119,852
Entertainment	15,865	20,676	51,066	46,565
Donation	23,502	38,956	67,194	97,123
Postage	17,938	16,830	51,788	48,844
Others	<u>177,540</u>	<u>123,686</u>	<u>399,061</u>	<u>338,404</u>
	<u>\$ 568,097</u>	<u>\$ 467,039</u>	<u>\$ 1,447,678</u>	<u>\$ 1,374,722</u>

33. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profits or loss

Major components of income tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 227,301	\$ 229,510	\$ 631,255	\$ 601,711
Income tax on unappropriated earnings	-	-	77	1,169
Adjustments for prior periods	422	(87)	(23,446)	(3,118)
Deferred tax				
In respect of the current period	<u>13,361</u>	<u>(63,138)</u>	<u>(8,150)</u>	<u>(63,730)</u>
Income tax expense recognized in profit or loss	<u>\$ 241,084</u>	<u>\$ 166,285</u>	<u>\$ 599,736</u>	<u>\$ 536,032</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Deferred tax</u>				
In respect of the current period				
Fair value changes of financial assets at FVTOCI	<u>\$ 2,639</u>	<u>\$ (3,848)</u>	<u>\$ (636)</u>	<u>\$ (74)</u>

c. Income tax assessments

The income tax returns of Taichung Commercial Bank Co., Ltd., Taichung Bank Insurance Brokers Co., Ltd., Taichung Bank Leasing Corporation Limited, and Taichung Commercial Bank Securities Co., Ltd. through 2019 have been assessed and approved by the tax authorities.

34. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Basic earnings per share	<u>\$ 0.30</u>	<u>\$ 0.27</u>	<u>\$ 0.82</u>	<u>\$ 0.72</u>
Diluted earnings per share	<u>\$ 0.30</u>	<u>\$ 0.27</u>	<u>\$ 0.82</u>	<u>\$ 0.72</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retrospectively for the issuance of bonus shares. The basic and diluted earnings per share adjusted retrospectively for the nine months ended September 30, 2020 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 0.75</u>	<u>\$ 0.72</u>
Diluted earnings per share	<u>\$ 0.75</u>	<u>\$ 0.72</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net profit for the period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Earnings used in the computation of basic earnings per share	<u>\$ 1,290,526</u>	<u>\$ 1,096,201</u>	<u>\$ 3,566,844</u>	<u>\$ 2,937,039</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,290,526</u>	<u>\$ 1,096,201</u>	<u>\$ 3,566,844</u>	<u>\$ 2,937,039</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	4,338,521	4,077,271	4,338,521	4,077,271
Effect of potentially dilutive ordinary shares Employees' compensation or bonuses issued to employees	<u>2,735</u>	<u>3,211</u>	<u>3,406</u>	<u>3,889</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>4,341,256</u>	<u>4,080,482</u>	<u>4,341,927</u>	<u>4,081,160</u>

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

35. RELATED-PARTY TRANSACTIONS

Related Party	Relationship with the Group
China Man-Made Fiber Corporation	Parent company of the Bank
Hsu Tian Investment Co., Ltd.	Legal director of the Bank
Pan Asia Chemical Co., Ltd. and Ho Yang Management Consultant Co., Ltd. (Note 2)	Legal directors of the Bank
Kuei-Fong Wang (Note 1)	Natural director of the Bank
Te-Wei Chia (Note 1)	General manager and legal representatives of the Bank's director
Hsin-Chang Tsai, Li-Woon Lim, Pi-Ta Chen, Chien-An Shin (Note 1)	Independent director of the Bank
Jin-Yi Lee (Note 2)	Independent director of the Bank
Hsin-Ching Chang, Wei-Liang Lin, Ming-Hsiung Huang, Siou-Huei Ye, Shih-Yi Chiang, Li-Tzu Lai (Note 1)	Legal representatives of the Bank's director
Lai-Hsing Tsai, Chien-Hui Huang, Ming-Shan Chuang (Note 2)	Legal representatives of the Bank's director
24 persons including the Chairman and general manager's spouse	The spouses and second-degree relatives, etc. of the Bank's chairman and general managers
41 persons including the director of the Board's spouse	The spouses and children of the Bank's directors
7 persons including Yi-Yuan Tung	Key management personnel

(Continued)

Related Party	Relationship with the Group
17 persons including associate general manager's spouse	The spouses and children of the Bank's associate general managers
107 persons including Hung-Lung Tsai	Managers of the Bank
11 persons including Kuei-Hsien Wang	The spouses and children of the parent company's chairman and general managers
Taichung Bank Securities Investment Trust Co., Ltd.	Associate accounted for using the equity method
China Fiber Investment Co., Ltd.	Related party in substance
Pan Asia Investment Co., Ltd.	Related party in substance
Taichung Commercial Bank Cultural and Educational Foundation, Taichung Commercial Bank Workers' Welfare Commission	Related party in substance
Deh Hsing Investment Co., Ltd.	Related party in substance
Iolite Company Limited	Related party in substance
Hammock (Hong Kong) Company Limited	Related party in substance
Hebei Hanoshi Contact Lens Co., Ltd.	Related party in substance
Chou Chin Industrial Co., Ltd.	Related party in substance
Chou Chang Co., Ltd.	Related party in substance
Pan Feng Enterprise Co., Ltd.	Related party in substance
Greenworld Food Co., Ltd.	Related party in substance
Nan Chung Petrochemical Corporation	Related party in substance
Je Mi Fang Corporation	Related party in substance
Rai Chia Investment Co., Ltd.	Related party in substance
Xiang Fong Development Co., Ltd.	Related party in substance
Reliance Securities Co., Ltd.	Related party in substance
Sheen Ren Knitting Factory Co., Ltd.	Related party in substance
Ta Fa Investment Co., Ltd.	Related party in substance
Formosa Imperial Wineseller Corp.	Related party in substance
Tou Ming Industry Limited Company	Related party in substance
Jin Bang Ge Industrial Company Limited.	Related party in substance
Ta Yi Development Co., Ltd.	Related party in substance
Yu Hui Limited	Related party in substance
Formosawine Vintners Corporation	Related party in substance
Bomi International Co., Ltd.	Related party in substance
Shanghai Bomi Food Co., Ltd.	Related party in substance
Noble House Global Limited	Related party in substance
Noble House Glory Corporation	Related party in substance
Wang Wanjin Culture and Education Foundation	Related party in substance
Chaoqing Investment Co., Ltd.	Related party in substance
Sheng Yuan Ze Investment Limited Company	Related party in substance
Pan Hsu Investment Co., Ltd.	Related party in substance
Precious Wealth International Limited	Related party in substance
Storm Model Management Co., Ltd.	Related party in substance
Bonwell Praise Co., Ltd.	Related party in substance
Chen Teng Public Relations (Shanghai) Company	Related party in substance
Shanghai Bomi Consulting management Limited Company	Related party in substance
Shuo-Jung Co., Ltd.	Related party in substance
Fengteng Co., Ltd.	Related party in substance
Shanghai Nianjia Culture Communication Co., Ltd.	Related party in substance
General Pride Enterprise Co., Ltd.	Related party in substance

(Continued)

<u>Related Party</u>	<u>Relationship with the Group</u>
Fengqi Investment Co., Ltd.	Related party in substance
Reliance Kuan Chun Venture Capital Co., Ltd.	Related party in substance
Reliance Securities Investment Consultant Co., Ltd.	Related party in substance
Reliance Kuan Chun Venture Management Consulting Co., Ltd.	Related party in substance
Shen Ching Investment Co., Ltd.	Related party in substance
Fu Ching Co., Ltd.	Related party in substance
Lei Fu Life Business Co., Ltd.	Related party in substance

(Concluded)

Note 1: 12 directors out of 24 directors (including 4 independent directors), were elected at the shareholders' meeting of the Bank on June 30, 2020. The followings were respectively elected as directors: Kuei-Fong Wang and Ming-Hsiung Huang (legal representative of Hsu Tian Investment Co., Ltd.), Wei-Liang Lin (legal representative of Hsu Tian Investment Co., Ltd.), Te-Wei Chia (legal representative of Hsu Tian Investment Co., Ltd.), Shih-Yi Chiang (legal representative of Hsu Tian Investment Co., Ltd.), Hsin-Ching Chang (legal representative of Hsu Tian Investment Co., Ltd.), Siou-Huei Ye (legal representative of Hsu Tian Investment Co., Ltd.), Li-Tzu Lai (legal representative of Hsu Tian Investment Co., Ltd.), Hsin-Chang Tsai (independent directors of the Bank), Li-Woon Lim (independent directors of the Bank), Chien-An Shin (independent directors of the Bank) and Pi-Ta Chen (independent directors of the Bank).

Note 2: Resigned after the shareholders' meeting of the Bank on June 30, 2020.

Significant transactions between the Group and its related parties

a. Loans

For the nine months ended September 30, 2021

	Numbers/ Name	Highest Balance	Balance, End of the Period	Compliance		Interest Revenue	Collateral	The Difference Between Related and Non-related Party
				Performing Loans	Overdue Loans			
Employees' consumption loans	13	\$ 6,117	\$ 4,180	\$ 4,180	\$ -	\$ 47	Credit loans	None
Loans on mortgage	42	237,541	169,257	169,257	-	1,365	Real estate	None
Other loans	Zeng OO	138	110	110	-	2	Real estate	None
	Lee OO	2,414	2,309	2,309	-	23	Real estate	None
	Chang OO	4,500	-	-	-	4	Real estate	None
	Liu OO	1,774	329	329	-	8	Real estate	None
	Tsai OO	5,000	-	-	-	8	Real estate	None
	Lin OO	412	344	344	-	-	Real estate	None
	Chiu OO	1,500	-	-	-	13	Real estate	None
	Chen OO	70,000	40,000	40,000	-	389	Real estate	None
	Fang OO	31,032	15,416	15,416	-	129	Real estate	None
	Wang OO	3,000	3,000	3,000	-	30	Real estate	None
	Lin OO	25,600	16,700	16,700	-	238	Real estate	None
	Tsai OO	248	147	147	-	3	Real estate	None
	Liang OO	767	677	677	-	6	Real estate	None
	Ye OO	11,000	11,000	11,000	-	102	Real estate	None
	Huang OO	1,435	1,332	1,332	-	14	Real estate	None
	Chuang OO	1,314	-	-	-	7	Real estate	None
	Chiu OO	2,935	2,705	2,705	-	25	Real estate	None
	Hsu OO	2,200	2,200	2,200	-	24	Real estate	None
	Huang OO	15,000	15,000	15,000	-	-	Real estate	None

For the nine months ended September 30, 2020

	Numbers/ Name	Highest Balance	Balance, End of the Period	Compliance		Interest Revenue	Collateral	The Difference Between Related and Non-related Party
				Performing Loans	Overdue Loans			
Employees' consumption loans	12	\$ 4,029	\$ 3,067	\$ 3,067	\$ -	\$ 39	Credit loans	None
Loans on mortgage	35	180,915	125,027	125,027	-	1,149	Real estate	None
Other loans	Lee OO	2,552	2,449	2,449	-	27	Real estate	None
	Liu OO	1,911	1,809	1,809	-	19	Real estate	None
	Lin OO	504	435	435	-	-	Real estate	None
	Fang OO	21,732	11,816	11,816	-	29	Real estate	None
	Lin OO	18,800	17,900	17,900	-	229	Real estate	None
	Tsai OO	380	281	281	-	4	Real estate	None
	Liang OO	886	797	797	-	8	Real estate	None
	Ye OO	11,000	11,000	11,000	-	113	Real estate	None
	Huang OO	1,570	1,469	1,469	-	17	Real estate	None
	Chiu OO	3,238	3,012	3,012	-	31	Real estate	None

According to Articles 32 and 33 of the Banking Act, credit loans cannot be made to related party except loans to government and consumers; secured loans to related party shall be provided with adequate collateral, and the terms of credits to related party should be similar to those for third parties.

b. Deposits

	<u>For the Nine Months Ended September 30, 2021</u>		
	Ending Balance	Interest Ratio	Interest Expense
Taichung Bank Securities Investment Trust Co., Ltd.	\$ 134,179	0.00-0.79	\$ 493
Taichung Commercial Bank Workers' Welfare Commission	135,575	0.01-4.80	5,234
China Man-Made Fiber Corporation	51,509	0.01-0.05	18
Taichung Commercial Bank Cultural and Educational Foundation	8,257	0.01-0.84	51
Formosa Imperial Wineseller Corp.	66	0.04	-
Greenworld Food Co., Ltd.	6,260	0.04	1
Pan Asia Chemical Corporation	64,463	0.01-0.04	7
Chou Chin Industrial Co., Ltd.	16,864	0.01-0.04	1
Chou Chang Co., Ltd.	3,444	0.01	-
Je Mi Fang Corporation	20,155	0.04-0.81	104
Yu Hui Limited	4	0.01	-
Hsu Tian Investment Co., Ltd.	25,810	0.01-0.05	1
Pan Asia Investment Co., Ltd.	7	0.01	-
Pan Hsu Investment Co., Ltd.	8	0.01	-
Reliance Securities Co., Ltd.	10,044	0.04-0.55	53
Shuo-Jung Co., Ltd.	36,638	0.01	1
Deh Hsing Investment Co., Ltd.	1	0.04	1
Fengqi Investment Co., Ltd.	6	0.04	-
Others	<u>386,497</u>	0.00-4.80	<u>2,711</u>
	<u>\$ 899,787</u>		<u>\$ 8,676</u>

For the Nine Months Ended September 30, 2020

	Ending Balance	Interest Ratio	Interest Expense
Taichung Bank Securities Investment Trust Co., Ltd.	\$ 165,492	0.00-1.05	\$ 886
Taichung Commercial Bank Workers' Welfare Commission	144,687	0.01-4.80	5,450
China Man-Made Fiber Corporation	127,662	0.01-0.05	20
Taichung Commercial Bank Cultural and Educational Foundation	8,285	0.01-0.84	55
Formosa Imperial Wineseller Corp.	659	0.04	-
Greenworld Food Co., Ltd.	6,557	0.04	1
Pan Asia Chemical Corporation	22,843	0.01-0.04	5
Pan Feng Enterprise Co., Ltd.	198	0.04	-
Chou Chin Industrial Co., Ltd.	28,990	0.01-0.04	1
Chou Chang Co., Ltd.	4,784	0.01	-
Je Mi Fang Corporation	20,020	0.04-0.81	9
Yu Hui Limited	4	0.01	-
Hsu Tian Investment Co., Ltd.	37,905	0.01-0.04	1
Pan Asia Investment Co., Ltd.	6	0.01	-
Pan Hsu Investment Co., Ltd.	4	0.01	-
Reliance Securities Co., Ltd.	13,730	0.04-0.55	78
Shuo-Jung Co., Ltd.	15,401	0.01	-
Deh Hsing Investment Co., Ltd.	6,833	0.04	3
Others	<u>315,388</u>	0.00-4.80	<u>2,900</u>
	<u>\$ 919,448</u>		<u>\$ 9,409</u>

The interest rates did not significantly differ from those with ordinary customers except for the interest rates on the Bank's employee deposits at 4.80% as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

c. Financial debentures

The Bank issued, first no due date non-cumulative subordinated financial debenture on 2015, first no due date non-cumulative subordinated financial debenture on 2016, first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture, third no due date non-cumulative subordinated financial debenture, fourth no due date non-cumulative subordinated financial debenture and fifth no due date non-cumulative subordinated financial debenture on 2017, first no due date non-cumulative subordinated financial debenture and second no due date non-cumulative subordinated financial debenture on 2018, and entrusted Concord Securities Co., Ltd. and KGI Securities Co., Ltd. as financial advisors for the issuance and collection of bonds.

As of September 30, 2021, the related party subscribed for the financial debentures issued by the Bank through underwriting brokers were as follows:

Counterparty	Subscription	Period
Hsu Tian Investment Co., Ltd.	\$ 4,000,000	First no due date non-cumulative subordinated financial debenture on 2015, first no due date non-cumulative subordinated financial debenture on 2016, first no due date non-cumulative subordinated financial debenture and fifth no due date non-cumulative subordinated financial debenture on 2017, first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture on 2018
Others	3,750,000	First no due date non-cumulative subordinated financial debenture on 2015, first no due date non-cumulative subordinated financial debenture on 2016, first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture, third no due date non-cumulative subordinated financial debenture, fourth no due date non-cumulative subordinated financial debenture, fifth no due date non-cumulative subordinated financial debenture on 2017, first no due date non-cumulative subordinated financial debenture and second no due date non-cumulative subordinated financial debenture on 2018

The interest payables on the financial debentures of the abovementioned related parties amounted to \$182,347 thousand, \$47,108 thousand and \$193,399 thousand on September 30, 2021, December 31, 2020 and September 30, 2020, respectively. The interest expenses amounted to \$75,988 thousand, \$79,588 thousand, \$225,486 thousand and \$239,574 thousand for the three months ended September 30, 2021 and 2020, and for the nine months ended September 30, 2021 and 2020, respectively.

d. Service fee income

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Taichung Bank Securities Investment Trust Co., Ltd.	<u>\$ 222</u>	<u>\$ 129</u>	<u>\$ 590</u>	<u>\$ 425</u>

The above amounts are for the promotion and channel revenue, etc. The price of transactions with its related party is similar to those of the non-Related party.

e. Other expenses

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Greenworld Food Co., Ltd.	\$ 215	\$ 349	\$ 564	\$ 901
Je Mi Fang Corporation	-	-	-	1,472
Pan Feng Enterprise Co., Ltd.	<u>-</u>	<u>80</u>	<u>-</u>	<u>161</u>
	<u>\$ 215</u>	<u>\$ 429</u>	<u>\$ 564</u>	<u>\$ 2,534</u>

The above amounts are other business expenses. The price of transactions with its related party is similar to those of the non-related party.

f. Remuneration of directors and key management personnel

For the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the amounts of remuneration of directors and key management personnel were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term benefits	\$ 70,440	\$ 54,711	\$ 233,874	\$ 177,077
Post-employee benefits	287	328	862	982
Other long-term benefits	<u>-</u>	<u>4</u>	<u>2</u>	<u>13</u>
	<u>\$ 70,727</u>	<u>\$ 55,043</u>	<u>\$ 234,738</u>	<u>\$ 178,072</u>

36. PLEDGED ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
Call loans to other banks - time deposits	\$ 200,000	\$ 200,000	\$ 200,000
Restricted assets - cash in banks	370,923	436,106	422,893
Notes receivable	3,099,029	2,426,158	2,327,677
Investments in debt instruments at amortized cost			
- government bonds	916,600	920,400	920,400
Deposit reserves for demand accounts	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
	<u>\$ 9,586,552</u>	<u>\$ 8,982,664</u>	<u>\$ 8,870,970</u>

Call loans to other banks - time deposits were the provision for operation deposit. Restricted assets - cash in banks and notes receivable were the guarantee for financing to other banks. Government bonds were pledged as collateral to the district court for litigation related to the overdraft of the clearing account and the compensation reserve for the securities firm and the trust business. The details were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Guarantee to district court for litigation	\$ 356,600	\$ 360,400	\$ 360,400
Collateral for overdraft of clearing account	500,000	500,000	500,000
Reserve of trust compensation	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
	<u>\$ 916,600</u>	<u>\$ 920,400</u>	<u>\$ 920,400</u>

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Notes 8, 11 and 24, significant commitments and contingencies of the Group as of September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

a. Significant commitments

	September 30, 2021	December 31, 2020	September 30, 2020
Loan commitments (excluding credit cards)	\$ 145,808,568	\$ 143,630,068	\$ 142,279,682
Loan commitments - credit cards	13,600,717	12,799,065	12,670,498
Guarantee receivables	26,703,920	22,879,091	19,536,341
Trust liabilities	74,076,899	65,050,103	64,713,932
Letters of credit	4,418,696	3,430,243	3,301,684
Lease contract commitments	1,159,906	2,121,644	2,125,587

b. According to Article 17 of the Implementation Rules of Trust Law, the Bank should disclose its balance sheet of trust account and its asset items, which were as follows:

Trust Account Balance Sheet September 30, 2021

Trust Assets	Amount	Trust Liabilities	Amount
Cash in banks	\$ 5,848,424	Securities under custody	
Debentures	7,597,784	payable	\$ 5,142,520
Stocks	3,129,302	Trust capital	68,934,379
Funds	46,529,340	Net income	899,077
Structured finance instruments	1,593,483	Deferred carryover amounts	<u>(899,077)</u>
Real estate			
Land	4,101,659		
Buildings	134,387		
Securities under custody	<u>5,142,520</u>		
Trust assets	<u>\$ 74,076,899</u>	Trust liabilities	<u>\$ 74,076,899</u>

Trust Account Asset Items September 30, 2021

Item	Amount
Cash in banks	\$ 5,848,424
Debentures	7,597,784
Stocks	3,129,302
Funds	46,529,340
Structured finance instruments	1,593,483
Real estate	
Land	4,101,659
Buildings	134,387
Securities under custody	<u>5,142,520</u>
	<u>\$ 74,076,899</u>

**Trust Account Income Statement
Nine Months Ended September 30, 2021**

	Amount
Trust income	
Interest revenue	\$ 1,817,987
Trust expense	
Management fee	(918,910)
Tax	<u>-</u>
Income before income tax	899,077
Income tax expense	<u>-</u>
Net income	<u><u>\$ 899,077</u></u>

**Trust Account Balance Sheet
December 31, 2020**

Trust Assets	Amount	Trust Liabilities	Amount
Cash in banks	\$ 4,689,969	Securities under custody	
Debentures	7,976,548	payable	\$ 2,918,386
Stocks	2,285,436	Trust capital	62,131,717
Funds	43,580,019	Net income	1,569,531
Structured finance instruments	1,406,286	Deferred carryover amounts	<u>(1,569,531)</u>
Real estate			
Land	2,056,768		
Buildings	136,691		
Securities under custody	<u>2,918,386</u>		
Trust assets	<u><u>\$ 65,050,103</u></u>	Trust liabilities	<u><u>\$ 65,050,103</u></u>

**Trust Account Asset Items
December 31, 2020**

Item	Amount
Cash in banks	\$ 4,689,969
Debentures	7,976,548
Stocks	2,285,436
Funds	43,580,019
Structured finance instruments	1,406,286
Real estate	
Land	2,056,768
Buildings	136,691
Securities under custody	<u>2,918,386</u>
	<u><u>\$ 65,050,103</u></u>

Trust Account Income Statement
Year Ended December 31, 2020

	Amount
Trust income	
Interest revenue	\$ 2,641,698
Trust expense	
Management fee	(1,072,146)
Tax	<u>(21)</u>
Income before income tax	1,569,531
Income tax expense	<u>-</u>
Net income	<u><u>\$ 1,569,531</u></u>

Trust Account Balance Sheet
September 30, 2020

Trust Assets	Amount	Trust Liabilities	Amount
Cash in banks	\$ 4,586,339	Securities under custody	
Debentures	7,629,576	payable	\$ 4,140,562
Stocks	1,839,313	Trust capital	60,573,370
Funds	43,425,981	Net income	1,228,699
Structured finance instruments	1,316,282	Deferred carryover amounts	<u>(1,228,699)</u>
Real estate			
Land	1,641,939		
Buildings	133,940		
Securities under custody	<u>4,140,562</u>		
Trust assets	<u><u>\$ 64,713,932</u></u>	Trust liabilities	<u><u>\$ 64,713,932</u></u>

Trust Account Asset Items
September 30, 2020

Item	Amount
Cash in banks	\$ 4,586,339
Debentures	7,629,576
Stocks	1,839,313
Funds	43,425,981
Structured finance instruments	1,316,282
Real estate	
Land	1,641,939
Buildings	133,940
Securities under custody	<u>4,140,562</u>
	<u><u>\$ 64,713,932</u></u>

Trust Account Income Statement
Nine Months Ended September 30, 2020

	Amount
Trust income	
Interest revenue	\$ 1,996,340
Trust expense	
Management fee	(767,641)
Tax	-
Income before income tax	1,228,699
Income tax expense	-
Net income	<u>\$ 1,228,699</u>

c. Maturity analysis of lease commitments and capital expenditures

The lease contract commitments of the Group include operating leases and finance leases.

Operating lease commitment is the minimum lease payment when the Group is lessee or lessor with non-cancellation condition. The lease contract commitments of the operating leases are referred to in Note 19.

The finance lease commitments refer to the total lease investment of the lessor under the finance lease conditions and the present value of the minimum lease payments receivable.

Capital expenditure commitments represent contractual commitments for the acquisition of capital expenditures on construction and equipment.

Considering the expansion of business scale and the increasing number of employees in the future, the Group held a tender for the construction project of head office through an online open bidding process on February 11, 2019. Dacin Construction Co., Ltd. and Earthpower Co., Ltd. won the bidding, both parties entered into a joint venture agreement worth \$11,160,000 thousand on March 29, 2019, and started construction on April 27, 2019. In order to improve construction safety, both parties agreed to change the “reverse drilling steel column well type foundation alternative construction method” and the “raft foundation beam structure optimization alternative plan”. The first supplementary agreement was made on January 8, 2021, and the total contract price after the change is \$11,155,943 thousand. In addition, the Group entered into a contract of planning, design and supervision worth \$480,492 thousand with YSL Architects & Associates.

Maturity analysis of lease commitments and capital expenditures is summarized as follows:

Financing lease income

	September 30, 2021	December 31, 2020	September 30, 2020
Year 1	\$ 3,363,720	\$ 2,259,461	\$ 2,135,237
Year 2	318,622	785,605	724,972
Year 3	62,003	219,267	198,697
Year 4	12,739	13,030	13,030
Year 5	12,739	13,030	13,030
Year 6 onwards	157,937	171,350	174,750
	<u>\$ 3,927,760</u>	<u>\$ 3,461,743</u>	<u>\$ 3,259,716</u>

Present value of financing lease income

	September 30, 2021	December 31, 2020	September 30, 2020
Year 1	\$ 2,993,485	\$ 2,006,629	\$ 1,901,142
Year 2	290,723	712,027	661,091
Year 3	51,198	188,214	165,460
Year 4	3,890	3,457	3,376
Year 5	4,257	3,805	3,715
Year 6 onwards	<u>91,408</u>	<u>93,881</u>	<u>95,009</u>
	<u>\$ 3,434,961</u>	<u>\$ 3,008,013</u>	<u>\$ 2,829,793</u>

Capital expenditure commitment

	September 30, 2021	December 31, 2020	September 30, 2020
Year 1	\$ 1,997,741	\$ 3,949,454	\$ 203,194
Year 2	2,580,464	3,309,926	3,987,621
Year 3	3,068,448	1,236,643	3,213,827
Year 4	<u>-</u>	<u>14,394</u>	<u>1,236,643</u>
	<u>\$ 7,646,653</u>	<u>\$ 8,510,417</u>	<u>\$ 8,641,285</u>

- d. The Bank and Pihsiang Energy Technology Co., Ltd. are parties in a consumer consignment litigation. The Taichung District Court of first instance issued a civil judgment on the 2018 case No. 598 that the Bank lost the case on February 4, 2020. The claim of Pihsiang Energy Technology Co., Ltd. against the Bank is \$100 million, and the interest shall be calculated at 5% per annum from April 10, 2018 to the settlement date. The litigation costs shall be borne by the defendant (i.e., the Bank). The appointed lawyer of the Bank assessed that the content of the original judgment is contradictory and unprovoked. Therefore, the Bank filed an appeal on February 27, 2020, and is now in the High Court Taichung Branch as 2020 renewed trial No. 78. According to the civil judgment on the 2018 case No. 598 on February 4, 2020, the Bank has prepared in advance the outstanding indemnities (statutory fruits and litigation costs) of the open litigation. Movements of the outstanding loss provision were as follows:

	September 30, 2021
Balance, January 1, 2021	\$ 14,090
Loss provision	<u>3,750</u>
Balance, September 30, 2021	<u>\$ 17,840</u>

For the nine months ended September 30, 2021, the loss provision was the recognized interest expense.

38. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the carrying amounts of financial instruments recognized in the consolidated financial statements approximate their fair values or that the fair values cannot be reasonably measured. Therefore, those were not disclosed in this note.

1) Fair value hierarchy

September 30, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Investments in debt instruments at amortized cost	\$ 107,885,401	\$ 84,576,542	\$ 24,076,759	\$ -	\$ 108,653,301
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Bank debentures	11,500,000	-	11,636,349	-	11,636,349

December 31, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Investments in debt instruments at amortized cost	\$ 113,544,854	\$ 89,450,493	\$ 25,317,446	\$ -	\$ 114,767,939
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Bank debentures	11,500,000	-	11,663,699	-	11,663,699

September 30, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Investments in debt instruments at amortized cost	\$ 113,272,223	\$ 88,457,336	\$ 25,903,097	\$ -	\$ 114,360,433
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Bank debentures	11,500,000	-	11,663,367	-	11,663,367

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Non-derivatives	The market transaction price in the non-active market is taken as the fair value.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	September 30, 2021			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ 4,523,827	\$ -	\$ 4,523,827	\$ -
Commercial papers	25,535,700	25,535,700	-	-
Domestic listed shares and emerging market shares	711,860	649,964	61,896	-
Domestic unlisted shares	46,290	-	-	46,290
Beneficiary certificates	534,016	534,016	-	-
Domestic corporate bonds	434,065	434,065	-	-
Others	805,986	-	805,986	-
	<u>\$ 32,591,744</u>	<u>\$ 27,153,745</u>	<u>\$ 5,391,709</u>	<u>\$ 46,290</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic unlisted shares	\$ 831,171	\$ -	\$ -	\$ 831,171
Domestic listed shares	2,744,604	2,744,604	-	-
Foreign listed shares	314,319	314,319	-	-
Investments in debt instruments				
Domestic corporate bonds	31,033,757	31,033,757	-	-
Domestic government bonds	5,160,426	5,160,426	-	-
Foreign bonds	3,128,378	-	3,128,378	-
Bank debentures	2,208,208	2,208,208	-	-
	<u>\$ 45,420,863</u>	<u>\$ 41,461,314</u>	<u>\$ 3,128,378</u>	<u>\$ 831,171</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	\$ 529,839	\$ -	\$ 529,839	\$ -

Reconciliation of Level 3 fair value measurements of financial instruments:

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer Out	
Financial assets at FVTPL							
Unlisted shares	\$ 7,508	\$ 6,282	\$ 32,500	\$ -	\$ -	\$ -	\$ 46,290

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer Out	
Financial assets at FVTOCI							
Unlisted shares	\$ 751,556	\$ 79,615	\$ -	\$ -	\$ -	\$ -	\$ 831,171

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ 3,670,250	\$ -	\$ 3,670,250	\$ -
Commercial papers	24,872,947	24,872,947	-	-
Domestic listed shares and emerging market shares	862,462	794,600	67,862	-
Foreign listed shares	88,533	88,533	-	-
Domestic unlisted shares	7,508	-	-	7,508
Beneficiary certificates	363,744	363,744	-	-
Domestic corporate bonds	203,112	203,112	-	-
Others	799,269	-	799,269	-
	<u>\$ 30,867,825</u>	<u>\$ 26,322,936</u>	<u>\$ 4,537,381</u>	<u>\$ 7,508</u>

(Continued)

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic unlisted shares	\$ 751,556	\$ -	\$ -	\$ 751,556
Domestic listed shares	2,113,147	2,113,147	-	-
Foreign listed shares	311,404	311,404	-	-
Investments in debt instruments				
Domestic corporate bonds	26,959,132	26,959,132	-	-
Domestic government bonds	5,379,466	5,379,466	-	-
Foreign bonds	3,486,270	-	3,486,270	-
Bank debentures	<u>2,008,865</u>	<u>2,008,865</u>	<u>-</u>	<u>-</u>
	<u>\$ 41,009,840</u>	<u>\$ 36,772,014</u>	<u>\$ 3,486,270</u>	<u>\$ 751,556</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	\$ 785,819	\$ -	\$ 785,819	\$ -

(Concluded)

Reconciliation of Level 3 fair value measurements of financial instruments:

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer Out	
Financial assets at FVTPL							
Unlisted shares	\$ -	\$ 8	\$ 45,000	\$ -	\$ -	\$ 37,500	\$ 7,508

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer Out	
Financial assets at FVOCI							
Unlisted shares	\$ 664,957	\$ 86,599	\$ -	\$ -	\$ -	\$ -	\$ 751,556

	September 30, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ 3,009,660	\$ -	\$ 3,009,660	\$ -
Commercial papers	20,399,973	20,399,973	-	-
Domestic listed shares and emerging market shares	690,571	660,730	29,841	-
Domestic unlisted shares	37,500	-	-	37,500
Beneficiary certificates	287,577	287,577	-	-
Domestic corporate bonds	141,161	141,161	-	-
Others	<u>801,209</u>	<u>-</u>	<u>801,209</u>	<u>-</u>
	<u>\$ 25,367,651</u>	<u>\$ 21,489,441</u>	<u>\$ 3,840,710</u>	<u>\$ 37,500</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic unlisted shares	\$ 778,983	\$ -	\$ -	\$ 778,983
Domestic listed shares	1,663,402	1,663,402	-	-
Foreign listed shares	297,716	297,716	-	-
Investments in debt instruments				
Domestic corporate bonds	26,228,004	26,228,004	-	-
Domestic government bonds	5,581,002	5,581,002	-	-
Foreign bonds	2,399,499	-	2,399,499	-
Bank debentures	<u>2,006,918</u>	<u>2,006,918</u>	<u>-</u>	<u>-</u>
	<u>\$ 38,955,524</u>	<u>\$ 35,777,042</u>	<u>\$ 2,399,499</u>	<u>\$ 778,983</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	\$ 473,634	\$ -	\$ 473,634	\$ -

Reconciliation of Level 3 fair value measurements of financial instruments:

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer Out	
Financial assets at FVTPL Unlisted shares	\$ -	\$ -	\$ 37,500	\$ -	\$ -	\$ -	\$ 37,500

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer Out	
Financial assets at FVTOCI Unlisted shares	\$ 664,957	\$ 114,026	\$ -	\$ -	\$ -	\$ -	\$ 778,983

There were no transfers between Levels 1 and 2 for the nine months ended September 30, 2021 and 2020.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Non-derivatives	The market transaction price in the non-active market is taken as the fair value.
Derivatives	
Option contracts	Valuation model: The execution price, maturity date, market volatility, interest rate and exchange rate set by the contract are used as valuation parameters. The model with closed-form solution is then used for valuation.
Cross-currency swap contracts, Foreign exchange forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and forward rates of contracts, discounted at a rate that reflects the credit risk of various counterparties.
Asset swap contract	The closing price for convertible corporate bond minus bond value. The pure bond value is discounted by the cash flow provided by the convertible corporate bond in accordance with Taiwan Bills Index Rate (TAIBIR).
Structured finance instruments	
Interest rate-linked structured instruments	The counterparty quotes.

3) The quantitative information on fair value of significant unobservable input (Level 3)

The quantitative information on unobservable inputs of the financial instruments classified as Level 3, and held by the Group on September 30, 2021, December 31, 2020 and September 30, 2020, were as follows:

Items	Fair value on September 30, 2021	Fair value on December 31, 2020	Fair value on September 30, 2020	Valuation Techniques	Significant Unobservable Input	Range (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at fair value through profit or loss Domestic unlisted shares	\$ 46,290	\$ 7,508	\$ 37,500	Seller's quote (Monte Carlo Simulation Method)	Volatility rate	31.00%-32.00%	The lower the volatility rate, the higher the fair value
					Minority equity volatility rate	9.21%-43.03%	The lower the minority equity volatility rate, the higher the fair value
Financial assets at fair value through other comprehensive income Domestic unlisted shares	831,171	751,556	778,983	Seller's quote (Monte Carlo Simulation Method)	Volatility rate	24.37%-24.78%	The lower the volatility rate, the higher the fair value

4) The assessment of Level 3 fair value

The Group assessed fair value in accordance with valuation report provided by independent company, and compiled the valuation results into a quarterly report presented to the board of directors.

5) Sensitivity analysis of Level 3 fair value if reasonable possible alternative assumptions may be used.

The Group uses market multiple approach to estimate the volatility rate of quantitative information on its significant unobservable input. The sensitivity analysis based on category of assets is as follows:

September 30, 2021

Significant Unobservable Input	Sensitivity Rate	Impact
Liquidity discount ratio	Increase 10%	\$ (21,103)
	Decrease 10%	21,103

December 31, 2020

Significant Unobservable Input	Sensitivity Rate	Impact
Liquidity discount ratio	Increase 10%	\$ (16,463)
	Decrease 10%	16,463

September 30, 2020

Significant Unobservable Input	Sensitivity Rate	Impact
Liquidity discount ratio	Increase 10%	\$ (18,245)
	Decrease 10%	18,245

c. Categories of financial instruments

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 32,591,744	\$ 30,867,825	\$ 25,367,651
Financial assets at amortized cost (Note 1)	654,775,983	650,143,386	634,764,837
Financial assets at FVTOCI			
Equity instruments	3,890,094	3,176,107	2,740,101
Debt instruments	41,530,769	37,833,733	36,215,423
<u>Financial liabilities</u>			
Financial liabilities at FVTPL	529,839	785,819	473,634
Financial liabilities at amortized cost (Note 2)	684,601,589	675,549,880	656,793,323

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, due from the Central Bank and call loans to other banks, investment in debt instrument at amortized cost, securities purchased under resell agreements, receivables, notes discounted and loans, restricted assets, refundable deposits, receipts under payment for shares underwriting and other financial assets.

Note 2: The balances include financial liabilities at amortized cost, which comprise due to the Central Bank and other banks, funds borrowed from the Central Bank and other banks, securities sold under repurchase agreements, payables, deposits and remittances, bank debentures, other financial liabilities, and guarantee deposits received.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The financial risk management objectives of the Group is to achieve the goal of balancing risk tolerance, business objectives and external legal restrictions. These risks include market risks (including interest rate, exchange rate, equity securities and product price) and liquidity risks of on and off-balance sheet business.

The Group has formulated a relevant risk management policy, which has been approved by the board of directors to effectively identify, measure, monitor and control credit risk, market risk and liquidity risk.

Risk Management Organizational Structure

The board of directors is the highest decision-making unit for the Group's corporate risk management and assumes the ultimate responsibility for risk management. The Group has a risk management committee and a risk management department, which grants risk authority and confers responsibilities on the relevant departments to ensure the smooth operation of risk management. The responsibilities of the committee are as follows:

- a. Consideration of the risk management programme.
- b. Consideration and review of risk limits.
- c. Consideration of the bill on institutionalization of risk management.

- d. Report to the board of directors regularly.

Members of the risk management committee set up various risk management measurement indicators according to the nature of their business and the scope of their duties, and the risk management department should report to the risk management committee to provide a reference for senior decision-making.

- 1) Market risk

- a) The source and definition of market risk

Market risks refer to the loss due to the changes in market price, such as the changes of the market interest rate, the exchange rate, the share price and the product price.

- b) Market risk management policy

The objective of the Group market risk management is to develop a sound and effective market risk management mechanism that is consistent with the size, nature and complexity of the Group's business to ensure that the risks borne by the Group can be properly managed and market risks are effectively identified, measured, monitored and controlled, and strike a balance between the level of risk tolerance and the expected level of compensation.

- c) Market risk management process

- i. Identification and measurement

The relevant market risks should be assessed through appropriate procedures to consider whether the risk is within an acceptable risk range before new products, business activities, processes and systems are rolled out or operated. The relevant units should use the methods of business analysis or product analysis to identify the sources of market risks, define the market risk factors of each financial commodity and make appropriate specifications.

Market risk measurement can use a variety of effective measures to properly measure risk, including but not limited to the following methods: Statistical basis of measures, sensitivity analysis and situational analysis. The risk management department should measure the risk of the site on a daily basis and conduct regular stress tests to measure the amount of abnormal losses that may occur under the current or historical extremes.

- ii. Monitoring and reporting

The risk management department should report to the risk management committee and the board of directors regularly on the implementation of the Group's market risk management, including the Group's market risk allocation, risk level, profit and loss status, quota usage and compliance with relevant market risk management regulations and suggestions. The authorities also set up relevant limit management, stop loss mechanism, overrun treatment and exception management methods to effectively monitor market risks. In the event of an overrun or exception, it should be notified immediately to facilitate the immediate response.

- d) Interest rate risk

- i. Definition of interest rate risk

Interest rate risk refers to the change in interest rate, which causes the Group to bear the risk of changes in the fair value of the interest rate risk or the loss of surplus liquidity. The main sources of risk include deposits and interest rate-related securities.

ii. Measurement methods and management procedures

The Group monitors the interest rate risk system, sets the scope of the indicators to regularly monitor and report the results to the asset and liability management committee, the risk management committee and the board of directors, and adjusts according to the overall operating conditions of the Group. In addition, the Group measures the interest rate risk by DV01, assuming that the interest rate curve has a parallel shift of 100 basis points, the degree of impact on earnings and equity is used to control the interest rate risk.

iii. The effect of interest rate benchmark reform

For the financial instruments of the Group affected by changes in interest rate benchmark, the linked indicator interest rate include USD LIBOR, EUR LIBOR, GBP LIBOR and JPY LIBOR. It is expected that the US Secured Overnight Financing Rate (SOFR) will replace the USD LIBOR, the euro short-term rate (ESTER) will replace the EURO LIBOR, the Sterling Overnight Index Average (SONIA) will replace the GBP LIBOR, and the Tokyo Overnight Average Rate (TONAR) will replace the JPY LIBOR. However, there is a fundamental difference between the replacement interest rate and LIBOR. LIBOR is a forward-looking interest rate indicator that implies market expectations for future interest rate trends, and includes inter-bank credit discounts. Each alternative interest rate is a retrospective interest rate indicator calculated with reference to actual transaction data, and does not include a credit discount. Therefore, when an existing contract is modified from a linked LIBOR to a linked alternative interest rate, additional adjustments must be made to the aforementioned differences to ensure that the interest rate basis before and after the modification is economically equivalent.

The Group 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 benchmark. On September 30, 2021, the Group has identified all the information systems and internal processes that need to be updated, and completed some of the updates. The Group has begun to discuss with the counterparty of the financial instrument how to amend the affected contract, and the amendment is expected to be completed in October 2021.

Changes in interest rate indicators have mainly caused the Group to face basic interest rate risks. If the Group fails to complete the contract modification negotiation with the counterparty of the financial instrument before LIBOR exits, it will cause significant uncertainty in the interest rate base applicable to the financial instrument in the future, and trigger the unexpected interest rate risk of the Group. As of September 30, 2021, the financial instruments of the Group that have been affected by the change in interest rate benchmark and have not yet converted to alternative interest rate benchmark are summarized as follows:

Non-derivative Financial	Amount	
	Financial Assets	Financial Liabilities
<u>Notes discounted and loans, net</u>		
USD LIBOR	\$ 30,520,000	\$ -
EUR LIBOR	841,000	-
GBP LIBOR	5,000	-
JPY LIBOR	<u>348,000</u>	<u>-</u>
	<u>31,714,000</u>	<u>-</u>

(Continued)

Non-derivative Financial	Amount	
	Financial Assets	Financial Liabilities
<u>Receivables</u>		
USD LIBOR	\$ 13,428	\$ -
<u>Funds borrowed from the central bank and other banks</u>		
USD LIBOR	-	473,365
<u>Financial assets at amortized cost</u>		
USD LIBOR	7,532,000	-
	<u>\$ 39,259,428</u>	<u>\$ 473,365</u>

(Concluded)

e) Exchange rate risk

i. Definition of exchange rate risk

Exchange rate risk is the gain or loss resulting from the conversion of two different currencies at different times. The Group's exchange rate risk is mainly due to the changes in spot and forward foreign exchange rates of the business operations. Since the foreign exchange transactions are mostly based on the principle of flattening the customer's position for the day, the exchange rate risk is relatively small.

ii. Measurement methods and management procedures

The Group adopts the quota management mechanism for the exchange rate risk system, sets the business quota and overnight limit for each currency, controls the maximum net foreign exchange position that can be held by all levels of personnel, and sets the maximum transaction amount according to the counterparty, and monitors it regularly. The results will be reported to the risk management committee and the board of directors for discussion.

In addition, the Group assesses the degree of impact on earnings and equity under the hypothetical scenarios when the USD/NTD, CNY/NTD, and JPY/NTD separately appreciates/depreciates by 3%, in order to control exchange rate risk.

f) Equity securities price risk

i. Definition of equity securities price risk

The market risk of the Group's equity securities is the individual risk arising from changes in the market price of individual equity securities and the general market risk arising from changes in the overall market price. The main risks include listed shares and beneficiary certificates.

ii. Measurement methods and management procedures

The Group adopts a quota management mechanism for the equity securities price risk, ensuring that all levels are traded within the authorized amount, and sets up relevant mechanisms for stop loss control, and regularly reports the monitoring results to the risk management committee and the board of directors for discussion.

In addition, the Group assesses the degree of impact on earnings and equity under the hypothetical scenarios when the price of equity securities rises/falls by 15% in order to control the risk of equity securities.

g) Market risk sensitivity analysis

Interest rate risk

The Group assumed that when other factors remain unchanged, if the yield curve increased/decreased by 100 basis points, the income before income tax of the Group as of September 30, 2021, December 31, 2020 and September 30, 2020 would have increased/decreased by \$779,615 thousand, \$876,160 thousand and \$632,419 thousand, respectively, and other equity would have decreased/increased by \$1,917,856 thousand, \$1,796,491 thousand and \$2,191,464 thousand, respectively.

Exchange rate risk

The Group assumed that when other factors remain unchanged, if the exchange rate of USD/NTD, CNY/NTD, and JPY/NTD appreciated/depreciated by 3%, the income before income tax as of September 30, 2021, December 31, 2020 and September 30, 2020 would have decreased/increased by \$28,014 thousand, \$28,759 thousand and \$23,689 thousand, respectively, and other equity would have increased/decreased by \$112,648 thousand, \$121,412 thousand and \$90,243 thousand, respectively.

Equity securities price risk

The Group assumed that when other factors remain unchanged, if the price of equity securities increased/decreased by 15%, the income before income tax as of September 30, 2021, December 31, 2020 and September 30, 2020 would have increased/decreased by \$193,825 thousand, \$198,337 thousand and \$152,347 thousand, respectively, and other equity would have increased/decreased by \$583,514 thousand, \$476,416 thousand and \$411,015 thousand, respectively.

The summary of sensitivity analysis was as follows:

September 30, 2021			
Main Risk	Range of Change	Influence Amount	
		Other Equity	Income
Interest risk	Interest rate curve rises 100BPS	\$ (1,917,856)	\$ 779,615
	Interest rate curve falls 100BPS	1,917,856	(779,615)
Exchange rate risk	USD/NTD, CNY/NTD, JPY/NTD increase by 3%	112,648	(28,014)
	USD/NTD, CNY/NTD, JPY/NTD decrease by 3%	(112,648)	28,014
Equity securities price risk	Equity securities prices rise by 15%	583,514	193,825
	Equity securities prices fall by 15%	(583,514)	(193,825)

December 31, 2020			
Main Risk	Range of Change	Influence Amount	
		Other Equity	Income
Interest risk	Interest rate curve rises 100BPS	\$ (1,796,491)	\$ 876,160
	Interest rate curve falls 100BPS	1,796,491	(876,160)
Exchange rate risk	USD/NTD, CNY/NTD, JPY/NTD increase by 3%	121,412	(28,759)
	USD/NTD, CNY/NTD, JPY/NTD decrease by 3%	(121,412)	28,759
Equity securities price risk	Equity securities prices rise by 15%	476,416	198,337
	Equity securities prices fall by 15%	(476,416)	(198,337)

September 30, 2020			
Main Risk	Range of Change	Influence Amount	
		Other Equity	Income
Interest risk	Interest rate curve rises 100BPS	\$ (2,191,464)	\$ 632,419
	Interest rate curve falls 100BPS	2,191,464	(632,419)
Exchange rate risk	USD/NTD, CNY/NTD, JPY/NTD increase by 3%	90,243	(23,689)
	USD/NTD, CNY/NTD, JPY/NTD decrease by 3%	(90,243)	23,689
Equity securities price risk	Equity securities prices rise by 15%	411,015	152,347
	Equity securities prices fall by 15%	(411,015)	(152,347)

2) Credit risk

a) Defining credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk exists in both on and off-balance sheet items. The on-balance sheet exposures to credit risks are mainly from notes discounted and loans, the credit card business, due from other banks and call loans to other banks, acceptances, investments in debt instruments and derivatives. The off-balance sheet exposures to credit risks are mainly from financial guarantees, letter of credits and loan commitments.

b) Credit risk management policy

Before launching new products or businesses, the Group ensures compliance with all applicable rules and regulations and identifies relevant credit risks. On September 30, 2021, the ratio of loans with collateral to the total amount of loans was approximately 77%. The ratio of financing guarantees to commercial letters of collateral held was approximately 26%, and the collateral required for loans, loan commitments or guarantees is usually in the forms of cash, inventories, liquid securities or other asset in circulation. If the customers default, the Group will execute its rights on collateral in accordance with the terms of contracts.

c) Credit risk management program

The measurement and management of credit risks from the Group's main businesses were as follows:

i. Loan's business (including loan commitments and guarantees)

i) Determination that credit risk has increased significantly since initial recognition

The Group assesses the change in the probability of default of loans during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, the Group's considerations show the reasonable and supportable information that the credit risk has increased significantly since the initial recognition (including forward-looking information). The main considerations include:

Quantitative indicators

- Changes in external credit ratings of the Taiwan Corporate Credit Rating Index (TCRI)

The TCRI rating of a company listed on the Taipei Exchange corresponding to its external rating has been reduced from investment grade to non-investment grade, that is, the credit risk has significantly increased since initial recognition.

- Information on overdue status

When the contract amount is overdue for more than one month, it is determined that the credit risk of the financial asset has increased significantly since the initial recognition.

Qualitative indicators

- Unfavorable changes in the current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform debt obligations.
- Significant changes in actual or expected results of the debtor's operations.
- The credit risk of other financial instruments from the same debtor has increased significantly.

ii) Definition of default and credit-impaired financial assets

The definition of financial asset default is the same as that of financial asset credit impairment. If one or more of the following conditions are met, the Group determines that the financial asset has defaulted and becomes credit impaired:

Quantitative indicators

- Changes in external TCRI credit ratings

The TCRI rating of the listed cabinet company is default grade, which means that the credit has been deducted since the initial recognition.

- Information on overdue status

When the contract amount is overdue for more than three months, it is determined that the credit of the financial asset has been impaired since the initial recognition.

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:

- The debtor has gone bankrupt or may have called for bankruptcy or financial restructuring.
- Other debt instrument contracts of the debtor have defaulted.
- Due to the economic or contractual reasons associated with the debtor's financial difficulties, the debtor's creditors give the borrower an unconfirmed concession and report the overdue loan.

The aforementioned default and credit impairment definitions are used to consolidate all financial assets held by the Group and are consistent with the definitions used for the internal credit risk management purposes of the financial assets, and are also applied to the relevant impairment assessment model.

iii) Measurement of expected credit losses

In order to assess the expected credit losses, the Group divides the credit assets into the following combinations according to the credit risk characteristics such as the use of borrowing, industrial nature, collateral type and borrowing status.

Product Portfolio	
Corporate loans	Corporate loans - secured
	Corporate loans - unsecured
Consumer loans	House mortgage
	Consumer loans - secured
	Consumer loans - unsecured
	Credit loans
	Debit card
	Credit card

The Group evaluates loss allowance of financial assets, which credit risk does not significantly increase after initial recognition based on 12-month expected credit losses. The Group evaluates loss allowance of financial assets, which credit risk significantly increases after initial recognition based on lifetime expected credit losses.

In order to evaluate expected credit losses, the Group takes into consideration the debtor's probability of default (PD) within the next 12 months, which includes the loss given default (LGD), the results are then multiplied by the exposure at default (EAD), while also considering the effect of time value of money to calculate the expected credit losses during the duration of 12 months.

PD is the default percentage of a borrower. LGD is the loss ratio once a borrower default. The Group applied PD and LGD to evaluate loan business impairment based on each portfolio's historical information calculated internally (i.e. credit loss experience), and adjusted historical data based on current observable information and forward-looking macroeconomic information calculated by using direct estimation method.

The Group evaluates the loan default risk by using direct estimation method. The Group calculates 12-month and lifetime ECLs of financing commitments based on direct estimation method. The Group uses credit conversion factor to calculate the portion of financing commitments expected to be used in 12 months after the record date and the credit duration to calculate the default exposure amount of ECLs.

Consideration of forward-looking estimation

In estimating the expected credit losses, the Group uses forward-looking economic factors that affect credit risk and expected credit losses to consider forward-looking information. Forward-looking information is based on the Taiwan National Development Council's regular promulgation of the "Benefit Strategy Signal" of Taiwan's overall prosperity as indicators, which are divided into boom expansion period, contraction period and flat period. The Group evaluates the economic situation to adjust the default probability every quarter, and then incorporates it into the overall expected credit loss assessment.

ii. Debt instrument investments

The Group considers the historical default loss rate provided by the external rating agencies and the current financial status of the debtor to calculate 12-month and lifetime ECLs of financing commitments in debt instrument investments.

The securities held by the Group recognize the impairment loss according to the lifetime ECLs of financing commitments. The credit quality of the Group's securities was as follows:

i) The determination that the credit risk has increased significantly since the initial recognition

The Group assesses the change in the probability of default of debt instrument investments during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, the Group's considerations show the reasonable and supportable information that the credit risk has increased significantly since the initial recognition. The main considerations include:

Quantitative indicators

- At the time of initial recognition, the issuer's credit rating is above the investment grade, but at the financial reporting date, the issuer's credit rating is reduced to a non-investment grade.
- For debt instrument investments on the initial recognition date, the issuer's credit rating is below the non-investment grade and the credit rating on the reporting date has not changed.
- When the issuer's credit rating is a non-investment grade, the reported daily credit rating is reduced to a certain extent.

Qualitative indicators

- The credit rating of the issuer indicates that its credit risk has increased significantly.
- The fair value of the debt instrument investments has significantly and adversely changed on the reporting date.

ii) Definition of default and credit-impaired financial assets

If the debt instrument investment meets one or more of the following conditions, it determines that the financial asset has defaulted and becomes credit impaired.

Quantitative indicators

- Debt instrument investments, such as bonds, have become credit impaired since they were purchased.
- The default rate for credit rating of the issuer or debt instrument investments will be adjusted on the reporting date.

Qualitative indicators

- The issuer modifies the issue conditions of the debt instrument investments due to financial difficulties or fails to pay the principal or interest according to the conditions of the issue.
- The issuer or the guarantee institution has ceased operations or has applied for reorganization, bankruptcy, dissolution, and sale of major assets that have a significant impact on the Group's continued operations.

Measurement of expected credit losses

- In order to evaluate expected credit losses, the Group takes into consideration the debtor's probability of default (PD) within the next 12 months, which includes the loss given default (LGD), the results are then multiplied by the exposure at default (EAD), while also considering the effect of time value of money to calculate the expected credit losses during the duration of 12 months.
- Comparing the risk of default on the debt instrument with the default risk at the time of initial recognition, and considering the reasonable and corroborative information for a significant increase in credit risk since the initial recognition, to determine whether the financial instrument's credit risk has increased significantly since the initial recognition.
 - Those who meet the normal credit risk status will estimate the expected loss amount based on the one-year probability of default (PD).
 - Those who meet the significant increase in credit risk status must consider the duration of the assets and calculate the probability of default (PD) for each duration. If the cash flow of the contract in the future period (i.e., the default exposure amount of each period) can be assessed, the cash flow method is used to assess the expected amount of credit loss, and if the cash flow of each period cannot be assessed, the current risk calculation method is used.

- Those who meet the abnormal credit risk status are considered to be 100%, and will not consider the probability of default in each duration. Only consider the relevant recoverable amount and evaluate the overall expected credit loss amount.
- Debt instrument investments' probability of default is the value released by external credit rating agencies, which implies the possibility of future market fluctuations.

d) Credit risk hedging or mitigation policies

i. Collateral

The Group implements a series of policies and measures to reduce credit risks when granting of credit. One of the commonly used methods is to require borrowers to provide collateral. To enforce the rights to collateral, the Group manages and assesses the collateral according to the procedures adopted in determining the scope of collateralization and valuation of collateral.

The main types of collateral for granting credit are as follows:

- i) Real estate.
- ii) Chattels and rights of pledge.
- iii) Guarantee from external agency.

To enhance guarantee of transaction risk, the Group's demand for collateral depends on the nature of derivative transactions as follows:

- i) Guarantee of amount invested: Asking different ratio of guarantee based on the credit rating scale of clients.
- ii) Guarantee of high-risk transactions: Asking for collateral when option contracts are under resell agreement.
- iii) Performance bond (loss on investment position): Asking for collateral when loss on investment position exceeds the limit of approved market value.

The Group closely observed the value of pledged financial assets and evaluated which financial assets had been impaired in order to recognize allowance for impairment. Credit-impaired financial assets and their pledged values which eliminate potential loss, are as follows:

September 30, 2021

	Total Book Value	Allowance for Impairment Loss	Total Value of Exposure	Fair Value of Collateral
Financial assets that were impaired				
Notes discounted and loans	\$ 7,449,193	\$ (1,718,195)	\$ 5,730,998	\$ 5,730,998
Receivables	263,366	(176,198)	87,168	87,168

(Continued)

	Total Book Value	Allowance for Impairment Loss	Total Value of Exposure	Fair Value of Collateral
Guarantees and letters of credit	\$ 91,540	\$ (34,488)	\$ 57,052	\$ 39,124
Debt instruments	7,599	(7,599)	-	-
Others	<u>32,000</u>	<u>(1,869)</u>	<u>30,131</u>	<u>-</u>
Total financial assets that were impaired	<u>\$ 7,843,698</u>	<u>\$ (1,938,349)</u>	<u>\$ 5,905,349</u>	<u>\$ 5,857,290</u>

December 31, 2020

	Total Book Value	Allowance for Impairment Loss	Total Value of Exposure	Fair Value of Collateral
Financial assets that were impaired				
Notes discounted and loans	\$ 8,410,617	\$ (1,856,155)	\$ 6,554,462	\$ 6,554,462
Receivables	313,418	(174,311)	139,107	135,350
Guarantees and letters of credit	93,398	(36,355)	57,043	38,599
Debt instruments	7,668	(7,668)	-	-
Others	<u>42,651</u>	<u>(2,555)</u>	<u>40,096</u>	<u>-</u>
Total financial assets that were impaired	<u>\$ 8,867,752</u>	<u>\$ (2,077,044)</u>	<u>\$ 6,790,708</u>	<u>\$ 6,728,411</u>

September 30, 2020

	Total Book Value	Allowance for Impairment Loss	Total Value of Exposure	Fair Value of Collateral
Financial assets that were impaired				
Notes discounted and loans	\$ 9,913,123	\$ (2,307,958)	\$ 7,605,165	\$ 7,605,165
Receivables	330,459	(163,410)	167,049	135,222
Guarantees and letters of credit	92,708	(35,889)	56,819	38,599
Debt instruments	7,904	(7,904)	-	-
Others	<u>27,930</u>	<u>(1,672)</u>	<u>26,258</u>	<u>-</u>
Total financial assets that were impaired	<u>\$ 10,372,124</u>	<u>\$ (2,516,833)</u>	<u>\$ 7,855,291</u>	<u>\$ 7,778,986</u>

ii. Credit risk concentration limits and control

To avoid the concentration of credit risks, the Group has included credit limits for the same person (entity) and for the same related-party corporation (group) based on the credit risk arising from loans, securities investment and derivatives transactions.

Meanwhile, for trading and banking book investments, the Group has set a ratio, which is the credit limit of a single issuer in proportion to the total securities position. The Group has also included credit limits for a single counterparty and a single group.

In addition, to manage the concentration risk of the financial assets, the Group has set credit limits by industry, conglomerate, country and transactions collateralized by shares, and integrated within one system to supervise the concentration of credit risk in these categories. The Group monitors concentration of each asset and controls various types of credit risk concentration in a single transaction involving counterparties, groups, related-party corporations, industries and nations.

iii. Other credit enhancements

To reduce its credit risks, the Group stipulates in its credit contracts the term for offsetting which clearly stated that the Group reserves the right to offset the borrowers' debt against their deposits in the Group.

e) Maximum exposure to credit risk

The maximum exposures of assets on the consolidated balance sheets to credit risks without consideration of guarantees or other credit enforcement instruments approximate the assets' carrying amounts. The maximum exposures of off-balance sheet items to credit risks without consideration of guarantees or other credit enforcement instrument were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Irrevocable loan commitments	\$ 9,301,217	\$ 9,034,662	\$ 9,106,381
Credit card commitments	13,600,717	12,799,065	12,670,498
Guarantee receivables	26,703,920	22,879,091	19,536,341
Letters of credit	4,418,696	3,430,243	3,301,684

The management of the Group believes their abilities to minimize the credit risk exposures of the off-balance sheet items are mainly attributed to their rigorous evaluation of extended credit and the periodic reviews of these credits.

f) Credit risk concentration of the Group

When the counterparty of financial product transactions is concentrated on one person, or when there are several counterparties but they are mostly engaged in similar economic activities and have similar economic characteristics, causing their abilities to fulfill contract obligations to be similarly affected by economic or other situations, credit risk concentration is deemed to have occurred. The characteristics of significant credit risk concentration include the nature of the debtor's activities. The Group's transactions are not concentrated on a single customer or counterparty but spread among counterparties with similar industry types and operating regions. The contract amounts of significant credit risk concentration was as follows:

Counterparty	September 30, 2021	December 31, 2020	September 30, 2020
Private enterprise	\$ 267,118,751	\$ 258,337,959	\$ 255,884,008
Natural person	241,120,576	233,179,736	226,906,651
Government agencies	1,000,000	2,000,000	1,000,000
Others	<u>2,288,961</u>	<u>2,115,584</u>	<u>2,059,878</u>
	<u>\$ 511,528,288</u>	<u>\$ 495,633,279</u>	<u>\$ 485,850,537</u>

Credit Risk Profile by Group or Industry	September 30, 2021	December 31, 2020	September 30, 2020
Natural person	\$ 241,120,576	\$ 233,179,736	\$ 226,906,651
Manufacturing	80,517,778	79,457,394	82,354,489
Commercial	53,515,343	55,547,537	55,043,242
Real estate and leasing	68,501,284	64,886,449	63,440,783
Construction industry	21,604,370	18,197,580	15,814,774
Servicing	11,123,020	11,949,359	11,553,895
Finance and insurance	18,484,887	16,104,068	14,986,604
Transportation warehousing and information communication	8,666,159	8,304,507	8,333,372
Others	<u>7,994,871</u>	<u>8,006,649</u>	<u>7,416,727</u>
	<u>\$ 511,528,288</u>	<u>\$ 495,633,279</u>	<u>\$ 485,850,537</u>

Credit Risk Profile by Region	September 30, 2021	December 31, 2020	September 30, 2020
Domestic	\$ 479,530,396	\$ 464,495,184	\$ 453,079,953
Asia	19,233,917	18,134,544	17,973,909
North America	9,838,085	9,234,010	10,967,316
Others	<u>2,925,890</u>	<u>3,769,541</u>	<u>3,829,359</u>
	<u>\$ 511,528,288</u>	<u>\$ 495,633,279</u>	<u>\$ 485,850,537</u>

Credit Risk Profile by Collateral	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured	\$ 80,977,080	\$ 73,988,829	\$ 75,212,507
Secured			
Real estate	378,120,911	373,358,179	365,589,699
Letter of bank guarantee	18,040,189	17,302,660	17,190,574
Chattel	6,592,855	6,075,503	5,893,695
Debenture	16,053,921	15,051,165	13,324,198
Notes receivable	1,875,362	1,656,269	1,574,156
Stocks	5,478,714	4,634,756	3,983,325
Others	<u>4,389,256</u>	<u>3,565,918</u>	<u>3,082,383</u>
	<u>\$ 511,528,288</u>	<u>\$ 495,633,279</u>	<u>\$ 485,850,537</u>

g) Write-off policy

If one of the following events have occurred, overdue loans and delinquent receivables should have the estimated recoverable amount deducted and should then be written off as bad debts:

- The debtor may not recover all or part of the obligatory claim due to dissolution, disappearance, settlement, bankruptcy or other reasons.
- The appraisal value of collateral and asset of the main and subordinate debtors are very low, or the compensation is not available after deducting the amount of the first mortgage, or it is not beneficial that execution fee is close to or may exceed the Bank's reimbursable amount.
- The collateral and the assets of the main and subordinate debtors are auctioned off at multiple auctions, of which the Bank did not receive any benefit.
- Overdue loans and delinquent receivables which have been overdue for more than 2 years have been collected but not yet received.
- The minimum payable amount of credit card which is overdue for six months that should be written off in three months.

h) Information of credit quality

i. Notes discounted, loans and receivables

September 30, 2021

	Notes Discounted and Loans			Difference of Impairment Loss under Regulations	Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
Product category					
Corporate loans	\$ 223,536,946	\$ 4,202,738	\$ 4,626,121	\$ -	\$ 232,365,805
Consumer loans	227,024,088	10,560,470	2,822,958	-	240,407,516
Others	<u>29,989</u>	<u>564</u>	<u>114</u>	-	<u>30,667</u>
Total book value	450,591,023	14,763,772	7,449,193	-	472,803,988
Allowance for doubtful accounts	(1,416,512)	(749,731)	(1,718,195)	-	(3,884,438)
Difference of impairment loss under regulations	-	-	-	<u>(2,487.797)</u>	<u>(2,487.797)</u>
	<u>\$ 449,174,511</u>	<u>\$ 14,014,041</u>	<u>\$ 5,730,998</u>	<u>\$ (2,487.797)</u>	<u>\$ 466,431,753</u>

Receivables					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Corporate loans	\$ 12,188,133	\$ 379,038	\$ 173,780	\$ -	\$ 12,740,951
Consumer loans	2,279,663	17,773	38,604	-	2,336,040
Others	<u>60,969,914</u>	<u>33</u>	<u>50,982</u>	<u>-</u>	<u>61,020,929</u>
Total book value	75,437,710	396,844	263,366	-	76,097,920
Allowance for doubtful accounts	(103,127)	(8,202)	(176,198)	-	(287,527)
Difference of impairment loss under regulations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,487)</u>	<u>(42,487)</u>
	<u>\$ 75,334,583</u>	<u>\$ 388,642</u>	<u>\$ 87,168</u>	<u>\$ (42,487)</u>	<u>\$ 75,767,906</u>

Irrevocable Loan Commitments					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Corporate loans	\$ 7,596,829	\$ 14,250	\$ 32,000	\$ -	\$ 7,643,079
Consumer loans	<u>1,658,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,658,138</u>
Total book value	9,254,967	14,250	32,000	-	9,301,217
Allowance for doubtful accounts	(42,488)	(308)	(1,869)	-	(44,665)
Difference of impairment loss under regulations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,224)</u>	<u>(3,224)</u>
	<u>\$ 9,212,479</u>	<u>\$ 13,942</u>	<u>\$ 30,131</u>	<u>\$ (3,224)</u>	<u>\$ 9,253,328</u>

Credit Card Commitments					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Consumer loans	\$ 13,598,976	\$ 1,741	\$ -	\$ -	\$ 13,600,717
Total book value	13,598,976	1,741	-	-	13,600,717
Allowance for doubtful accounts	(4,947)	(182)	-	-	(5,129)
Difference of impairment loss under regulations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,254)</u>	<u>(2,254)</u>
	<u>\$ 13,594,029</u>	<u>\$ 1,559</u>	<u>\$ -</u>	<u>\$ (2,254)</u>	<u>\$ 13,593,334</u>

Guarantee Receivables					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Corporate loans	\$ 25,859,873	\$ 752,507	\$ 91,540	\$ -	\$ 26,703,920
Total book value	25,859,873	752,507	91,540	-	26,703,920
Allowance for doubtful accounts	(172,138)	(34,044)	(34,488)	-	(240,670)
Difference of impairment loss under regulations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,293)</u>	<u>(37,293)</u>
	<u>\$ 25,687,735</u>	<u>\$ 718,463</u>	<u>\$ 57,052</u>	<u>\$ (37,293)</u>	<u>\$ 26,425,957</u>

Letters of Credit					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Corporate loans	\$ 4,418,696	\$ -	\$ -	\$ -	\$ 4,418,696
Total book value	4,418,696	-	-	-	4,418,696
Allowance for doubtful accounts	(9,712)	-	-	-	(9,712)
Difference of impairment loss under regulations	-	-	-	(3,152)	(3,152)
	<u>\$ 4,408,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,152)</u>	<u>\$ 4,405,832</u>

December 31, 2020

Notes Discounted and Loans					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Corporate loans	\$ 222,080,175	\$ 2,875,763	\$ 5,459,606	\$ -	\$ 230,415,544
Consumer loans	217,504,666	11,981,206	2,951,357	-	232,437,229
Others	23,787	499	(346)	-	23,940
Total book value	439,608,628	14,857,468	8,410,617	-	462,876,713
Allowance for doubtful accounts	(1,725,305)	(925,826)	(1,856,155)	-	(4,507,286)
Difference of impairment loss under regulations	-	-	-	(1,828,105)	(1,828,105)
	<u>\$ 437,883,323</u>	<u>\$ 13,931,642</u>	<u>\$ 6,554,462</u>	<u>\$ (1,828,105)</u>	<u>\$ 456,541,322</u>

Receivables					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Corporate loans	\$ 9,499,476	\$ 347,443	\$ 224,116	\$ -	\$ 10,071,035
Consumer loans	2,164,465	23,982	37,115	-	2,225,562
Others	61,766,888	11	52,187	-	61,819,086
Total book value	73,430,829	371,436	313,418	-	74,115,683
Allowance for doubtful accounts	(91,312)	(9,199)	(174,311)	-	(274,822)
Difference of impairment loss under regulations	-	-	-	(49,220)	(49,220)
	<u>\$ 73,339,517</u>	<u>\$ 362,237</u>	<u>\$ 139,107</u>	<u>\$ (49,220)</u>	<u>\$ 73,791,641</u>

Irrevocable Loan Commitments					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Corporate loans	\$ 7,906,111	\$ 45,900	\$ 42,651	\$ -	\$ 7,994,662
Consumer loans	1,040,000	-	-	-	1,040,000
Total book value	8,946,111	45,900	42,651	-	9,034,662
Allowance for doubtful accounts	(54,238)	(5,349)	(2,555)	-	(62,142)
Difference of impairment loss under regulations	-	-	-	(2,536)	(2,536)
	<u>\$ 8,891,873</u>	<u>\$ 40,551</u>	<u>\$ 40,096</u>	<u>\$ (2,536)</u>	<u>\$ 8,969,984</u>

Credit Card Commitments					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Consumer loans	\$ 12,726,008	\$ 73,057	\$ -	\$ -	\$ 12,799,065
Total book value	12,726,008	73,057	-	-	12,799,065
Allowance for doubtful accounts	(4,730)	(1,856)	-	-	(6,586)
Difference of impairment loss under regulations	-	-	-	(796)	(796)
	<u>\$ 12,721,278</u>	<u>\$ 71,201</u>	<u>\$ -</u>	<u>\$ (796)</u>	<u>\$ 12,791,683</u>

Guarantee Receivables					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Corporate loans	\$ 22,707,521	\$ 78,172	\$ 93,398	\$ -	\$ 22,879,091
Total book value	22,707,521	78,172	93,398	-	22,879,091
Allowance for doubtful accounts	(168,958)	(4,799)	(36,355)	-	(210,112)
Difference of impairment loss under regulations	-	-	-	(25,851)	(25,851)
	<u>\$ 22,538,563</u>	<u>\$ 73,373</u>	<u>\$ 57,043</u>	<u>\$ (25,851)</u>	<u>\$ 22,643,128</u>

Letters of Credit					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Corporate loans	\$ 3,360,243	\$ 70,000	\$ -	\$ -	\$ 3,430,243
Total book value	3,360,243	70,000	-	-	3,430,243
Allowance for doubtful accounts	(9,157)	(3,263)	-	-	(12,420)
Difference of impairment loss under regulations	-	-	-	(677)	(677)
	<u>\$ 3,351,086</u>	<u>\$ 66,737</u>	<u>\$ -</u>	<u>\$ (677)</u>	<u>\$ 3,417,146</u>

September 30, 2020

Notes Discounted and Loans					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Corporate loans	\$ 221,078,281	\$ 3,133,570	\$ 6,731,177	\$ -	\$ 230,943,028
Consumer loans	210,033,768	12,991,195	3,182,094	-	226,207,057
Others	19,595	1,355	(148)	-	20,802
Total book value	431,131,644	16,126,120	9,913,123	-	457,170,887
Allowance for doubtful accounts	(1,733,823)	(912,434)	(2,307,958)	-	(4,954,215)
Difference of impairment loss under regulations	-	-	-	(1,842,925)	(1,842,925)
	<u>\$ 429,397,821</u>	<u>\$ 15,213,686</u>	<u>\$ 7,605,165</u>	<u>\$ (1,842,925)</u>	<u>\$ 450,373,747</u>

Receivables					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Corporate loans	\$ 9,437,296	\$ 219,814	\$ 246,483	\$ -	\$ 9,903,593
Consumer loans	1,410,340	22,138	32,970	-	1,465,448
Others	<u>52,613,654</u>	<u>32</u>	<u>51,006</u>	-	<u>52,664,692</u>
Total book value	63,461,290	241,984	330,459	-	64,033,733
Allowance for doubtful accounts	(84,588)	(4,587)	(163,410)	-	(252,585)
Difference of impairment loss under regulations	-	-	-	(34,445)	(34,445)
	<u>\$ 63,376,702</u>	<u>\$ 237,397</u>	<u>\$ 167,049</u>	<u>\$ (34,445)</u>	<u>\$ 63,746,703</u>

Irrevocable Loan Commitments					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Corporate loans	\$ 7,912,851	\$ -	\$ 27,930	\$ -	\$ 7,940,781
Consumer loans	<u>1,165,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,165,600</u>
Total book value	9,078,451	-	27,930	-	9,106,381
Allowance for doubtful accounts	(53,279)	-	(1,672)	-	(54,951)
Difference of impairment loss under regulations	-	-	-	(4,392)	(4,392)
	<u>\$ 9,025,172</u>	<u>\$ -</u>	<u>\$ 26,258</u>	<u>\$ (4,392)</u>	<u>\$ 9,047,038</u>

Credit Card Commitments					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Consumer loans	\$ 12,610,410	\$ 60,088	\$ -	\$ -	\$ 12,670,498
Total book value	12,610,410	60,088	-	-	12,670,498
Allowance for doubtful accounts	(4,695)	(1,439)	-	-	(6,134)
Difference of impairment loss under regulations	-	-	-	(1,248)	(1,248)
	<u>\$ 12,605,715</u>	<u>\$ 58,649</u>	<u>\$ -</u>	<u>\$ (1,248)</u>	<u>\$ 12,663,116</u>

Guarantee Receivables					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Corporate loans	\$ 19,387,354	\$ 56,279	\$ 92,708	\$ -	\$ 19,536,341
Total book value	19,387,354	56,279	92,708	-	19,536,341
Allowance for doubtful accounts	(142,952)	(2,943)	(35,889)	-	(181,784)
Difference of impairment loss under regulations	-	-	-	(18,179)	(18,179)
	<u>\$ 19,244,402</u>	<u>\$ 53,336</u>	<u>\$ 56,819</u>	<u>\$ (18,179)</u>	<u>\$ 19,336,378</u>

Letters of Credit					
	Stage 1	Stage 2	Stage 3	Difference of	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Impairment Loss	Total
				under	
				Regulations	
Product category					
Corporate loans	\$ 3,301,684	\$ -	\$ -	\$ -	\$ 3,301,684
Total book value	3,301,684	-	-	-	3,301,684
Allowance for doubtful accounts	(9,182)	-	-	-	(9,182)
Difference of impairment loss under regulations	-	-	-	(1,452)	(1,452)
	<u>\$ 3,292,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,452)</u>	<u>\$ 3,291,050</u>

ii. Debt instrument investments

September 30, 2021

Financial Assets at FVTOCI				
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Total
Product category (Note)				
Investment grade bond	\$ 41,557,306	\$ -	\$ -	\$ 41,557,306
Non-investment grade bond	-	-	-	-
Total book value	41,557,306	-	-	41,557,306
Allowance for impairment	(26,537)	-	-	(26,537)
Difference of impairment loss under regulations	-	-	-	-
	<u>\$ 41,530,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,530,769</u>

Investments in Debt Instruments at Amortized Cost				
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Total
Product category (Note)				
Investment grade bond	\$ 45,873,405	\$ -	\$ -	\$ 45,873,405
Non-investment grade bond	-	-	7,599	7,599
Others (NCDs issued by the CBC)	62,035,000	-	-	62,035,000
Total book value	107,908,405	-	7,599	107,916,004
Allowance for impairment	(23,004)	-	(7,599)	(30,603)
Difference of impairment loss under regulations	-	-	-	-
	<u>\$ 107,885,401</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,885,401</u>

Note: The bond rating is based on the original credit rating of Moody's, Fitch (Fitch), Standard & Poor's (S&P) and China Credit Rating.

The breakdown below shows the Group's investments in debt instruments classified as financial assets at FVTOCI and financial assets at amortized cost:

September 30, 2021

	Financial Assets	Financial Assets
	at FVTOCI	at Amortized
		Cost
Total book value	\$ 41,166,485	\$ 107,916,004
Loss allowance	<u>(26,537)</u>	<u>(30,603)</u>
Amortized cost	41,139,948	107,885,401
Fair value adjustment	<u>390,821</u>	<u>-</u>
	<u>\$ 41,530,769</u>	<u>\$ 107,885,401</u>

The Group's current credit risk rating mechanism and the total book value of the investments in debt instruments of each credit rating are as follows:

Credit Rating	Definition	Recognition Basis	Expected Credit Loss	Total Book Value	
				Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Normal (Stage 1)	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses	0.00%-0.42%	\$ 41,166,485	\$ 107,908,405
Abnormal (Stage 2)	Credit risk has increased significantly since the initial recognition.	Lifetime expected credit losses (no credit impaired)		-	-
Default (Stage 3)	There is evidence that the credit is impaired.	Lifetime expected credit losses (credit impaired)	100%	-	7,599
Write offs	There is evidence that the debtor is facing serious financial difficulties and the Bank cannot reasonably expect to recover the debt.	Write-off		-	-

With respect to the Group's investments in debt instruments at FVTOCI and at amortized cost, information on the changes in their loss allowance summarized by credit risk rating is as follows:

	Credit Rating		
	Normal (12-month Expected credit Losses)	Abnormal (Lifetime ECL and not Credit Impaired)	Default (Lifetime ECL and Credit Impaired)
<u>Financial assets at FVTOCI</u>			
Balance, January 1, 2021	\$ 20,708	\$ -	\$ -
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	7,414	-	-
Dispose	(790)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	<u>(795)</u>	<u>-</u>	<u>-</u>
Loss allowance, September 30, 2021	<u>\$ 26,537</u>	<u>\$ -</u>	<u>\$ -</u>

	Credit Rating		
	Normal (12-month Expected credit Losses)	Abnormal (Lifetime ECL and not Credit Impaired)	Default (Lifetime ECL and Credit Impaired)
<u>Financial assets at amortized cost</u>			
Balance, January 1, 2021	\$ 26,472	\$ -	\$ 7,668
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	1,199	-	-
Dispose	(3,716)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	<u>(951)</u>	<u>-</u>	<u>(69)</u>
Loss allowance, September 30, 2021	<u>\$ 23,004</u>	<u>\$ -</u>	<u>\$ 7,599</u>

December 31, 2020

	Financial Assets at FVTOCI			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECL	Lifetime ECL	
Product category (Note)				
Investment grade bond	\$ 37,854,441	\$ -	\$ -	\$ 37,854,441
Non-investment grade bond	-	-	-	-
Total book value	37,854,441	-	-	37,854,441
Allowance for impairment	(20,708)	-	-	(20,708)
Difference of impairment loss under regulations	-	-	-	-
	<u>\$ 37,833,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,833,733</u>
Investments in Debt Instruments at Amortized Cost				
	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECL	Lifetime ECL	
Product category (Note)				
Investment grade bond	\$ 48,601,326	\$ -	\$ -	\$ 48,601,326
Non-investment grade bond	-	-	7,668	7,668
Others (NCDs issued by the CBC)	<u>64,970,000</u>	<u>-</u>	<u>-</u>	<u>64,970,000</u>
Total book value	113,571,326	-	7,668	113,578,994
Allowance for impairment	(26,472)	-	(7,668)	(34,140)
Difference of impairment loss under regulations	-	-	-	-
	<u>\$ 113,544,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,544,854</u>

Note: The bond rating is based on the original credit rating of Moody's, Fitch (Fitch), Standard & Poor's (S&P) and China Credit Rating.

The breakdown below shows the Group's investments in debt instruments classified as financial assets at FVTOCI and financial assets at amortized cost:

December 31, 2020

	Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Total book value	\$ 37,437,409	\$ 113,578,994
Loss allowance	<u>(20,708)</u>	<u>(34,140)</u>
Amortized cost	37,416,701	113,544,854
Fair value adjustment	<u>417,032</u>	<u>-</u>
	<u>\$ 37,833,733</u>	<u>\$ 113,544,854</u>

The Group's current credit risk rating mechanism and the total book value of the investments in debt instruments of each credit rating are as follows:

Credit Rating	Definition	Recognition Basis	Expected Credit Loss	Total Book Value	
				Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Normal (Stage 1)	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses	0.00%-0.44%	\$ 37,437,409	\$ 113,571,326
Abnormal (Stage 2)	Credit risk has increased significantly since the initial recognition.	Lifetime expected credit losses (no credit impaired)		-	-
Default (Stage 3)	There is evidence that the credit is impaired.	Lifetime expected credit losses (credit impaired)	100%	-	7,668
Write offs	There is evidence that the debtor is facing serious financial difficulties and the Bank cannot reasonably expect to recover the debt.	Write-off		-	-

With respect to the Group's investments in debt instruments at FVTOCI and at amortized cost, information on the changes in its loss allowance summarized by credit risk rating is as follows:

	Credit Rating		
	Normal (12-month Expected Credit Losses)	Abnormal (Lifetime ECL and Not Credit Impaired)	Default (Lifetime ECL and Credit Impaired)
<u>Financial assets at FVTOCI</u>			
Balance, January 1, 2020	\$ 15,405	\$ -	\$ -
Changes credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	8,900	-	-
Disposal	(4,556)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	<u>959</u>	<u>-</u>	<u>-</u>
Loss allowance, December 31, 2020	<u>\$ 20,708</u>	<u>\$ -</u>	<u>\$ -</u>

	Credit Rating		
	Normal (12-month Expected Credit Losses)	Abnormal (Lifetime ECL and Not Credit Impaired)	Default (Lifetime ECL and Credit Impaired)
<u>Financial assets at amortized cost</u>			
Balance, January 1, 2020	\$ 24,185	\$ -	\$ 17,477
Changes credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	1,777	-	-
Disposal	(2,178)	-	(9,136)
Model/risk parameter change	-	-	-
Exchange rate and other changes	<u>2,688</u>	<u>-</u>	<u>(673)</u>
Loss allowance, December 31, 2020	<u>\$ 26,472</u>	<u>\$ -</u>	<u>\$ 7,668</u>

September 30, 2020

	Financial Assets at FVTOCI			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECL	Lifetime ECL	
Product category (Note)				
Investment grade bond	\$ 36,234,868	\$ -	\$ -	\$ 36,234,868
Non-investment grade bond	-	-	-	-
Total book value	36,234,868	-	-	36,234,868
Allowance for impairment	(19,445)	-	-	(19,445)
Difference of impairment loss under regulations	-	-	-	-
	<u>\$ 36,215,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,215,423</u>

	Investments in Debt Instruments at Amortized Cost			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECL	Lifetime ECL	
Product category (Note)				
Investment grade bond	\$ 49,228,781	\$ -	\$ -	\$ 49,228,781
Non-investment grade bond	-	-	7,904	7,904
Others (NCDs issued by the CBC)	<u>64,070,000</u>	<u>-</u>	<u>-</u>	<u>64,070,000</u>
Total book value	113,298,781	-	7,904	113,306,685
Allowance for impairment	(26,558)	-	(7,904)	(34,462)
Difference of impairment loss under regulations	-	-	-	-
	<u>\$ 113,272,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,272,223</u>

Note: The bond rating is based on the original credit rating of Moody's, Fitch (Fitch), Standard & Poor's (S&P) and China Credit Rating.

The breakdown below shows the Group's investments in debt instruments classified as financial assets at FVTOCI and financial assets at amortized cost:

September 30, 2020

	Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Total book value	\$ 35,790,659	\$ 113,306,685
Loss allowance	<u>(19,445)</u>	<u>(34,462)</u>
Amortized cost	35,771,214	113,272,223
Fair value adjustment	<u>444,209</u>	<u>-</u>
	<u>\$ 36,215,423</u>	<u>\$ 113,272,223</u>

The Group's current credit risk rating mechanism and the total book value of the investments in debt instruments of each credit rating are as follows:

Credit Rating	Definition	Recognition Basis	Expected Credit Loss	Total Book Value	
				Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Normal (Stage 1)	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses	0.00%-0.74%	\$ 35,790,659	\$ 113,298,781
Abnormal (Stage 2)	Credit risk has increased significantly since the initial recognition.	Lifetime expected credit losses (no credit impaired)		-	-
Default (Stage 3)	There is evidence that the credit is impaired.	Lifetime expected credit losses (credit impaired)	100%	-	7,904
Write offs	There is evidence that the debtor is facing serious financial difficulties and the Bank cannot reasonably expect to recover the debt.	Write-off		-	-

With respect to the Group's investments in debt instruments at FVTOCI and at amortized cost, information on the changes in their loss allowance summarized by credit risk rating is as follows:

	Credit Rating		
	Normal (12-month Expected credit Losses)	Abnormal (Lifetime ECL and not Credit Impaired)	Default (Lifetime ECL and Credit Impaired)
<u>Financial assets at FVTOCI</u>			
Balance, January 1, 2020	\$ 15,405	\$ -	\$ -
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	7,840	-	-
Dispose	(4,247)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	<u>447</u>	<u>-</u>	<u>-</u>
Loss allowance, September 30, 2020	<u>\$ 19,445</u>	<u>\$ -</u>	<u>\$ -</u>

	Credit Rating		
	Normal (12-month Expected credit Losses)	Abnormal (Lifetime ECL and not Credit Impaired)	Default (Lifetime ECL and Credit Impaired)
<u>Financial assets at amortized cost</u>			
Balance, January 1, 2020	\$ 24,185	\$ -	\$ 17,477
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	1,665	-	-
Dispose	(2,068)	-	(9,136)
Model/risk parameter change	-	-	-
Exchange rate and other changes	<u>2,776</u>	<u>-</u>	<u>(437)</u>
Loss allowance, September 30, 2020	<u>\$ 26,558</u>	<u>\$ -</u>	<u>\$ 7,904</u>

3) Liquidity risk

a) The source and definition of liquidity risk:

Liquidity risk refers to the potential loss resulting from the shortage of funds in acquiring assets or repaying debts on maturity, such as the cash outflow arising from the depositors' withdrawal of deposits, loan drawdown, other interests, expenses, or off-balance sheet transactions. To ensure sufficient capital liquidity, measures that can be taken include enough cash buffer in stock or readily realizable marketable securities, allocation of the period, absorbing deposits or financial borrowings, etc.

b) The Group's liquidity risk policies

The Group establishes a strategy based on the conservatism principle to diversify the source and duration of funds, participates in the fund's lending market and maintains strong relationship with fund providers to ensure the stability and reliability of funding sources.

The Group formulates relevant standards including risk identification, measurement, monitoring and reporting in order to control and grasp the potential adverse effects, regularly performs stress tests and analyzes the crisis situation to mitigate impact of excessive capital flows, establishes a limit monitoring mechanism, and sets management indicators such as liquidity ratios, cash flow gaps, etc.

The Group's liquidity risk management unit is the Asset and Liability Management Committee (hereinafter referred to as the "Committee"). The Committee must adopt necessary monitoring steps to maintain adequate liquidity and ensure that certain committees should regularly report to the board of directors for effective management of liquidity risks.

Maturity analysis of non-derivative financial liabilities

The Group disclosed the analysis of cash outflows from non-derivative financial liabilities by the residual maturities as of the balance sheet date. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some of these amounts may not correspond to the amounts shown on the consolidated balance sheets.

September 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 5,100,013	\$ 164,379	\$ -	\$ 1,467	\$ -	\$ 5,265,859
Funds borrowed from the Central Bank and other banks	766,889	1,794,667	2,346,528	518,300	4,738,735	10,165,119
Securities sold under repurchase agreements	804,355	400,952	-	-	-	1,205,307
Payables	5,228,123	685,005	1,261,453	133,727	368,156	7,676,464
Deposits and remittances	62,277,326	80,471,346	74,647,649	132,226,310	296,834,217	646,456,848
Bank debentures	-	256,121	-	26,324	11,500,000	11,782,445
Lease liabilities	22,556	28,595	42,499	81,813	823,064	998,527
Other items of cash outflow on maturity	1,647,344	916,997	230,067	192,085	387,077	3,373,570

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 6,349,048	\$ 520,616	\$ 730	\$ 166,944	\$ -	\$ 7,037,338
Funds borrowed from the Central Bank and other banks	1,539,096	2,216,952	1,356,893	1,369,444	2,028,267	8,510,652
Securities sold under repurchase agreements	500,808	1,800,700	-	-	-	2,301,508
Payables	5,001,989	1,109,106	200,384	458,730	273,148	7,043,357
Deposits and remittances	45,141,230	72,625,586	74,402,845	159,652,783	285,008,498	636,830,942
Bank debentures	-	-	-	64,553	11,500,000	11,564,553
Lease liabilities	23,102	45,988	67,624	132,372	863,279	1,132,365
Other items of cash outflow on maturity	1,240,211	430,793	110,947	158,947	322,063	2,262,961

September 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 6,700,013	\$ 164,379	\$ 158,420	\$ 3,295	\$ -	\$ 7,026,107
Funds borrowed from the Central Bank and other banks	1,208,449	1,475,651	1,432,340	1,982,178	1,639,467	7,738,085
Securities sold under repurchase agreements	702,741	2,523,603	-	-	-	3,226,344
Payables	5,003,607	507,507	1,074,504	268,689	342,569	7,196,876
Deposits and remittances	57,012,820	85,867,500	76,781,998	134,837,808	263,048,951	617,549,077
Bank debentures	-	273,547	-	26,324	11,500,000	11,799,871
Lease liabilities	23,116	46,205	68,465	133,509	925,466	1,196,761
Other items of cash outflow on maturity	1,140,003	570,790	53,807	165,975	327,856	2,258,431

Maturity analysis of derivative financial liabilities

a) Derivative instruments settled at net amounts

Derivative instruments settled at net amounts include:

Foreign exchange derivative instruments: Foreign exchange forward contracts and cross-currency option contracts

The Group assesses the maturity dates of derivative contracts to understand the basic elements of all derivative financial instruments shown on the consolidated balance sheets. The amounts used in the consolidated balance sheets are based on contractual cash flows. Therefore, some amounts may not correspond to the amounts shown on the consolidated balance sheets. The maturity analysis of derivative financial liabilities was as follows:

September 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivatives	\$ 42,324	\$ 69,089	\$ 51,673	\$ 53,373	\$ -	\$ 216,459
Total	\$ 42,324	\$ 69,089	\$ 51,673	\$ 53,373	\$ -	\$ 216,459

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivatives	\$ 24,773	\$ 44,804	\$ 43,391	\$ 116,105	\$ -	\$ 229,073
Total	\$ 24,773	\$ 44,804	\$ 43,391	\$ 116,105	\$ -	\$ 229,073

September 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivatives	\$ 8,600	\$ 39,220	\$ 58,272	\$ 71,061	\$ -	\$ 177,153
Total	\$ 8,600	\$ 39,220	\$ 58,272	\$ 71,061	\$ -	\$ 177,153

b) Derivative instruments settled at gross amounts

Derivative instruments settled at gross amounts include:

Foreign exchange derivatives instruments: Foreign exchange forward contracts and cross-currency swap contracts.

The Group disclosed the analysis of derivative instruments to be settled at gross amount by the residual maturities as of the balance sheet date. The Group assesses the maturity dates of derivative contracts to understand the basic elements of all derivative financial instruments shown in the balance sheets. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some of these amounts may not correspond to the amounts shown on the consolidated balance sheets. The maturity analysis of derivative financial liabilities settled at gross amounts was as follows:

September 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivatives						
Outflows	\$ 7,374,279	\$ 3,558,863	\$ 1,599,908	\$ 2,779,144	\$ -	\$ 15,312,194
Inflows	7,329,694	3,479,749	1,580,926	2,737,664	-	15,128,033
Total outflows	7,374,279	3,558,863	1,599,908	2,779,144	-	15,312,194
Total inflows	7,329,694	3,479,749	1,580,926	2,737,664	-	15,128,033
Net flows	\$ (44,585)	\$ (79,114)	\$ (18,982)	\$ (41,480)	\$ -	\$ (184,161)

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivatives						
Outflows	\$ 2,614,662	\$ 3,270,267	\$ 2,811,080	\$ 3,880,455	\$ -	\$ 12,576,464
Inflows	2,594,219	3,212,438	2,682,555	3,698,415	-	12,187,627
Total outflows	2,614,662	3,270,267	2,811,080	3,880,455	-	12,576,464
Total inflows	2,594,219	3,212,438	2,682,555	3,698,415	-	12,187,627
Net flows	\$ (20,443)	\$ (57,829)	\$ (128,525)	\$ (182,040)	\$ -	\$ (388,837)

September 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivatives						
Outflows	\$ 3,417,614	\$ 703,498	\$ 1,888,508	\$ 4,912,127	\$ -	\$ 10,921,747
Inflows	3,368,291	691,043	1,861,221	4,795,026	-	10,715,581
Total outflows	3,417,614	703,498	1,888,508	4,912,127	-	10,921,747
Total inflows	3,368,291	691,043	1,861,221	4,795,026	-	10,715,581
Net flows	\$ (49,323)	\$ (12,455)	\$ (27,287)	\$ (117,101)	\$ -	\$ (206,166)

4) Maturity analysis of off-balance-sheet items

The following table shows the Group's maturity analysis of off-balance sheet items based on the residual maturities from the consolidated balance sheets. For the financial guarantee contract issued, the maximum amount of guarantee is included in the earliest period that may be required to perform the guarantee. The amounts in the table below were prepared on contractual cash flow basis; therefore, some disclosed amounts would not match with the consolidated balance sheets.

September 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitments	\$ 7,022,869	\$ 18,727,216	\$ 29,546,055	\$ 60,846,159	\$ 43,266,986	\$ 159,409,285
Letters of credit	1,269,483	2,944,942	198,106	6,165	-	4,418,696
Guarantee receivables	5,058,414	8,408,200	1,768,795	3,163,233	8,305,278	26,703,920
Lease contract commitment	958,889	155,012	14,947	31,058	-	1,159,906
Total	\$ 14,309,655	\$ 30,235,370	\$ 31,527,903	\$ 64,046,615	\$ 51,572,264	\$ 191,691,807

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitments	\$ 7,704,768	\$ 19,126,700	\$ 29,632,011	\$ 62,958,367	\$ 37,007,287	\$ 156,429,133
Letters of credit	979,316	2,071,735	347,453	31,739	-	3,430,243
Guarantee receivables	6,861,342	5,126,641	705,627	2,513,448	7,672,033	22,879,091
Lease contract commitment	1,814,198	222,188	10,582	64,393	10,283	2,121,644
Total	\$ 17,359,624	\$ 26,547,264	\$ 30,695,673	\$ 65,567,947	\$ 44,689,603	\$ 184,860,111

September 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitments	\$ 8,230,094	\$ 21,941,967	\$ 26,870,445	\$ 64,407,440	\$ 33,500,234	\$ 154,950,180
Letters of credit	870,656	2,246,173	117,813	67,042	-	3,301,684
Guarantee receivables	4,859,090	6,464,450	881,101	1,903,381	5,428,319	19,536,341
Lease contract commitment	1,691,511	399,997	-	34,079	-	2,125,587
Total	\$ 15,651,351	\$ 31,052,587	\$ 27,869,359	\$ 66,411,942	\$ 38,928,553	\$ 179,913,792

5) Cash flow and fair value risk of interest rate fluctuation

The floating-rate assets/liabilities held by the Group may be exposed to risks of future cash inflow/outflow. Since the risk is considered substantial, it is therefore hedged by the Group.

40. TRANSFERS OF FINANCIAL ASSETS

Transferred Financial Assets That Do Not Qualify for Derecognition

Most of the transferred financial assets of the Group that are not derecognized in their entirety are securities sold under repurchase agreements. According to these transactions, the right of receiving cash flows from the transferred financial assets would be transferred to other entities and the associated liabilities of the Group's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. As the Group is restricted to use, sell or pledge the transferred financial assets throughout the term of transaction, and is still exposed to interest rate risks and credit risks on these instruments, the transferred financial assets are not derecognized in their entirety. The details of financial assets that were not derecognized in their entirety and the associated financial liabilities were as follows:

September 30, 2021					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Investments in debt instruments at amortized cost Securities sold under repurchase agreements	\$ 1,212,277	\$ 1,204,989	\$ 1,244,208	\$ 1,204,989	\$ 39,219

December 31, 2020					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Investments in debt instruments at amortized cost Securities sold under repurchase agreements	\$ 2,342,355	\$ 2,300,077	\$ 2,392,483	\$ 2,300,077	\$ 92,406

September 30, 2020					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Investments in debt instruments at amortized cost Securities sold under repurchase agreements	\$ 3,264,349	\$ 3,224,876	\$ 3,372,773	\$ 3,224,876	\$ 147,897

41. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group did not hold financial instruments covered by Section 42 of the IAS 32 “Financial Instruments: Presentation” endorsed by the Financial Supervisory Commission; thus, it made an offset of financial assets and liabilities and reported the net amount in the consolidated balance sheets.

The Group engages in transactions on the following financial assets and liabilities that are not subject to balance sheet offsetting based on IAS 32 but are under master netting arrangements or similar agreements. These agreements allow both the Group and its counterparties to opt for the net settlement of financial assets and financial liabilities. If one party defaults, the other party may choose net settlement.

The netting information of financial assets and financial liabilities is set out below:

September 30, 2021

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets	Net Amounts of Financial Assets Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received	
Securities purchased under resale agreements	\$ 13,298,572	\$ -	\$ 13,298,572	\$ 13,298,572	\$ -	\$ -
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets	Net Amounts of Financial Liabilities Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Securities sold under repurchase agreements	\$ 1,204,989	\$ -	\$ 1,204,989	\$ 1,204,989	\$ -	\$ -

December 31, 2020

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets	Net Amounts of Financial Assets Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received	
Securities purchased under resell agreements	\$ 12,773,121	\$ -	\$ 12,773,121	\$ 12,773,121	\$ -	\$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets	Net Amounts of Financial Liabilities Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Securities sold under repurchase agreements	\$ 2,300,077	\$ -	\$ 2,300,077	\$ 2,300,077	\$ -	\$ -

September 30, 2020

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets	Net Amounts of Financial Assets Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received	
Securities purchased under resell agreements	\$ 12,217,335	\$ -	\$ 12,217,335	\$ 12,217,335	\$ -	\$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets	Net Amounts of Financial Liabilities Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Securities sold under repurchase agreements	\$ 3,224,876	\$ -	\$ 3,224,876	\$ 3,224,876	\$ -	\$ -

42. INFORMATION ABOUT THE BANK

a. Asset quality

Items		September 30, 2021					September 30, 2020				
		Non-performing Loan (Note 1)	Total Loan	NPL Ratio (Note 2)	Allowance For Loan Losses	Coverage Ratio (Note 3)	Non-performing Loan (Note 1)	Total Loan	NPL Ratio (Note 2)	Allowance For Loan Losses	Coverage Ratio (Note 3)
Corporate loans	Secured	\$ 474,453	\$ 151,454,394	0.31%	\$ 1,514,591	319.23%	\$ 616,594	\$ 151,318,128	0.41%	\$ 1,522,466	246.92%
	Unsecured	204,393	80,886,231	0.25%	2,340,631	1,145.16%	403,927	79,613,169	0.51%	2,955,542	731.70%
Consumer loans	Mortgage (Note 4)	160,627	61,513,280	0.26%	960,434	597.93%	134,915	56,162,112	0.24%	894,928	663.33%
	Cash card	-	5	-	1	-	-	18	-	2	-
	Microcredit (Note 5)	2,046	930,818	0.22%	61,481	3,004.94%	2,197	851,481	0.26%	82,107	3,737.23%
	Other (Note 6)										
	Secured	256,562	150,535,762	0.17%	1,128,789	439.97%	362,018	146,939,750	0.25%	934,540	258.15%
	Unsecured	38,409	26,126,065	0.15%	365,729	952.20%	58,981	21,249,074	0.28%	407,157	690.32%
Loans		1,136,490	471,446,555	0.24%	6,371,656	560.64%	1,578,632	456,133,732	0.35%	6,796,742	430.55%

Items		September 30, 2021					September 30, 2020				
		Overdue Receivable	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	Overdue Receivable	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card		\$ 2,617	\$ 713,061	0.37%	\$ 25,868	988.46%	\$ 2,216	\$ 699,182	0.32%	\$ 25,054	1,130.60%
Accounts receivable without recourse (Note 7)		-	308,326	-	4,659	-	-	145,957	-	5,914	-

Non-reportable overdue loans and receivables

	September 30, 2021		September 30, 2020	
	Non-Reportable NPL Balance	Non-reportable Overdue Receivable Balance	Non-Reportable NPL Balance	Non-reportable Overdue Receivable Balance
Non-reportable amount upon performance of debt negotiation program (Note 8)	\$ 1,277	\$ 708	\$ 1,697	\$ 884
Amount received from performance of debt negotiation program (Note 9)	10,417	18,205	8,026	18,852
Total	11,694	18,913	9,723	19,736

Note 1: The amount recognized as non-performing loans (NPL) is in compliance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. Non-performing credit loans represent the amounts of non-performing loans reported to the FSC, as required by the FSC in its letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Non-performing loan ratio = Non-performing loans ÷ Outstanding loan balance;
Non-performing credit loan ratio = Non-performing loans ÷ Accounts receivable balance.

Note 3: Allowance for doubtful accounts ratio = Allowance for doubtful accounts in loans ÷ Overdue loans;
Allowance for doubtful accounts ratio of credit card = Allowance for doubtful accounts in credit cards ÷ Overdue loans.

Note 4: Home mortgage refers to financing obtained to buy, build, or fix houses owned by the borrowers’ spouse or children, with the house used as loan collateral.

Note 5: Microcredit is covered by the FSC pronouncement dated December 19, 2005 (Ref No. 09440010950) and is excluded from credit card and cash card loans.

Note 6: “Others” under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, microcredit, and credit cards.

Note 7: As required by the FSC in its letter dated July 19, 2005 (Ref No. 094000494), a provision for bad debts is recognized once no compensation is made by a factor or insurance company for accounts receivable factored without recourse.

Note 8: Accounts under “loans not required to be classified as NPL upon performance of a debt negotiation program” and “accounts receivable not required to be classified as overdue receivable upon debt negotiation program” were processed according the FSC pronouncement dated April 25, 2006 (Ref No. 09510001270).

Note 9: Accounts under “loans not required to be classified as NPL upon performance of a debt discharge program and rehabilitation program” and “accounts receivable not required to be classified as overdue receivable upon debt discharge program and rehabilitation program” were processed according the FSC pronouncement dated September 15, 2008 (Ref No. 09700318940).

b. Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Year	September 30, 2021		
Top 10 Rank (Note 1)	Group (Note 2)	Total Credit (Note 3)	Percentage of Net Worth (%)
1	Group A 016700 real estate development activities	\$ 4,401,401	7.31
2	Group B 016700 real estate development activities	2,599,114	4.32
3	Group C 016700 real estate development activities	2,326,951	3.87
4	Group D 016700 real estate development activities	2,176,191	3.62
5	Group E 012411 smelting and refining of iron and steel	2,136,396	3.55
6	Group F 016700 real estate development activities	1,906,450	3.17
7	Group G 014290 civil engineering construction	1,774,780	2.95
8	Group H 010892 manufacture of macaroni, noodles, couscous and similar farinaceous products	1,749,577	2.91
9	Group I 012630 bare printed circuit boards manufacturing	1,729,113	2.87
10	Group J 013822 hazardous industrial waste treatment	1,470,594	2.44

Year	September 30, 2020		
Top 10 Rank (Note 1)	Group (Note 2)	Total Credit (Note 3)	Percentage of Net Worth (%)
1	Group A 016700 real estate development activities	\$ 4,527,227	8.44
2	Group C 016811 real estate activities for sale and rental with own or leased property	2,494,650	4.65
3	Group H 010892 manufacture of macaroni, noodles, couscous and similar farinaceous products	2,485,776	4.63
4	Group B 016700 real estate development activities	2,446,000	4.56
5	Group E 012411 smelting and refining of iron and steel	2,321,020	4.33
6	Group D 016700 real estate development activities	2,257,493	4.21
7	Group K 015500 accommodation	2,085,229	3.89
8	Group L 016700 real estate development activities	1,937,777	3.61
9	Group M 012699 manufacture of other electronic parts and components not elsewhere classified	1,762,563	3.29
10	Group J 013822 hazardous industrial waste treatment	1,371,591	2.56

Note 1: The ranking is arranged in descending order of the outstanding loan balance, excluding all the government entities and nation-owned enterprises. If the borrower is a member company of a group, then the disclosed amount will be the total granted loan amount for that entire group. (i.e., Group A real estate development activities).

Note 2: According to Article 6 of the “Supplementary Provisions to the Stock Exchange Corporation Criteria for the Review of Securities Listings”, Group refers to the entity that has a controlling or subordinate relationship with the counterparty that obtained loans from the Bank.

Note 3: Credit balance means the sum of all the loans (including import bill negotiated, discounted export bills negotiated, overdrafts, short-term secured and unsecured loans, securities margin loan receivables, medium-term secured and unsecured loans, long-term secured and unsecured loans and delinquent receivables), exchange bills negotiated, accounts receivable factored without recourse, acceptances receivable, and guarantees issued.

c. Interest rate sensitivity information

**Interest Rate Sensitivity
September 30, 2021**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	\$ 507,397,071	\$ 7,622,117	\$ 8,970,652	\$ 96,731,089	\$ 620,720,929
Interest-sensitive liabilities	160,968,499	344,900,804	78,593,222	7,449,928	591,912,453
Interest sensitivity gap	346,428,572	(337,278,687)	(69,622,570)	89,281,161	28,808,476
Net equity					60,191,978
Ratio of interest-sensitive assets to liabilities					104.87%
Ratio of interest sensitivity gap to net equity					47.86%

September 30, 2020

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	\$ 476,826,981	\$ 6,888,166	\$ 16,697,247	\$ 92,423,790	\$ 592,836,184
Interest-sensitive liabilities	170,617,022	308,510,557	83,448,089	6,124,566	568,700,234
Interest sensitivity gap	306,209,959	(301,622,391)	(66,750,842)	86,299,224	24,135,950
Net equity					53,637,439
Ratio of interest-sensitive assets to liabilities					104.24%
Ratio of interest sensitivity gap to net equity					45.00%

Note 1: The above amounts included only the New Taiwan dollar amounts held by the head office and branches of the Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

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

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

**Interest Rate Sensitivity
September 30, 2021**

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	\$ 1,441,415	\$ 346,146	\$ 74,625	\$ 284,283	\$ 2,146,469
Interest-sensitive liabilities	590,196	1,329,577	257,632	-	2,177,405
Interest sensitivity gap	851,219	(983,431)	(183,007)	284,283	(30,936)
Net equity					2,161,680
Ratio of interest-sensitive assets to liabilities					98.58%
Ratio of interest sensitivity gap to net equity					(1.43%)

September 30, 2020

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	\$ 1,249,488	\$ 286,685	\$ 106,622	\$ 332,981	\$ 1,975,776
Interest-sensitive liabilities	604,700	1,139,739	272,447	-	2,016,886
Interest sensitivity gap	644,788	(853,054)	(165,825)	332,981	(41,110)
Net equity					1,851,802
Ratio of interest-sensitive assets to liabilities					97.96%
Ratio of interest sensitivity gap to net equity					(2.22%)

Note 1: The above amounts included only the U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars)

d. Profitability

Unit: %

Items		September 30, 2021	September 30, 2020
Return on total assets	Pretax	0.56	0.49
	After tax	0.49	0.43
Return on net equity	Pretax	6.96	6.49
	After tax	6.07	5.60
Profit margin		39.06	37.52

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets

Note 2: Return on equity = Income before (after) income tax ÷ Average equity

Note 3: Net income ratio = Income after income tax ÷ Total net revenues

Note 4: Income before (after) income tax represents income for the nine months ended September 30, 2021 and 2020.

e. Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities
September 30, 2021**

(In Thousands of New Taiwan Dollars)

	Total	Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Major capital inflow on maturity	\$ 666,271,559	\$ 79,317,949	\$ 60,437,515	\$ 37,425,496	\$ 53,225,458	\$ 100,930,604	\$ 334,934,537
Major capital outflow on maturity	796,375,341	33,350,117	39,707,489	88,315,367	107,859,485	163,635,865	363,507,018
Gap	(130,103,782)	45,967,832	20,730,026	(50,889,871)	(54,634,027)	(62,705,261)	(28,572,481)

September 30, 2020

(In Thousands of New Taiwan Dollars)

	Total	Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Major capital inflow on maturity	\$ 638,644,207	\$ 72,593,092	\$ 59,952,728	\$ 34,824,292	\$ 49,897,434	\$ 103,259,151	\$ 318,117,510
Major capital outflow on maturity	759,105,962	28,899,317	40,443,421	95,276,487	106,138,944	164,673,802	323,673,991
Gap	(120,461,755)	43,693,775	19,509,307	(60,452,195)	(56,241,510)	(61,414,651)	(5,556,481)

Note: The above amounts included only the New Taiwan dollar amounts held by the head office and domestic branches of the Bank (excluding foreign currency).

**Maturity Analysis of Assets and Liabilities
September 30, 2021**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Major capital inflow on maturity	\$ 2,687,549	\$ 581,865	\$ 392,191	\$ 400,289	\$ 256,727	\$ 1,056,477
Major capital outflow on maturity	3,222,616	583,104	873,508	515,303	905,973	344,728
Gap	(535,067)	(1,239)	(481,317)	(115,014)	(649,246)	711,749

September 30, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Major capital inflow on maturity	\$ 2,399,418	\$ 399,036	\$ 238,005	\$ 241,381	\$ 314,630	\$ 1,206,366
Major capital outflow on maturity	3,031,726	515,529	762,724	559,752	919,787	273,934
Gap	(632,308)	(116,493)	(524,719)	(318,371)	(605,157)	932,432

Note 1: The above amounts included only the U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

Note 2: When the OBU's assets account for 10% of total assets of the Bank, the Bank should provide complimentary disclosed information.

43. CAPITAL MANAGEMENT

- a. The purpose of capital management is to meet the criteria set by administration which is the basic goal of the Group's capital management. The calculation method of the relevant qualified eligible capital and legal capital should be handled in accordance with the regulations of the competent authority.

To maintain the ratio of eligible capital to risk-weighted assets above the target level, the capital management structure of the Group should be properly planned depending on the conditions of capital market, the characteristics of various capital instruments, the efficiency of capital utilization and the impact of operational performance.

- b. The Group follows the relevant regulations of the competent authority and the internal operating procedures of the Bank, to regularly disclose relevant information on capital adequacy and report to the competent authority on a quarterly basis.

Self-owned capital of the Bank is divided into Tier 1 capital and Tier 2 capital according to principles of capital adequacy management.

- 1) The term “Net Tier 1 Capital” shall mean the aggregate amount of net common Equity Tier 1 and net additional Tier 1 Capital.

a) Common equity Tier 1 capital consists of the common shares and additional paid-in capital in excess of par - common shares, the capital collected in advance, the capital reserves, the statutory surplus reserves, the special reserves, the accumulated profit or loss, the non-controlling interests and other items of interest.

b) Additional Tier 1 capital consists of non-cumulative perpetual preferred shares and its capital share premium, the non-cumulative perpetual subordinated debts, the non-cumulative perpetual preferred shares and its capital share premium, and the non-cumulative perpetual subordinated debts which are issued by banks’ subsidiaries, and are not directly or indirectly held by banks.

- 2) Tier 2 capital

Tier 2 capital consists of cumulative perpetual preferred shares and its capital share premium, the cumulative perpetual subordinated debts, the convertible subordinated debts, the long-term subordinated debts, the non-perpetual preferred shares and its capital share premium, when applying International Financial Reporting Standards in real estate and using the fair value method or the re-estimated value method as the deemed cost for the first time, the difference in amount between the deemed cost and the book value recognized in retained earnings, the 45% of unrealized gains on changes in the fair value of investment properties using the fair value method, as well as the 45% of unrealized gains on available-for-sale financial assets, the operational reserves and loan-loss provisions and the cumulative perpetual preferred shares and its capital share premium, the cumulative perpetual subordinated debts, the convertible subordinated debts, the long-term subordinated debts, and the non-perpetual preferred shares and its capital share premiums, which are issued by banks’ subsidiaries, and are not directly or indirectly held by banks.

44. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Details of significant assets and liabilities denominated in foreign currencies were as follows:

	September 30, 2021						Total
	USD	CNY	JPY	AUD	EUR	Others	
Financial assets in foreign currencies							
Cash and cash equivalents	\$ 6,875,003	\$ 688,402	\$ 752,313	\$ 101,641	\$ 253,378	\$ 423,421	\$ 9,094,158
Due from the Central Bank and call loans to other banks	1,244,672	86,080	-	160,640	-	212,060	1,703,452
Financial assets at fair value through profit or loss	1,160,030	-	-	-	-	5,371	1,165,401
Financial assets at fair value through other comprehensive income	1,395,143	1,926,825	-	120,729	-	-	3,442,697

(Continued)

	September 30, 2021						
	USD	CNY	JPY	AUD	EUR	Others	Total
Notes discounted and loans Receivables	\$ 31,287,283	\$ 1,330,218	\$ 813,033	\$ 75,299	\$ 1,009,463	\$ 849,988	\$ 35,365,284
Financial assets at amortized cost	777,341	3,390,842	249,234	6,610	19,105	18,718	4,461,850
Other assets	18,429,789	3,441,595	-	1,063,956	-	829,539	23,764,879
	367,423	-	-	-	-	210	367,633
<u>Financial liabilities in foreign currencies</u>							
Funds borrowed from the Central Bank and other banks	-	2,709,505	-	-	-	-	2,709,505
Deposits and remittances	60,567,058	4,272,051	821,102	2,032,792	702,191	1,762,950	70,158,144
Financial liabilities at fair value through profit or loss	278,283	12,508	-	-	112	5,371	296,274
Other financial liabilities	33,136	-	-	-	-	124,746	157,882
Payables	580,151	119,763	247,567	1,404	13,819	4,920	967,624
Lease liabilities	-	37,051	-	-	-	4,778	41,829
Provisions	22,653	-	-	-	-	-	22,653
Other liabilities	228,896	24,470	2,908	-	9,055	-	265,329
New Taiwan dollars exchange rate	27.85	4.30	0.25	20.08	32.32		

(Concluded)

	December 31, 2020						
	USD	CNY	JPY	AUD	EUR	Others	Total
<u>Financial assets in foreign currencies</u>							
Cash and cash equivalents	\$ 3,859,375	\$ 487,676	\$ 369,085	\$ 135,056	\$ 137,767	\$ 496,070	\$ 5,485,029
Due from the Central Bank and call loans to other banks	73,057	86,340	-	-	-	374,987	534,384
Financial assets at fair value through profit or loss	1,189,924	-	-	-	3,509	90,688	1,284,121
Financial assets at fair value through other comprehensive income	1,736,382	1,928,804	-	132,488	-	-	3,797,674
Notes discounted and loans Receivables	31,203,325	1,112,690	413,612	81,659	1,176,027	1,017,500	35,004,813
Financial assets at amortized cost	805,151	2,967,309	209,852	14,156	445,269	68,749	4,510,486
Other assets	18,565,402	3,842,754	-	1,428,655	-	941,953	24,778,764
	495,580	86,340	-	-	-	1	581,921
<u>Financial liabilities in foreign currencies</u>							
Due to the Central Bank and other banks	702,478	-	408,753	-	-	-	1,111,231
Funds borrowed from the Central Bank and other banks	-	2,222,528	-	-	-	-	2,222,528
Deposits and remittances	54,085,876	4,231,763	635,885	2,261,598	563,925	2,236,821	64,015,868
Financial liabilities at fair value through profit or loss	304,098	36,706	-	-	3,780	2,154	346,738
Other financial liabilities	-	-	-	-	-	107,246	107,246
Payables	1,093,982	193,025	198,722	162,732	61,890	59,780	1,770,131
Lease liabilities	-	41,981	-	-	-	5,529	47,510
Securities sold under repurchased agreements	1,096,485	-	-	-	-	-	1,096,485
Provisions	21,174	-	-	-	-	-	21,174
Other liabilities	109,079	7,932	234	-	8,518	-	125,763
New Taiwan dollars exchange rate	28.10	4.32	0.27	21.65	34.55		

	September 30, 2020						
	USD	CNY	JPY	AUD	EUR	Others	Total
<u>Financial assets in foreign currencies</u>							
Cash and cash equivalents	\$ 2,623,952	\$ 1,125,747	\$ 400,317	\$ 97,943	\$ 187,393	\$ 330,636	\$ 4,765,988
Due from the Central Bank and call loans to other banks	75,309	233,750	-	206,100	-	418,462	933,621
Financial assets at fair value through profit or loss	1,076,054	2,497	-	-	3,984	629	1,083,164
Financial assets at fair value through other comprehensive income	1,468,509	1,103,569	-	125,137	-	-	2,697,215
Notes discounted and loans receivables	33,126,642	1,035,010	400,431	77,288	1,116,346	1,086,655	36,842,372
Financial assets at amortized cost	1,064,221	2,722,156	256,451	2,898	51,287	29,946	4,126,959
Other assets	19,403,813	3,783,751	-	1,360,074	-	836,646	25,384,284
	269,820	-	-	-	-	-	269,820
<u>Financial liabilities in foreign currencies</u>							
Funds borrowed from the Central Bank and other banks							
	-	2,556,599	-	-	-	-	2,556,599
Deposits and remittances	56,335,926	3,547,870	690,984	2,230,370	548,533	1,779,318	65,133,001
Financial liabilities at fair value through profit or loss	226,033	-	-	-	4,278	629	230,940
Other financial liabilities	-	-	-	-	-	126,614	126,614
Payables	560,469	141,659	185,977	2,411	91,727	14,189	996,432
Lease liabilities	-	43,212	-	-	-	6,167	49,379
Securities sold under repurchased agreements	2,021,821	-	-	-	-	-	2,021,821
Provisions	22,377	-	-	-	-	-	22,377
Other liabilities	74,891	8,277	1,816	-	6,880	-	91,864
New Taiwan dollars exchange rate							
	28.97	4.25	0.27	20.61	33.96		

45. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the nine months ended September 30, 2021

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes		Closing Balance
			New Leases	End of Lease Term	
Funds borrowed from the Central Bank and other banks	\$ 8,510,652	\$ 1,654,467	\$ -	\$ -	\$ 10,165,119
Commercial papers	1,588,567	919,029	-	-	2,507,596
Bank debentures	11,500,000	-	-	-	11,500,000
Guarantee deposits received	567,148	140,944	-	-	708,092
Lease liabilities	<u>1,006,781</u>	<u>(178,348)</u>	<u>230,244</u>	<u>(181,073)</u>	<u>877,604</u>
	\$ 23,173,148	\$ 2,536,092	\$ 230,244	\$ (181,073)	\$ 25,758,411

For the nine months ended September 30, 2020

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes		Closing Balance
			New Leases	End of Lease Term	
Funds borrowed from the Central Bank and other banks	\$ 6,092,040	\$ 1,646,045	\$ -	\$ -	\$ 7,738,085
Commercial papers	1,174,083	384,467	-	-	1,558,550
Bank debentures	14,000,000	(2,500,000)	-	-	11,500,000
Guarantee deposits received	582,064	(8,797)	-	-	573,267
Lease liabilities	<u>895,285</u>	<u>(142,198)</u>	<u>362,325</u>	<u>(53,302)</u>	<u>1,062,110</u>
	\$ 22,743,472	\$ (620,483)	\$ 362,325	\$ (53,302)	\$ 22,432,012

46. OTHER SIGNIFICANT EVENTS

Due to the impact of the COVID-19 pandemic, future economic and financial development are uncertain. The Group strengthened its management towards the provision of loans, monitored and assessed financial information (including net revenue, expected impairment loss, operating expenses and capital adequacy ratio, etc.) by applying stress testing under additional pressure. Based on the information available as of the balance sheet date, the epidemic did not have significant influence on the Group's ability to continue as a going concern, asset impairment and financing risk.

47. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments are as follows:

Northern area
Central area
Southern area
OBU
Overseas branch
Head office and others

a. Segment revenues and results

The analysis of the Group's revenue and results from continuing operations by reportable segment is as follows:

	Northern Area	Central Area	Southern Area	OBU	Overseas Branch	Head Office and Others	Adjustment and Write-off	Total
For the nine months ended September 30, 2021								
Interest revenue	\$ 2,276,750	\$ 3,339,178	\$ 2,087,143	\$ 974,245	\$ 62,204	\$ 2,227,713	\$ (1,808,548)	\$ 9,158,685
Interest expense	(943,101)	(973,238)	(598,150)	(381,274)	(14,872)	(1,145,255)	1,808,548	(2,247,342)
Net revenue	1,333,649	2,365,940	1,488,993	592,971	47,332	1,082,458	-	6,911,343
Net income and loss other than interest								
Service fee income	435,627	701,091	453,094	90,372	4,684	801,909	-	2,486,777
Gain on financial instruments	7,709	49,193	13,156	9,052	-	422,771	-	501,881
Others	12,043	18,054	14,929	50,035	304	38,818	(56,276)	77,907
Bad-debt expenses and provision for losses on commitments and guarantees	60,821	156,581	(584,689)	10,632	(5,903)	(333,562)	-	(696,120)
Operating expenses	(615,189)	(1,091,383)	(752,723)	-	(24,849)	(2,687,340)	56,276	(5,115,208)
Income before income tax	<u>\$ 1,234,660</u>	<u>\$ 2,199,476</u>	<u>\$ 632,760</u>	<u>\$ 753,062</u>	<u>\$ 21,568</u>	<u>\$ (674,946)</u>	<u>\$ -</u>	<u>\$ 4,166,580</u>
For the nine months ended September 30, 2020								
Interest revenue	\$ 2,413,410	\$ 3,506,123	\$ 2,158,542	\$ 1,194,020	\$ 60,734	\$ 1,801,785	\$ (1,945,044)	\$ 9,189,570
Interest expense	(1,109,397)	(1,068,466)	(704,777)	(617,645)	(17,922)	(1,465,919)	1,945,044	(3,039,082)
Net revenue	1,304,013	2,437,657	1,453,765	576,375	42,812	335,866	-	6,150,488
Net income and loss other than interest								
Service fee income	343,339	613,147	377,156	79,555	5,155	716,518	-	2,134,870
Gain on financial instruments	14,336	44,079	16,051	50,660	-	(48,539)	-	76,587
Others	10,933	17,506	14,805	(21,095)	12,874	174,790	(56,480)	153,333
Bad-debt expenses and provision for losses on commitments and guarantees	(323,378)	(1,823)	35,094	(18,789)	(10,485)	(79,230)	-	(398,611)
Operating expenses	(597,749)	(1,083,810)	(742,301)	-	(21,439)	(2,254,777)	56,480	(4,643,596)
Income before income tax	<u>\$ 751,494</u>	<u>\$ 2,026,756</u>	<u>\$ 1,154,570</u>	<u>\$ 666,706</u>	<u>\$ 28,917</u>	<u>\$ (1,155,372)</u>	<u>\$ -</u>	<u>\$ 3,473,071</u>

This measure is provided to the chief operating decision maker for resource allocation and measurement of segment performance.

b. Segment assets

Segment Assets	September 30, 2021	December 31, 2020	September 30, 2020
Northern area	\$ 138,510,094	\$ 139,108,081	\$ 137,674,315
Central area	199,730,037	196,947,682	194,164,981
Southern area	86,922,219	99,754,054	99,666,764
OBU	55,395,907	56,666,372	58,188,426
Overseas branch	2,975,775	2,615,256	2,481,167
Head office and others	<u>264,766,113</u>	<u>241,678,576</u>	<u>221,655,406</u>
	<u>\$ 748,300,145</u>	<u>\$ 736,770,021</u>	<u>\$ 713,831,059</u>

c. Revenue from major products and services

The Group is mainly involved in the business of earning interest revenue; therefore, no product or service information is available.

d. Geographical information

Location	For the Nine Months Ended September 30	
	2021	2020
Taiwan	\$ 9,765,879	\$ 8,359,392
Asia	211,307	153,469
America	<u>722</u>	<u>2,417</u>
	<u>\$ 9,977,908</u>	<u>\$ 8,515,278</u>

e. Information about major customers

The interest revenue of the Group from any single customer does not exceed 10% of the total interest revenue; therefore, information on major customers is not available.

48. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

Disclosures of relevant information in accordance with Article 18 of the Regulations Governing the Preparation of Financial Reports by Public Banks are as follows:

No.	Item	Note
1	Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital.	None
2	Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital.	None
3	Disposal of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital.	None
4	Allowance of service fees to related party amounting to at least NT\$5 million.	None
5	Receivables from related party amounting to at least NT\$300 million or 10% of the paid-in capital.	None
6	Sale of nonperforming loans.	None
7	Financial asset securitization and real estate securitization.	None
8	Other significant transactions which may affect the decisions of users of financial reports.	None

b. The related information of the Group's investees (Note):

No.	Item	Note
1	Related information and proportionate share in investees.	Exempt from disclosure in the review report
2	Financing provided.	Table 1
3	Endorsement/guarantee provided.	Table 2
4	Marketable securities held.	Table 3
5	Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital	None
6	Derivative transactions.	Note 8
7	Other significant transactions which may affect the decisions of users of financial reports.	None

Note: Subsidiaries are exempt from disclosure if they belong to the financial, insurance, and securities industries, and the main business items of business registration include fund loans to others, endorsements, and trading of securities.

c. Investments in mainland China: Table 4 (attached).

d. Business relationships and significant transactions between the parent company and subsidiaries: Table 5 (attached).

e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6).

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Party	Highest Balance for the Period (Note 3)	Ending Balance (Note 8)	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 4)	Business Transaction Amount (Note 5)	Reasons for Short-term Financing (Note 6)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 7)	Aggregate Financing Limit (Note 7)	Note
													Item	Value			
1	Taichung Bank Leasing Corporation Limited	Wan Ku Fu Co., Ltd.	Other receivables	Not related	\$ 121,829	\$ 55,149	\$ 55,149	4-10	Necessary for short-term financing	\$ -	Business turnover	\$ 551	Real estate	\$ 86,610	\$ 200,230	\$ 800,920	Note 9
		Da Fang Skill Color Marketing Consultant Co., Ltd.	Other receivables	Not related	178,152	161,029	161,029	4-10	Necessary for short-term financing	-	Business turnover	1,610	Real estate	180,000	200,230	800,920	Note 9
		Qiyi Intergrated Marketing Co., Ltd.	Other receivables	Not related	180,000	180,000	180,000	4-10	Necessary for short-term financing	-	Business turnover	1,800	Real estate	326,301	200,230	800,920	Note 9
		TCCBL Co., Ltd. (B.V.I.)	Other receivables - related party	Related	9,534	9,305	9,305	-	Necessary for short-term financing	-	Business turnover	93	None	-	200,230	800,920	Note 9
2	TCCBL Co., Ltd. (B.V.I.)	Cross Border Profits Limited	Other receivables	Not related	5,395	-	-	4-10	Necessary for short-term financing	-	Business turnover	-	Margin	2,785	80,461	321,843	Note 10

Note 1: The description of the number column is as follows:

- a. Issuer: 0.
- b. The invested company is numbered sequentially by the Arabic number 1 according to the company.

Note 2: Items such as accounts receivable, corporate receivables, shareholder transactions, prepayments, provisional payments, etc., which are provided by financing are required to be filled in this field.

Note 3: The annual fund is provided to others to the highest balance.

Note 4: Nature of financing should be filled with business contracts or those who have short-term financing.

Note 5: Nature of the loan of the business contracts should be filled with the amount of business transactions. The amount of business transactions refers to the amount of business transactions between the company that lends the funds and the target of last year's loan.

Note 6: Nature of the loan required for short-term financing should specify the reasons for the loans and the use of funds for the loan, such as repayment of loans, purchase of equipment, business turnover, etc.

Note 7: The company shall fill in the borrowing limit and total limit for individual objects according to the operating procedures and explains the calculation method of the total limit in the column Note.

Note 8: If the board of directors of the public offering company according to Article 14 (1) of the Public Offering Company's Financing and Endorsement Guarantee Processing Guidelines will make a resolution, the amount of the resolution of the board of directors shall be included in the announcement balance to disclose its risk; however, if the funds are repaid, the balance after repayment should be disclosed to reflect the adjustment of risk. If the public offering company authorizes the chairman of the board to allocate or repay the loan in a certain amount and within one year according to the resolution of the board of directors in accordance with Article 14(2) of the handling criteria, the fund's loan and the amount approved by the board of directors shall be the declared balance. Although the funds will be repaid afterwards, the consideration may still be re-loaned. Therefore, the fund loan and the amount approved by the board of directors should still be used as the announced balance.

Note 9: Taichung Bank Leasing Corporation Limited should not exceed 10% of its own net value for a single enterprise. The total amount of financing provided to others is limited to 40% of the net value of Taichung Bank Leasing Corporation Limited.

Note 10: TCCBL Co., Ltd. (B.V.I.) should not exceed 10% of its own net value for a single enterprise. The total amount of financing provided to others is limited to 40% of the net value of TCCBL Co., Ltd. (B.V.I.).

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 3)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 3)
		Name	Relationship										
1	Taichung Bank Leasing Corporation Limited	TCCBL Co., Ltd. (B.V.I.)	Direct shareholding of 100% of subsidiary	\$ 12,013,806	\$ 632,228	\$ 542,978	\$ -	\$ -	27.12	\$ 20,023,010	-	-	-
2	Taichung Bank Leasing Corporation Limited	Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Indirect shareholding of 100% of subsidiary	12,013,806	2,491,034	2,480,750	1,679,673	-	123.89	20,023,010	-	-	Y

Note 1: According to Taichung Bank Leasing Corporation Limited's "Operating Procedures to Fund Endorsement and Guarantee", the endorsement limit to single company cannot surpass six times of Taichung Bank Leasing Corporation Limited's audited net worth. The endorsement limits to all subsidiaries cannot surpass 10 times of Taichung Bank Leasing Corporation Limited's audited net worth.

Note 2: The maximum balance guaranteed for endorsement of others during the year.

Note 3: It is a guarantor of the listed parent company to the endorsement of the subsidiary, the subsidiary company's endorsement to the listed parent company and the endorsement of the mainland area must be filled with Y.

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2021

(In Thousands of New Taiwan Dollars or Shares)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 30, 2021				Note
				Number of Shares	Carrying Amount (Note)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note)	
Taichung Commercial Bank Co., Ltd.	<u>Domestic unlisted shares</u> Taichung Bank Leasing Corporation Limited	Subsidiary	Investment accounted for using the equity method	198,964	\$ 2,002,301	100	\$ 2,002,301	
	Taichung Bank Insurance Brokers Co., Ltd.	Subsidiary	Investment accounted for using the equity method	128,600	1,844,826	100	1,844,826	
	Taichung Bank Securities Co., Ltd.	Subsidiary	Investment accounted for using the equity method	146,748	1,687,728	100	1,687,728	
	Taichung Bank Securities Investment Trust Co., Ltd.	Associate	Investment accounted for using the equity method	12,000	167,360	38	167,360	
Taichung Bank Leasing Corporation Limited	<u>Foreign unlisted shares</u> TCCBL Co., Ltd. (B.V.I.)	Sub-subsidiary	Investment accounted for using the equity method	30,000	804,607	100	804,607	
TCCBL Co., Ltd. (B.V.I.)	<u>Foreign unlisted shares</u> Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Sub-subsidiary	Investment accounted for using the equity method	-	759,860	100	759,860	
Taichung Bank Securities Co., Ltd.	<u>Domestic unlisted shares</u> Taichung Bank Venture Capital Co., Ltd.	Sub-subsidiary	Investment accounted for using the equity method	21,000	210,719	100	210,719	

Note: The financial industry, the insurance industry and the securities industry are exempt from disclosure.

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2021	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2021	Accumulated Inward Remittance of Earnings as of September 30, 2021
					Outflow	Inflow					
Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Financial leasing business	\$ 893,373 (CNY 186,329 thousand)	Investment in mainland China companies through an existing company established in a third region.	\$ 893,373 (CNY 186,329 thousand)	\$ -	\$ -	\$ 893,373 (CNY 186,329 thousand)	100	\$ 25,625 (CNY 5,928 thousand)	\$ 759,860 (CNY 176,547 thousand)	\$ -

Accumulated Investment in Mainland China as of September 30, 2021	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
\$893,373	\$893,373	\$1,201,381

Note 1: Recognition of investment gains and losses based on the financial statements reviewed by the parent company's accountant.

Note 2: Based on the Investment Commission's "Regulation on the Examination of Investment or Technical Cooperation in Mainland China", investments are limited to the regulation of Taichung Bank Leasing Corporation Limited's calculation.

Note 3: Foreign currency involved translation into the New Taiwan dollar at the spot rate and average exchange rate on the date of the financial statements (CNY1=NT\$4.30, CNY1=NT\$4.32).

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counterparty	Transaction Flow (Note 2)	Description of Transactions			Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%) (Note 4)
				Financial Statement Account	Amount (Note 3)	Trading Terms	
0	<u>September 30, 2021</u> Taichung Commercial Bank Co., Ltd.	Taichung Insurance Brokers Co., Ltd.	a	Deposits and remittances	\$ 1,296,842	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
		Taichung Insurance Brokers Co., Ltd.	a	Service fee income	150,003	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	2
		Taichung Insurance Brokers Co., Ltd.	a	Receivables	16,667	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
		Taichung Commercial Bank Securities Co., Ltd.	a	Deposits and remittances	129,786	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
		Taichung Commercial Bank Securities Co., Ltd.	a	General and administrative	27,740	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
		Taichung Bank Leasing Corporation Limited.	a	Deposits and remittances	94,512	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
		Taichung Bank Venture Capital Co., Ltd.	a	Deposits and remittances	156,934	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
1	Taichung Commercial Bank Securities Co., Ltd.	Taichung Commercial Bank Co., Ltd.	b	Right-of-use assets	17,860	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
		Taichung Commercial Bank Co., Ltd.	b	Lease liabilities	18,090	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-

(Continued)

Note 1: The parent company and subsidiaries are numbered as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

- a. From parent company to subsidiary,
- b. From subsidiary to parent company, and
- c. Between subsidiaries.

Note 3: Have been eliminated on consolidation.

Note 4: Percentage to the consolidated total assets is calculated by dividing the amount of a particular asset or liability account by the consolidated total assets as of September 30, 2021 and 2020. Percentage to the consolidated total revenues is calculated by dividing the amount of a particular revenue or cost or expense account by the consolidated total operating revenues for the nine months ended September 30, 2021 and 2020.

Note 5: Referring to transactions exceeding \$10,000 thousand.

(Concluded)

TABLE 6**TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Man-Made Fiber Corporation	954,600,035	22.00
Pan Asia Chemical Corporation	244,797,029	5.64

Note 1: According to Article 25 of the Banking Act of the Republic of China, the same person or same related party who individually, jointly or collectively acquires more than 5% of a bank's outstanding voting shares shall report such fact to the authorities within 10 days from the date of acquisition.

Note 2: If the shares of the major shareholders in the above table are held by trustees, the shareholdings should be separately disclosed by the trust accounts opened by the trustee. As for shareholders' handling of insider shareholding declarations with more than 10% of their shares in accordance with the Securities Exchange Act, their shareholdings include their own shareholdings plus those shares held under trust accounts with the right to utilize the trust assets, etc. For more information on insider shareholding declarations, please refer to the market observation post system website of the TWSE.