

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

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2022 and 2021 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 balance sheets of Taichung Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively, the "Group") as of September 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). 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, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 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 Shu-Lin Liu and Pan-Fa Wang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 3, 2022

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, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
CASH AND CASH EQUIVALENTS (Note 6)	\$ 18,347,428	2	\$ 17,964,974	2	\$ 15,306,763	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7 and 36)	41,710,159	5	38,193,986	5	35,159,928	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Note 8)	37,129,257	5	33,675,502	4	32,591,744	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Note 9)	46,777,548	6	48,547,804	6	45,420,863	6
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10 and 36)	110,046,674	14	109,181,808	14	106,968,801	14
SECURITIES PURCHASED UNDER RESALE AGREEMENTS (Note 11)	11,351,278	1	11,258,439	2	13,298,572	2
RECEIVABLES, NET (Notes 12 and 36)	14,261,801	2	14,351,605	2	14,867,809	2
NOTES DISCOUNTED AND LOANS, NET (Notes 13 and 35)	504,307,425	63	479,806,373	62	466,431,753	62
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Note 14)	167,774	-	165,124	-	167,360	-
RESTRICTED ASSETS, NET (Notes 15 and 36)	362,388	-	394,621	-	382,193	-
OTHER FINANCIAL ASSETS, NET (Note 16)	315,260	-	437,502	-	-	-
PROPERTIES AND EQUIPMENT, NET (Note 17)	15,537,677	2	13,755,424	2	13,292,542	2
RIGHT-OF-USE ASSETS, NET (Note 18)	804,622	-	817,320	-	836,502	-
INVESTMENT PROPERTIES, NET (Note 19)	580,046	-	-	-	17,947	-
INTANGIBLE ASSETS, NET (Note 20)	215,946	-	220,723	-	210,626	-
DEFERRED TAX ASSETS (Note 4)	723,159	-	859,352	-	802,618	-
OTHER ASSETS (Notes 21 and 36)	<u>2,880,362</u>	<u>-</u>	<u>3,047,836</u>	<u>1</u>	<u>2,544,124</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 805,518,804</u></b>	<b><u>100</u></b>	<b><u>\$ 772,678,393</u></b>	<b><u>100</u></b>	<b><u>\$ 748,300,145</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND EQUITY</b>						
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 22)	\$ 3,253,759	1	\$ 3,953,700	1	\$ 5,265,859	1
FUNDS BORROWED FROM THE CENTRAL BANK AND OTHER BANKS (Notes 23 and 36)	7,980,655	1	10,459,156	2	10,165,119	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Note 8)	2,078,233	-	512,399	-	529,839	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Note 24)	901,409	-	1,205,559	-	1,204,989	-
PAYABLES (Notes 25 and 35)	6,768,567	1	11,092,958	2	6,917,990	1
CURRENT TAX LIABILITIES (Note 4)	285,065	-	406,178	-	206,252	-
DEPOSITS AND REMITTANCES (Notes 26 and 35)	693,692,698	86	659,116,235	85	646,174,062	86
BANK DEBENTURES (Notes 27 and 35)	16,500,000	2	16,500,000	2	11,500,000	2
OTHER FINANCIAL LIABILITIES (Note 28)	5,842,616	1	2,648,169	-	2,665,478	-
PROVISIONS (Notes 4 and 29)	1,335,196	-	1,355,169	-	1,404,233	-
LEASE LIABILITIES (Note 18)	845,297	-	853,218	-	877,604	-
DEFERRED TAX LIABILITIES (Note 4)	109,486	-	109,486	-	111,021	-
OTHER LIABILITIES (Note 30)	<u>1,098,408</u>	<u>-</u>	<u>1,006,181</u>	<u>-</u>	<u>1,085,721</u>	<u>-</u>
Total liabilities	<u>740,691,389</u>	<u>92</u>	<u>709,218,408</u>	<u>92</u>	<u>688,108,167</u>	<u>92</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 31)						
Ordinary shares	47,654,465	6	45,385,205	6	43,385,205	6
Capital surplus	1,054,006	-	1,054,006	-	803,606	-
Retained earnings						
Legal reserve	12,141,002	2	10,677,008	1	10,677,008	1
Special reserve	149,077	-	149,678	-	149,678	-
Unappropriated earnings	3,968,562	-	4,886,043	1	3,645,121	1
Other equity	<u>(139,697)</u>	<u>-</u>	<u>1,308,045</u>	<u>-</u>	<u>1,531,360</u>	<u>-</u>
Total equity attributable to owners of the Bank	<u>64,827,415</u>	<u>8</u>	<u>63,459,985</u>	<u>8</u>	<u>60,191,978</u>	<u>8</u>
Total equity	<u>64,827,415</u>	<u>8</u>	<u>63,459,985</u>	<u>8</u>	<u>60,191,978</u>	<u>8</u>
<b>TOTAL</b>	<b><u>\$ 805,518,804</u></b>	<b><u>100</u></b>	<b><u>\$ 772,678,393</u></b>	<b><u>100</u></b>	<b><u>\$ 748,300,145</u></b>	<b><u>100</u></b>

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			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 32 and 35)	\$ 4,183,975	102	\$ 3,076,449	91	\$ 11,008,293	99	\$ 9,158,685	92
INTEREST EXPENSE (Notes 32 and 35)	(1,313,214)	(32)	(728,123)	(22)	(2,993,095)	(27)	(2,247,342)	(23)
NET INTEREST	2,870,761	70	2,348,326	69	8,015,198	72	6,911,343	69
NET INCOME AND LOSS OTHER THAN INTEREST								
Service fee income, net (Notes 32 and 35)	800,792	19	859,671	25	2,523,396	23	2,486,777	25
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Note 32)	493,588	12	(19,447)	-	953,873	9	355,673	4
Realized gains on financial assets at fair value through other comprehensive income (Note 32)	178,826	4	136,361	4	236,058	2	149,056	1
Foreign exchange (losses) gains, net	(264,843)	(6)	58,933	2	(618,916)	(6)	64,626	1
Reversal of (impairment losses) on financial assets (Notes 9, 10 and 32)	(204)	-	586	-	2,110	-	(2,446)	-
Share of (loss) gain of associates accounted for using the equity method (Note 14)	(2,962)	-	279	-	(5,600)	-	(402)	-
Other non-interest gains, net (Notes 29 and 32)	29,313	1	3,382	-	43,603	-	13,281	-
TOTAL NET REVENUE	4,105,271	100	3,388,091	100	11,149,722	100	9,977,908	100
PROVISION FOR BAD DEBTS EXPENSE, COMMITMENTS AND GUARANTEES (Notes 12, 13, 29 and 32)	(646,495)	(16)	(23,142)	(1)	(982,190)	(9)	(696,120)	(7)
OPERATING EXPENSES								
Employee benefits expenses (Note 32)	(1,161,332)	(28)	(1,136,466)	(33)	(3,428,125)	(30)	(3,276,354)	(33)
Depreciation and amortization expenses (Note 32)	(110,834)	(3)	(128,776)	(4)	(325,534)	(3)	(391,176)	(4)
Other selling and administrative expenses (Notes 32 and 35)	(571,516)	(14)	(568,097)	(17)	(1,534,863)	(14)	(1,447,678)	(14)
Total operating expenses	(1,843,682)	(45)	(1,833,339)	(54)	(5,288,522)	(47)	(5,115,208)	(51)
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,615,094	39	1,531,610	45	4,879,010	44	4,166,580	42
INCOME TAX EXPENSE (Notes 4 and 33)	(276,533)	(7)	(241,084)	(7)	(934,184)	(9)	(599,736)	(6)
NET PROFIT FOR THE PERIOD	1,338,561	32	1,290,526	38	3,944,826	35	3,566,844	36

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# 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			
	2022		2021		2022		2021	
	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	\$ (221,099)	(5)	\$ (33,371)	(1)	\$ (286,649)	(2)	\$ 281,401	3
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(617)	-	4,674	-	8,250	-	4,614	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 33)	<u>2,949</u>	-	<u>2,639</u>	-	<u>5,128</u>	-	<u>(636)</u>	-
Items that will not be reclassified subsequently to profit or loss, net of income tax	<u>(218,767)</u>	<u>(5)</u>	<u>(26,058)</u>	<u>(1)</u>	<u>(273,271)</u>	<u>(2)</u>	<u>285,379</u>	<u>3</u>
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on the translation of financial statements of foreign operations	34,866	1	(1,268)	-	75,992	-	34,791	-
Unrealized (loss) gain on investments in debt instruments designated as at fair value through other comprehensive income	<u>(68,997)</u>	<u>(2)</u>	<u>15,949</u>	<u>1</u>	<u>(1,245,487)</u>	<u>(11)</u>	<u>(20,382)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>(34,131)</u>	<u>(1)</u>	<u>14,681</u>	<u>1</u>	<u>(1,169,495)</u>	<u>(11)</u>	<u>14,409</u>	<u>-</u>
Other comprehensive (loss) income for the period, net of income tax	<u>(252,898)</u>	<u>(6)</u>	<u>(11,377)</u>	<u>-</u>	<u>(1,442,766)</u>	<u>(13)</u>	<u>299,788</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,085,663</u>	<u>26</u>	<u>\$ 1,279,149</u>	<u>38</u>	<u>\$ 2,502,060</u>	<u>22</u>	<u>\$ 3,866,632</u>	<u>39</u>
EARNINGS PER SHARE (Note 34)								
Basic	<u>\$ 0.28</u>		<u>\$ 0.28</u>		<u>\$ 0.83</u>		<u>\$ 0.78</u>	
Diluted	<u>\$ 0.28</u>		<u>\$ 0.28</u>		<u>\$ 0.83</u>		<u>\$ 0.78</u>	

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
	Share Capital 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, 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	\$ 43,385,205	\$ 803,606	\$ 10,677,008	\$ 149,678	\$ 3,645,121	\$ (86,319)	\$ 1,617,679	\$ 60,191,978
BALANCE AT JANUARY 1, 2022	\$ 45,385,205	\$ 1,054,006	\$ 10,677,008	\$ 149,678	\$ 4,886,043	\$ (85,087)	\$ 1,393,132	\$ 63,459,985
Appropriation of 2021 earnings								
Legal reserve	-	-	1,463,994	-	(1,463,994)	-	-	-
Special reserve	-	-	-	(601)	601	-	-	-
Cash dividends	-	-	-	-	(1,134,630)	-	-	(1,134,630)
Share dividends	2,269,260	-	-	-	(2,269,260)	-	-	-
Net profit for the nine months ended September 30, 2022	-	-	-	-	3,944,826	-	-	3,944,826
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	75,992	(1,518,758)	(1,442,766)
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	3,944,826	75,992	(1,518,758)	2,502,060
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	4,976	-	(4,976)	-
BALANCE AT SEPTEMBER 30, 2022	\$ 47,654,465	\$ 1,054,006	\$ 12,141,002	\$ 149,077	\$ 3,968,562	\$ (9,095)	\$ (130,602)	\$ 64,827,415

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	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 4,879,010	\$ 4,166,580
Adjustments for:		
Depreciation expense	273,954	343,548
Amortization expense	51,580	47,628
Provision for bad debts expense, commitments and guarantees liabilities	982,190	696,120
Gains on financial assets and liabilities at fair value through profit or loss	(953,873)	(355,673)
Losses (gains) on disposal of properties and equipment	381	(1,114)
Interest expense	2,993,095	2,247,342
Interest revenue	(11,008,293)	(9,158,685)
Dividend income	(235,991)	(144,329)
Share of loss of associates	5,600	402
Gains on disposal of investments in debt instruments at fair value through other comprehensive income	(67)	(4,727)
(Reversal of) impairment losses on financial assets	(2,110)	2,446
Unrealized (gains) losses on foreign currency exchange	(2,742,576)	310,142
Gain on lease suspension	(2,426)	(5,803)
Total adjustment	<u>(10,638,536)</u>	<u>(6,022,703)</u>
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	(1,548,897)	(1,087,950)
Financial assets at fair value through profit or loss	(279,297)	(520,343)
Receivables	314,776	(1,556,492)
Notes discounted and loans	(25,354,943)	(10,423,207)
Other financial assets	2,230	3,340
Other assets	569,848	3,517
Due to the Central Bank and other banks	(699,941)	(1,771,479)
Financial liabilities at fair value through profit or loss	(654,751)	(1,103,883)
Securities sold under repurchase agreements	(304,150)	(1,095,088)
Payables	(4,989,402)	(681,746)
Deposits and remittances	34,576,463	9,584,594
Other financial liabilities	3,110,083	50,636
Provision for employee benefits	(41,351)	(48,988)
Other liabilities	55,155	(30,534)
Changes in operating assets and liabilities	<u>4,755,823</u>	<u>(8,677,623)</u>
Cash used in operations	(1,003,703)	(10,533,746)
Interest received	10,753,132	9,329,992
Dividends received	235,991	144,329
Interest paid	(2,324,334)	(1,985,240)
Income tax paid	<u>(913,976)</u>	<u>(560,467)</u>
Net cash generated from (used in) operating activities	<u>6,747,110</u>	<u>(3,605,132)</u>

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# 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	
	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ (2,111,516)	\$ (6,643,951)
Proceeds from disposal of financial assets at fair value through other comprehensive income	2,535,585	2,410,896
Purchase of financial assets at amortized cost	(607,502,785)	(672,525,496)
Proceeds from sale of financial assets at amortized cost	609,530,400	677,821,764
Payments for properties and equipment	(1,939,031)	(1,117,391)
Proceeds from disposal of properties and equipment	3	1,253
Increase in refundable deposits	(666,041)	(50,824)
Payments for intangible assets	(43,868)	(42,240)
Payments for investment properties	(580,805)	-
Net cash used in investing activities	<u>(778,058)</u>	<u>(145,989)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings from Central Bank and other banks	-	1,654,467
Decrease in due to the Central Bank and other banks	(2,478,501)	-
Proceeds from commercial papers issued	84,364	919,029
Proceeds from guarantee deposits received	37,072	140,944
Repayments of principal portion of lease liabilities	(110,780)	(178,348)
Cash dividends distributed	(1,134,630)	(996,407)
Net cash (used in) generated from financing activities	<u>(3,602,475)</u>	<u>1,539,685</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>75,992</u>	<u>34,791</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,442,569	(2,176,645)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>47,367,088</u>	<u>46,249,219</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 49,809,657</u>	<u>\$ 44,072,574</u>

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# 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>	
	2022	2021
RECONCILIATIONS OF THE AMOUNTS IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE CONSOLIDATED BALANCE SHEETS AT SEPTEMBER 30, 2022 AND 2021		
Cash and cash equivalents in the consolidated balance sheets	\$ 18,347,428	\$ 15,306,763
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”	20,110,951	15,467,239
Securities purchased under resale agreements in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>11,351,278</u>	<u>13,298,572</u>
Cash and cash equivalents at the end of the period	<u>\$ 49,809,657</u>	<u>\$ 44,072,574</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 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 of 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, 2022, 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 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, 2022, the Bank’s capital amount was \$47,654,465 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 3, 2022.

### 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.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were 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 of the application of other standards and interpretations 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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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: A seller-lessee applies the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of above standards and interpretations 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, 2022	December 31, 2021	September 30, 2021
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.	Financial leasing business	100	100	100
Taichung Commercial Bank Securities 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	100

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, 2021.

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, 2021. Please refer to Note 5 to the consolidated financial statements as of December 31, 2021 for the details of critical accounting judgments and key sources of estimation uncertainty.

**6. CASH AND CASH EQUIVALENTS**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Cash on hand	\$ 4,273,425	\$ 4,365,955	\$ 4,185,659
Checks for clearing	995,002	4,589,463	921,592
Due from banks	<u>13,079,001</u>	<u>9,009,556</u>	<u>10,199,512</u>
	<u>\$ 18,347,428</u>	<u>\$ 17,964,974</u>	<u>\$ 15,306,763</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, 2022, December 31, 2021 and September 30, 2021.
- b. Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of September 30, 2022 and 2021 are shown in the consolidated statements of cash flows. Reconciliations as of December 31, 2021 are stated below:

	<b>December 31, 2021</b>
Reconciliations of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2021	
Cash and cash equivalents in the consolidated balance sheets	\$ 17,964,974
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”	18,143,675
Securities purchased under resale agreements in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>11,258,439</u>
Cash and cash equivalents at the end of the year	<u>\$ 47,367,088</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, 2022, December 31, 2021 and September 30, 2021, which were transferred to the refundable deposits. Refer to Note 21.

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Deposit reserves			
Deposit reserves for checking accounts	\$ 14,209,750	\$ 11,580,438	\$ 9,830,504
Deposit reserves for demand accounts	21,439,648	19,903,431	19,546,609
Inter-bank clearing account	4,030,103	5,015,409	4,019,363
Deposit reserves for foreign currency deposits	95,250	74,739	75,181
Call loans to banks	1,865,408	1,559,969	1,628,271
Deposit reserves for trust compensation	<u>70,000</u>	<u>60,000</u>	<u>60,000</u>
	<u>\$ 41,710,159</u>	<u>\$ 38,193,986</u>	<u>\$ 35,159,928</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, 2022, December 31, 2021 and September 30, 2021.
- 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 December 31, 2021 and September 30, 2021. Refer to Note 36.
- c. The Group deposited the reserves for trust compensation on government bonds measured at amortized cost on September 30, 2022, December 31, 2021 and September 30, 2021, with a nominal amount of \$70,000 thousand, \$60,000 thousand and \$60,000 thousand, respectively. Refer to Note 36.



## 8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets at FVTPL</u>			
Commercial papers	\$ 25,506,051	\$ 26,680,732	\$ 25,535,700
Domestic listed shares and emerging market shares	713,210	919,500	711,860
Domestic unlisted shares	83,855	81,611	46,290
PEM group policy assets	946,770	806,522	805,986
Beneficiary certificates	413,652	757,683	534,016
Corporate bonds	565,574	422,471	434,065
Asset swap contracts	6,202,733	3,555,430	4,052,263
Cross-currency swap contracts	1,399,499	44,915	95,257
Foreign exchange forward contracts	115,726	96,335	45,731
Cross-currency option contracts	714,752	266,875	323,402
Interest rate-linked structured instruments	<u>467,435</u>	<u>43,428</u>	<u>7,174</u>
	<u>\$ 37,129,257</u>	<u>\$ 33,675,502</u>	<u>\$ 32,591,744</u>

### Financial liabilities at FVTPL

Cross-currency swap contracts	\$ 461,837	\$ 166,970	\$ 163,587
Foreign exchange forward contracts	425,505	32,840	33,080
Cross-currency option contracts	723,456	269,161	325,998
Interest rate-linked structured instruments	<u>467,435</u>	<u>43,428</u>	<u>7,174</u>
	<u>\$ 2,078,233</u>	<u>\$ 512,399</u>	<u>\$ 529,839</u>

- 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 from transactions such as import/export and currency exchange, to avoid the risks from the business and to flatten the demand for foreign exchange funds from non-transactional operations.
- b. The nominal principal amounts of outstanding derivative contracts as of September 30, 2022, December 31, 2021 and September 30, 2021 were as follows:

	September 30, 2022		December 31, 2021		September 30, 2021	
	Contract Amount	Interest Rate Range	Contract Amount	Interest Rate Range	Contract Amount	Interest Rate Range
Asset swap contracts	\$ 6,177,700	0.80%-5.00%	\$ 3,549,800	0.80%-4.25%	\$ 4,037,900	0.80%-4.25%
Cross-currency swap contracts	41,220,497	-	11,403,926	-	12,082,404	-
Foreign exchange forward contracts	8,212,922	-	9,905,735	-	6,885,287	-
Cross-currency option contracts	45,959,040	-	34,792,260	-	40,683,209	-
Interest rate-linked structured instrument contracts	3,694,576	1.50%-10.20%	584,493	4.50%-7.00%	157,882	5.00%-6.20%

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Investments in equity instruments at FVTOCI	\$ 4,988,198	\$ 4,255,289	\$ 3,890,094
Investments in debt instruments at FVTOCI	<u>41,789,350</u>	<u>44,292,515</u>	<u>41,530,769</u>
	<u>\$ 46,777,548</u>	<u>\$ 48,547,804</u>	<u>\$ 45,420,863</u>

### a. Investments in equity instruments at FVTOCI

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Domestic listed shares	\$ 3,839,206	\$ 3,136,272	\$ 2,744,604
Domestic unlisted shares	861,616	810,234	831,171
Foreign listed shares	<u>287,376</u>	<u>308,783</u>	<u>314,319</u>
	<u>\$ 4,988,198</u>	<u>\$ 4,255,289</u>	<u>\$ 3,890,094</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.

The ordinary shares sold had a fair value of \$49,080 thousand and \$700,136 thousand and their related unrealized valuation gains of \$4,976 thousand and \$72,185 thousand were transferred from other equity to retained earnings on September 30, 2022 and 2021.

Dividend income of \$178,826 thousand, \$134,111 thousand, \$235,991 thousand and \$144,329 thousand were recognized in profit or loss for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, respectively.

### b. Investments in debt instruments at FVTOCI

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Corporate bonds	\$ 32,028,536	\$ 34,101,503	\$ 31,033,757
Government bonds	5,285,601	4,865,736	5,160,426
Foreign bonds	2,813,488	3,121,222	3,128,378
Bank debentures	<u>1,661,725</u>	<u>2,204,054</u>	<u>2,208,208</u>
	<u>\$ 41,789,350</u>	<u>\$ 44,292,515</u>	<u>\$ 41,530,769</u>

Foreign bonds denominated in foreign currencies were as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
USD	\$ 36,000	\$ 39,000	\$ 39,000
CNY	380,000	445,000	445,000
AUD	6,000	6,000	6,000

- 1) The Group recognized the gain on reversal of impairment (loss) of \$633 thousand, \$(685) thousand, \$2,175 thousand and \$(5,839) thousand for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, 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, 2022	December 31, 2021	September 30, 2021
Foreign bonds	\$ 29,208,375	\$ 24,252,423	\$ 23,779,911
Government bonds	10,546,738	11,580,851	11,594,596
NCDs issued by the CBC	57,440,000	63,790,000	62,035,000
Corporate bonds	13,405,018	10,505,597	10,506,497
Bank debentures	<u>100,000</u>	<u>-</u>	<u>-</u>
	110,700,131	110,128,871	107,916,004
Less: Allowance for impairment loss	(32,957)	(30,663)	(30,603)
Less: Withdrawal of reserves for trust compensation and refundable deposits	<u>(620,500)</u>	<u>(916,400)</u>	<u>(916,600)</u>
	<u>\$ 110,046,674</u>	<u>\$ 109,181,808</u>	<u>\$ 106,968,801</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
USD	\$ 726,697	\$ 683,197	\$ 662,197
CNY	920,000	740,000	800,000
AUD	68,500	67,000	53,000
ZAR	380,000	450,000	450,000

- b. As of September 30, 2022, December 31, 2021 and September 30, 2021, the government bonds and the foreign bonds at amortized cost amounted to \$900,000 thousand, \$1,200,000 thousand and \$1,200,000 thousand, respectively, which had been sold under repurchase agreements. Refer to Note 40 for information relating to their carrying amounts.
- c. The Group recognized the gain on reversal of impairment (loss) of \$(837) thousand, \$1,271 thousand, \$(65) thousand and \$3,393 thousand for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, 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 RESALE AGREEMENTS

Securities purchased amounted to \$11,351,278 thousand, \$11,258,439 thousand and \$13,298,572 thousand under repurchase agreements as of September 30, 2022, December 31, 2021 and September 30, 2021, were subsequently sold for \$11,354,302 thousand, \$11,259,518 thousand and \$13,299,339 thousand, respectively, with interest rates ranging from 0.98% to 1.12%, 0.32% and 0.22% to 0.23%, respectively.

## 12. RECEIVABLES, NET

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable	\$ 5,575,034	\$ 5,627,820	\$ 6,205,521
Receivables on credit cards	735,973	738,121	712,652
Accounts receivable factored without recourse	274,064	271,434	308,326
Acceptances	834,329	975,287	711,295
Interest receivables	1,418,766	1,089,421	1,008,231
Receivables on foreign currency settlement	27,330	1,559	3,398
Lease receivables	4,319,214	3,893,833	3,927,760
Assignment receivables	730,334	918,556	905,614
Receivables on securities settlement	1,052,346	1,545,956	1,832,195
Other receivables	<u>419,049</u>	<u>406,093</u>	<u>390,248</u>
	15,386,439	15,468,080	16,005,240
Less: Unrealized interest income	(736,077)	(756,154)	(807,844)
Less: Allowance for doubtful accounts	<u>(388,561)</u>	<u>(360,321)</u>	<u>(329,587)</u>
	<u>\$ 14,261,801</u>	<u>\$ 14,351,605</u>	<u>\$ 14,867,809</u>

- a. Movements in the total carrying amount of receivables for the nine months ended September 30, 2022 and 2021 were as follows:

For the nine months ended September 30, 2022

	12-month ECLs	Lifetime ECL	Credit- impaired Financial Assets	Total
Balance at January 1, 2022	\$ 74,748,439	\$ 334,490	\$ 801,948	\$ 75,884,877
Transfers to lifetime ECL	(204,149)	204,258	(109)	-
Transfers to credit-impaired financial assets	(15,481)	(209,340)	224,821	-
Transfers to 12-month ECLs	58,116	(7,740)	(50,376)	-
New receivables purchased or originated	15,692,559	4,338	186	15,697,083
Write-offs	-	(7,728)	(87,358)	(95,086)
Derecognition	(7,982,531)	(37,393)	(41,516)	(8,061,440)
Foreign exchange differences and other changes	<u>382,315</u>	<u>15,704</u>	<u>20,456</u>	<u>418,475</u>
Balance at September 30, 2022	<u>\$ 82,679,268</u>	<u>\$ 296,589</u>	<u>\$ 868,052</u>	<u>\$ 83,843,909</u>

For the nine months ended September 30, 2021

	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Credit-impaired Financial Assets</b>	<b>Total</b>
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>

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 resale 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 from loans) and refundable deposits.

- b. Movements in the allowance for doubtful accounts of receivables for the nine months ended September 30, 2022 and 2021 were as follows:

For the nine months ended September 30, 2022

	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Credit-impaired Financial Assets</b>	<b>Impairment Loss Assessed under IFRS 9</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
Balance at January 1, 2022	\$ 108,467	\$ 7,900	\$ 239,926	\$ 356,293	\$ 104,485	\$ 460,778
Reconciliation from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(1,528)	1,600	(72)	-	-	-
Transfers to credit-impaired financial assets	(4,012)	(5,034)	9,046	-	-	-
Transfers to 12-month ECLs	23,418	(1,253)	(22,165)	-	-	-
Derecognition of financial assets in current period	(77,363)	(576)	(30,693)	(108,632)	-	(108,632)
New financial assets purchased or originated	91,414	512	722	92,648	-	92,648
Difference of impairment loss under regulations	-	-	-	-	178,468	178,468
Write-offs	-	(7,728)	(57,990)	(65,718)	(29,368)	(95,086)
Recovery of written-offs	-	-	-	-	18,953	18,953
Foreign exchange differences and other changes	<u>(16,860)</u>	<u>10,766</u>	<u>67,995</u>	<u>61,901</u>	<u>-</u>	<u>61,901</u>
Balance at September 30, 2022	<u>\$ 123,536</u>	<u>\$ 6,187</u>	<u>\$ 206,769</u>	<u>\$ 336,492</u>	<u>\$ 272,538</u>	<u>\$ 609,030</u>

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 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	<u>\$ 103,127</u>	<u>\$ 8,202</u>	<u>\$ 176,198</u>	<u>\$ 287,527</u>	<u>\$ 42,487</u>	<u>\$ 330,014</u>

The allowance for doubtful accounts of the abovementioned receivables includes allowances for delinquent receivables not 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, 2022	December 31, 2021	September 30, 2021
Bills negotiated	\$ 225,096	\$ 704,340	\$ 311,348
Overdrafts	-	1,559	1,433
Secured overdrafts	9,983	11,066	8,792
Accounts receivable financing	42,317	78,137	39,662
Securities margin loans receivables	1,241,150	1,365,546	1,326,766
Short-term unsecured loans	45,461,749	42,802,949	40,834,715
Short-term secured loans	96,863,169	98,958,147	98,732,018
Medium-term unsecured loans	72,377,238	60,207,188	58,199,293
Medium-term secured loans	122,262,513	119,015,102	113,963,581
Long-term unsecured loans	10,856,815	9,202,678	8,357,182
Long-term secured loans	160,714,392	153,535,754	150,060,803
Delinquent loans	<u>615,015</u>	<u>574,674</u>	<u>937,728</u>
	510,669,437	486,457,140	472,773,321
Add: Adjustment of premium or discount	23,432	30,683	30,667
Less: Allowance for doubtful accounts	<u>(6,385,444)</u>	<u>(6,681,450)</u>	<u>(6,372,235)</u>
	<u>\$ 504,307,425</u>	<u>\$ 479,806,373</u>	<u>\$ 466,431,753</u>

- a. As of September 30, 2022, December 31, 2021 and September 30, 2021, the delinquent loans on which interest ceased to accrue amounted to \$615,015 thousand, \$574,674 thousand and \$937,728 thousand, respectively. The unrecognized interest receivables on these loans were \$10,957 thousand, \$13,887 thousand and \$16,152 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.
- b. There was no credit loan written off without a lawsuit for the nine months ended September 30, 2022 and 2021.
- c. Movements in the total carrying amount of notes discounted and loans for the nine months ended September 30, 2022 and 2021 were as follows:

For the nine months ended September 30, 2022

	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Credit-impaired Financial Assets</b>	<b>Total</b>
Balance at January 1, 2022	\$ 465,545,307	\$ 12,243,822	\$ 8,698,694	\$ 486,487,823
Transfers to lifetime ECL	(4,502,750)	4,520,618	(17,868)	-
Transfers to credit-impaired financial assets	(241,737)	(540,834)	782,571	-
Transfers to 12-month ECLs	2,673,913	(2,631,508)	(42,405)	-
New notes discounted and loans purchased or originated	212,610,841	1,467,764	67,645	214,146,250
Write-offs	-	-	(2,283,486)	(2,283,486)
Derecognition	(165,030,033)	(2,638,735)	(488,024)	(168,156,792)
Foreign exchange differences and other changes	<u>(18,956,960)</u>	<u>(547,699)</u>	<u>3,733</u>	<u>(19,500,926)</u>
Balance at September 30, 2022	<u>\$ 492,098,581</u>	<u>\$ 11,873,428</u>	<u>\$ 6,720,860</u>	<u>\$ 510,692,869</u>

For the nine months ended September 30, 2021

	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Credit-impaired Financial Assets</b>	<b>Total</b>
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>

- d. Movements in the allowance for doubtful accounts of notes discounted and loans for the nine months ended September 30, 2022 and 2021 were as follows:

For the nine months ended September 30, 2022

	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, 2022	\$ 1,465,291	\$ 608,655	\$ 1,857,339	\$ 3,931,285	\$ 2,750,165	\$ 6,681,450
Reconciliation from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(9,480)	10,890	(1,410)	-	-	-
Transfers to credit-impaired financial assets	(523)	(23,527)	24,050	-	-	-
Transfers to 12-month ECLs	101,191	(96,356)	(4,835)	-	-	-
Derecognition of financial assets in current period	(680,673)	(92,129)	(64,752)	(837,554)	-	(837,554)
New financial assets purchased or originated	1,088,687	144,823	30,786	1,264,296	-	1,264,296
Difference of impairment loss under regulations	-	-	-	-	(112,367)	(112,367)
Write-offs	-	-	(411,661)	(411,661)	(1,871,825)	(2,283,486)
Recovery of written-offs	-	-	-	-	1,115,490	1,115,490
Foreign exchange differences and other changes	27,388	377,745	152,482	557,615	-	557,615
Balance at September 30, 2022	\$ 1,991,881	\$ 930,101	\$ 1,581,999	\$ 4,503,981	\$ 1,881,463	\$ 6,385,444

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 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



#### 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:

	<u>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 30, 2021</u>	
	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>\$ 167,774</u>	38.46	<u>\$ 165,124</u>	38.46	<u>\$ 167,360</u>	38.46

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

Investee Company	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2022	2021	2022	2021
Taichung Bank Securities Investment Trust Co., Ltd.	<u>\$ (2,962)</u>	<u>\$ 279</u>	<u>\$ (5,600)</u>	<u>\$ (402)</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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Restricted assets - cash in banks	\$ 360,424	\$ 384,756	\$ 370,923
Pending settlement payments	<u>1,964</u>	<u>9,865</u>	<u>11,270</u>
	<u>\$ 362,388</u>	<u>\$ 394,621</u>	<u>\$ 382,193</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, 2022	December 31, 2021	September 30, 2021
Other delinquent receivables, net	\$ 315,260	\$ 437,502	\$ -

Other delinquent receivables, net were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Delinquent receivables not from loans	\$ 535,729	\$ 537,959	\$ 427
Less: Allowance for doubtful accounts (Note 12)	<u>(220,469)</u>	<u>(100,457)</u>	<u>(427)</u>
	<u>\$ 315,260</u>	<u>\$ 437,502</u>	<u>\$ -</u>

## 17. PROPERTIES AND EQUIPMENT, NET

	For the Nine Months Ended September 30, 2022						
	Land	Buildings and Structures	Transportation Equipment	Miscellaneous Equipment	Lease Improvements	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 7,859,148	\$ 2,110,482	\$ 65,086	\$ 2,119,596	\$ 25,210	\$ 4,689,196	\$ 16,868,718
Additions	-	52,298	5,064	81,736	11,044	1,788,889	1,939,031
Disposals	-	-	(272)	(46,214)	-	-	(46,486)
Reclassifications	-	-	-	592	-	(3,151)	(2,559)
Exchange differences, net	-	-	289	2,287	288	-	2,864
Balance at September 30, 2022	<u>7,859,148</u>	<u>2,162,780</u>	<u>70,167</u>	<u>2,157,997</u>	<u>36,542</u>	<u>6,474,934</u>	<u>18,761,568</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	-	1,267,495	43,401	1,719,631	5,767	-	3,036,294
Additions	-	31,974	5,947	111,805	5,196	-	154,922
Disposals	-	-	(263)	(45,839)	-	-	(46,102)
Exchange differences, net	-	-	150	1,618	9	-	1,777
Balance at September 30, 2022	<u>-</u>	<u>1,299,469</u>	<u>49,235</u>	<u>1,787,215</u>	<u>10,972</u>	<u>-</u>	<u>3,146,891</u>
<u>Impairment</u>							
Balance at January 1, 2022	<u>77,000</u>	-	-	-	-	-	77,000
Balance at September 30, 2022	<u>77,000</u>	-	-	-	-	-	77,000
Balance at September 30, 2022	<u>\$ 7,782,148</u>	<u>\$ 863,311</u>	<u>\$ 20,932</u>	<u>\$ 370,782</u>	<u>\$ 25,570</u>	<u>\$ 6,474,934</u>	<u>\$ 15,537,677</u>

	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 at 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 at 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>

(Continued)

	For the Nine Months Ended September 30, 2021						
	Land	Buildings and Structures	Transportation Equipment	Miscellaneous Equipment	Lease Improvements	Construction in Progress	Total
<u>Accumulated depreciation</u>							
Balance at 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 at 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 at January 1, 2021	<u>77,000</u>	-	-	-	-	-	<u>77,000</u>
Balance at September 30, 2021	<u>77,000</u>	-	-	-	-	-	<u>77,000</u>
Balance at 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>

(Concluded)

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, 2022	December 31, 2021	September 30, 2021	
<u>Carrying amount</u>				
Land and buildings	\$ 762,103	\$ 794,069	\$ 815,118	
Transportation equipment	<u>42,519</u>	<u>23,251</u>	<u>21,384</u>	
	<u>\$ 804,622</u>	<u>\$ 817,320</u>	<u>\$ 836,502</u>	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Additions to right-of-use assets	<u>\$ 86,906</u>	<u>\$ 21,722</u>	<u>\$ 152,451</u>	<u>\$ 230,244</u>
Depreciation charge for right-of-use assets				
Land and buildings	\$ 35,149	\$ 33,900	\$ 104,298	\$ 100,977
Transportation equipment	<u>4,676</u>	<u>27,992</u>	<u>13,975</u>	<u>87,738</u>
	<u>\$ 39,825</u>	<u>\$ 61,892</u>	<u>\$ 118,273</u>	<u>\$ 188,715</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 derecognized was \$41,542 thousand, \$95,005 thousand, \$49,674 thousand and \$182,917 thousand for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021. The disposal gain of \$2,011 thousand, \$1,942 thousand, \$2,426 thousand and \$5,803 thousand was recognized for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, 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, 2022 and 2021.

b. Lease liabilities

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Carrying amount	<u>\$ 845,297</u>	<u>\$ 853,218</u>	<u>\$ 877,604</u>

Range of discount rates for lease liabilities was as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
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.

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	<u>\$ 949</u>	<u>\$ 637</u>	<u>\$ 2,928</u>	<u>\$ 1,811</u>
Expenses relating to low-value asset leases	<u>\$ 2,815</u>	<u>\$ 2,401</u>	<u>\$ 8,304</u>	<u>\$ 6,801</u>
Total cash outflow for leases	<u>\$ (48,415)</u>	<u>\$ (71,114)</u>	<u>\$ (144,871)</u>	<u>\$ (215,952)</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

	<b>For the Nine Months Ended September 30, 2022</b>			
	<b>Land</b>	<b>Structures</b>	<b>Investment Properties Under Construction</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2022	\$ -	\$ -	\$ -	\$ -
Additions	<u>464,341</u>	<u>91,104</u>	<u>25,360</u>	<u>580,805</u>
Balance at September 30, 2022	<u>464,341</u>	<u>91,104</u>	<u>25,360</u>	<u>580,805</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2022	-	-	-	-
Additions	<u>-</u>	<u>759</u>	<u>-</u>	<u>759</u>
Balance at September 30, 2022	<u>-</u>	<u>759</u>	<u>-</u>	<u>759</u>
Balance at September 30, 2022	<u>\$ 464,341</u>	<u>\$ 90,345</u>	<u>\$ 25,360</u>	<u>\$ 580,046</u>
	<b>For the Nine Months Ended September 30, 2021</b>			
	<b>Land</b>	<b>Structures</b>	<b>Investment Properties Under Construction</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2021	<u>\$ 15,801</u>	<u>\$ 5,972</u>	<u>\$ -</u>	<u>\$ 21,773</u>
Balance at September 30, 2021	<u>15,801</u>	<u>5,972</u>	<u>-</u>	<u>21,773</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2021	-	3,759	-	3,759
Additions	<u>-</u>	<u>67</u>	<u>-</u>	<u>67</u>
Balance at September 30, 2021	<u>-</u>	<u>3,826</u>	<u>-</u>	<u>3,826</u>
Balance at September 30, 2021	<u>\$ 15,801</u>	<u>\$ 2,146</u>	<u>\$ -</u>	<u>\$ 17,947</u>

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

Building and structures

Building	20 to 60 years
Renovation	10 to 25 years

- b. The fair value of the investment properties of the Group on September 30, 2022 was \$625,360 thousand. 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.

- c. The fair values of the investment properties of the Group on December 31, 2020 were \$53,579 thousand. 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 of September 30, 2021 compared to December 31, 2020.
- d. 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.
- e. The maturity analysis of lease payments receivable under operating leases of investment properties as of September 30, 2022 and September 30, 2021 was as follows:

	<b>September 30</b>	
	<b>2022</b>	<b>2021</b>
Year 1	\$ 28,518	\$ 864
Year 2	30,154	864
Year 3	30,154	864
Year 4	30,314	864
Year 5	26,344	-
Year 6 onwards	<u>84,118</u>	<u>-</u>
	<u>\$ 229,602</u>	<u>\$ 3,456</u>

## 20. INTANGIBLE ASSETS, NET

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Business rights	\$ 28,000	\$ 28,000	\$ 28,000
Computer software	<u>187,946</u>	<u>192,723</u>	<u>182,626</u>
	<u>\$ 215,946</u>	<u>\$ 220,723</u>	<u>\$ 210,626</u>

- a. Business rights of the Group arose from the transfer of Fengxing Securities Co., Ltd., with indefinite useful lives and no amortization. As of September 30, 2022, no impairment loss of the business rights should be charged.
- b. Movements of intangible assets were as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 220,723	\$ 213,470
Additions	43,868	42,240
Amortization	(51,580)	(47,628)
Reclassifications	2,559	2,560
Exchange differences, net	<u>376</u>	<u>(16)</u>
Balance at September 30	<u>\$ 215,946</u>	<u>\$ 210,626</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, 2022	December 31, 2021	September 30, 2021
Refundable deposits	\$ 2,544,710	\$ 2,174,569	\$ 2,245,483
Prepayments	241,349	146,868	181,986
Receipts under payment for shares underwriting	51,884	724,125	114,681
Others	<u>42,419</u>	<u>2,274</u>	<u>1,974</u>
	<u>\$ 2,880,362</u>	<u>\$ 3,047,836</u>	<u>\$ 2,544,124</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, the time deposits and government bonds at amortized cost, which amounted to \$750,500 thousand, \$1,056,400 thousand and \$1,056,600 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, 2022	December 31, 2021	September 30, 2021
Call loans from banks	\$ 3,000,000	\$ 3,900,000	\$ 5,100,000
Due to Chunghwa Post Co., Ltd.	53,687	53,687	165,846
Due to banks	<u>200,072</u>	<u>13</u>	<u>13</u>
	<u>\$ 3,253,759</u>	<u>\$ 3,953,700</u>	<u>\$ 5,265,859</u>

## 23. FUNDS BORROWED FROM THE CENTRAL BANK AND OTHER BANKS

	September 30, 2022	December 31, 2021	September 30, 2021
Funds borrowed from the central bank	\$ -	\$ 3,489,540	\$ 3,069,280
Funds borrowed from other banks	<u>7,980,655</u>	<u>6,969,616</u>	<u>7,095,839</u>
	<u>\$ 7,980,655</u>	<u>\$ 10,459,156</u>	<u>\$ 10,165,119</u>
Funds borrowed from the central bank (%)	-	0.10	0.10
Funds borrowed from other banks (%)	1.23-5.23	0.95-5.66	0.95-5.45

Refer to Note 36 for information relating to collateral provided for funds borrowed from other banks.

## 24. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Government bonds	\$ <u>901,409</u>	\$ <u>1,205,559</u>	\$ <u>1,204,989</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Government bonds	\$ <u>902,111</u>	\$ <u>1,205,924</u>	\$ <u>1,205,307</u>
Government bonds	0.60%-0.73%	0.19%-0.21%	0.17%-0.18%

## 25. PAYABLES

	September 30, 2022	December 31, 2021	September 30, 2021
Accrued expenses	\$ 1,873,358	\$ 2,011,711	\$ 1,829,086
Accounts payable for delivery	1,088,576	1,614,594	1,416,096
Notes and checks in clearing	995,002	4,589,463	921,592
Acceptances	835,147	975,865	712,828
Interest payable	948,893	283,882	585,873
Collections payable	303,683	774,831	370,100
Factored accounts payable	11,048	34,642	115,598
Foreign currency settlement payable	22,293	1,210	3,660
Other payables	<u>690,567</u>	<u>806,760</u>	<u>963,157</u>
	\$ <u>6,768,567</u>	\$ <u>11,092,958</u>	\$ <u>6,917,990</u>

## 26. DEPOSITS AND REMITTANCES

	September 30, 2022	December 31, 2021	September 30, 2021
Checking	\$ 7,043,144	\$ 11,427,355	\$ 6,805,271
Demand	195,757,302	192,808,322	187,762,723
Demand savings	158,975,609	160,450,666	154,808,323
Time	159,543,004	140,475,464	142,267,573
Time savings	172,331,167	153,899,040	154,469,780
Remittances	<u>42,472</u>	<u>55,388</u>	<u>60,392</u>
	\$ <u>693,692,698</u>	\$ <u>659,116,235</u>	\$ <u>646,174,062</u>



## 27. BANK DEBENTURES

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Subordinated financial debenture	<u>\$ 16,500,000</u>	<u>\$ 16,500,000</u>	<u>\$ 11,500,000</u>

a. 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.

b. 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 in 2016: \$1,500,000 thousand.
  - b) Debenture I in 2017: \$1,000,000 thousand.
  - c) Debenture II in 2017: \$500,000 thousand.
  - d) Debenture III in 2017: \$500,000 thousand.
- 3) Denomination:
  - a) Debenture I in 2016: \$10,000 thousand, issued at par.
  - b) Debenture I in 2017: \$10,000 thousand, issued at par.
  - c) Debenture II in 2017: \$10,000 thousand, issued at par.
  - d) Debenture III in 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.
- c. 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 in 2017: \$1,350,000 thousand.
    - b) Debenture V in 2017: \$2,650,000 thousand.
    - c) Debenture I in 2018: \$1,000,000 thousand.
  - 3) Denomination:
    - a) Debenture IV in 2017: \$10,000 thousand, issued at par.
    - b) Debenture V in 2017: \$10,000 thousand, issued at par.
    - c) Debenture I in 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.
- d. 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.

e. The Bank issued first subordinated financial debenture on December 27, 2021, which was approved under ruling reference No. 1100226929 issued by the Banking Bureau of the FSC on October 12, 2021. Detail of the subordinated financial debenture issuance is summarized as follows:

- 1) Total approved principal: \$5,000,000 thousand.
- 2) Principal issued: \$5,000,000 thousand.
- 3) Denomination: \$10,000 thousand, issued at par.
- 4) Period: 7 years with maturities on December 27, 2028.
- 5) Nominal interest rate: Fixed interest, 1.2%.
- 6) Repayment: The subordinated financial debenture will be paid on the maturity date.
- 7) The interest will be paid annually from the issuance date.

## 28. OTHER FINANCIAL LIABILITIES

	September 30, 2022	December 31, 2021	September 30, 2021
Commercial papers payable	\$ 2,148,040	\$ 2,063,676	\$ 2,507,596
Structured commodity principal	<u>3,694,576</u>	<u>584,493</u>	<u>157,882</u>
	<u>\$ 5,842,616</u>	<u>\$ 2,648,169</u>	<u>\$ 2,665,478</u>

## 29. PROVISIONS

	September 30, 2022	December 31, 2021	September 30, 2021
Provision for employee benefits	\$ 918,763	\$ 960,114	\$ 1,040,294
Provision for losses on guarantees	293,963	297,963	277,963
Other provision	15,072	12,855	12,864
Provision for loan commitments	84,558	65,147	55,272
Provision for outstanding loss	<u>22,840</u>	<u>19,090</u>	<u>17,840</u>
	<u>\$ 1,335,196</u>	<u>\$ 1,355,169</u>	<u>\$ 1,404,233</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Benefit plans	\$ 728,917	\$ 775,848	\$ 858,417
Preferential interest on employees' deposits	151,611	147,633	143,150
Other long-term employee benefit liabilities	<u>38,235</u>	<u>36,633</u>	<u>38,727</u>
	<u>\$ 918,763</u>	<u>\$ 960,114</u>	<u>\$ 1,040,294</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, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 in the amounts of \$30,858 thousand, \$27,819 thousand, \$91,565 thousand and \$81,957 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, 2022 and 2021 is as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Operating expenses	<u>\$ 2,733</u>	<u>\$ 3,147</u>	<u>\$ 8,199</u>	<u>\$ 9,441</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, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the related expenses under preferential interest on employees' deposits plan recognized in the consolidated statements of comprehensive income amounted to \$1,326 thousand, \$1,248 thousand, \$3,978 thousand and \$3,744 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, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the Group recognized \$873 thousand, \$1,242 thousand, \$2,619 thousand and \$3,726 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, 2022

	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, 2022	\$ 171,880	\$ 7,782	\$ 33,375	\$ 213,037	\$ 84,926	\$ 297,963
Reconciliation from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(160)	160	-	-	-	-
Transfers to credit-impaired financial assets	-	-	-	-	-	-
Transfers to 12-month ECLs	-	-	-	-	-	-
Derecognition of financial assets in current period	(106,810)	(2,459)	-	(109,269)	-	(109,269)
New financial assets purchased or originated	112,779	59,961	-	172,740	-	172,740
Difference of impairment loss under regulations	-	-	-	-	(75,155)	(75,155)
Foreign exchange differences and other changes	4,727	2,688	269	7,684	-	7,684
Balance at September 30, 2022	\$ 182,416	\$ 68,132	\$ 33,644	\$ 284,192	\$ 9,771	\$ 293,963

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 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, 2022 and 2021, a provision was recognized for bad debts expense, commitments and guarantees.

c. Movements of the other provision were as follows:

For the nine months ended September 30, 2022

	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, 2022	\$ 8,629	\$ -	\$ -	\$ 8,629	\$ 4,226	\$ 12,855
Reconciliation 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	(8,517)	-	-	(8,517)	-	(8,517)
New financial assets purchased or originated	8,222	-	-	8,222	-	8,222
Difference of impairment loss under regulations	-	-	-	-	2,593	2,593
Foreign exchange differences and other changes	<u>(81)</u>	<u>-</u>	<u>-</u>	<u>(81)</u>	<u>-</u>	<u>(81)</u>
Balance at September 30, 2022	<u>\$ 8,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,253</u>	<u>\$ 6,819</u>	<u>\$ 15,072</u>

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 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	<u>(196)</u>	<u>-</u>	<u>-</u>	<u>(196)</u>	<u>-</u>	<u>(196)</u>
Balance at September 30, 2021	<u>\$ 9,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,712</u>	<u>\$ 3,152</u>	<u>\$ 12,864</u>

For the nine months ended September 30, 2022 and 2021, a provision was recognized for bad debts expense, commitments and guarantees.

d. Movements of the loan commitments were as follows:

For the nine months ended September 30, 2022

	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, 2022	\$ 45,923	\$ 2,576	\$ 12,005	\$ 60,504	\$ 4,643	\$ 65,147
Reconciliation from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(4)	4	-	-	-	-
Transfers to credit-impaired financial assets	(1)	(17)	18	-	-	-
Transfers to 12-month ECLs	1,799	(1,799)	-	-	-	-
Derecognition of financial assets in current period	(4,318)	(41)	-	(4,359)	-	(4,359)
New financial assets purchased or originated	27,311	895	170	28,376	-	28,376
Difference of impairment loss under regulations	-	-	-	-	(3,275)	(3,275)
Foreign exchange differences and other changes	<u>(2,005)</u>	<u>692</u>	<u>(18)</u>	<u>(1,331)</u>	<u>-</u>	<u>(1,331)</u>
Balance at September 30, 2022	\$ 68,705	\$ 2,310	\$ 12,175	\$ 83,190	\$ 1,368	\$ 84,558

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 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	<u>(1,474)</u>	<u>125</u>	<u>(14)</u>	<u>(1,363)</u>	<u>-</u>	<u>(1,363)</u>
Balance at September 30, 2021	\$ 47,435	\$ 490	\$ 1,869	\$ 49,794	\$ 5,478	\$ 55,272

For the nine months ended September 30, 2022 and 2021, a provision was recognized for bad-debt expense, commitments and guarantees.

e. Please refer to Note 37 for the amount of \$22,840 thousand, \$19,090 thousand and \$17,840 thousand for the outstanding compensation provision of the Bank on September 30, 2022, December 31, 2021 and September 30, 2021.

### 30. OTHER LIABILITIES

	September 30, 2022	December 31, 2021	September 30, 2021
Guarantee deposits received	\$ 679,069	\$ 641,997	\$ 708,092
Advance receipts	372,061	285,762	287,119
Credit transactions	-	2,782	4,465
Others	<u>47,278</u>	<u>75,640</u>	<u>86,045</u>
	<u>\$ 1,098,408</u>	<u>\$ 1,006,181</u>	<u>\$ 1,085,721</u>

### 31. EQUITY

#### a. Share capital

##### Ordinary shares

	September 30, 2022	December 31, 2021	September 30, 2021
Number of shares authorized (in thousands)	<u>7,770,000</u>	<u>6,150,000</u>	<u>6,150,000</u>
Shares authorized	<u>\$ 77,700,000</u>	<u>\$ 61,500,000</u>	<u>\$ 61,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>4,765,447</u>	<u>4,538,521</u>	<u>4,338,521</u>
Shares issued	<u>\$ 47,654,465</u>	<u>\$ 45,385,205</u>	<u>\$ 43,385,205</u>

Ordinary shares issued at par value of \$10. Each share has one voting right and the right to receive dividends.

As of January 1, 2021, the Bank had issued ordinary shares totaling \$41,516,943 thousand, divided into 4,151,694 thousand ordinary shares at par value of \$10. In September 2021, the Bank transferred \$1,868,262 thousand of unappropriated earnings to ordinary shares, divided into 186,826 thousand ordinary shares at par value of \$10. 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. In July 2021, the board of directors of the Bank resolved to issue 200,000 thousand ordinary shares with a par value of \$10, for a consideration of \$11.15 per share issued at premium. On October 18, 2021, the above transaction was approved under ruling reference No. 1100359824 issued by the Banking Bureau of the FSC and the subscription base date was determined as at December 22, 2021. In July 2022, the Bank transferred \$2,269,260 thousand of unappropriated earnings to ordinary shares, divided into 226,926 thousand ordinary shares at par value of \$10. As of September 30, 2022, the Bank had issued ordinary shares totaling \$47,654,465 thousand, divided into 4,765,447 thousand ordinary shares at par value of \$10.



b. Capital surplus

	September 30, 2022	December 31, 2021	September 30, 2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*			
Issuance of ordinary shares	\$ 943,633	\$ 943,633	\$ 713,633
Issuance of ordinary shares - employee share options	79,040	79,040	58,664
Expired employee share options	6,791	6,791	6,767
<u>May be used to offset a deficit only</u>			
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>\$ 1,054,006</u>	<u>\$ 1,054,006</u>	<u>\$ 803,606</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 legal reserve of 30% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and if there is still surplus, the board of directors will formulate a surplus distribution proposal and submit it to the shareholders' meeting for approval. For the policies on the distribution of compensation of employees 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 appropriate 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 appropriate 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 from financial technology development within the amount of the abovementioned special reserve from 2016 to 2018.

The appropriations of earnings for 2021 and 2020 were approved in the shareholders’ meetings of the Bank on May 17, 2022 and July 1, 2021, respectively, as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Legal reserve	\$ 1,463,994	\$ 1,207,149	\$ -	\$ -
Special reserve	(601)	(565)	-	-
Cash dividends	1,134,630	996,407	0.25	0.24
Share dividends	2,269,260	1,868,262	0.50	0.45

d. Other equity items

	<b>Exchange Differences on Translating the Financial Statements of Foreign Operations</b>	<b>Unrealized Loss on Financial Assets at FVTOCI</b>	<b>Total</b>
Balance at January 1, 2022	\$ (85,087)	\$ 1,393,132	\$ 1,308,045
Recognized for the period			
Unrealized losses			
Equity instruments	-	(286,649)	(286,649)
Debt instruments	-	(1,243,312)	(1,243,312)
Net remeasurement of loss allowance - debt instruments	-	(2,175)	(2,175)
Share from associates accounted for using the equity method	-	8,250	8,250
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(4,976)	(4,976)
Cumulative translation adjustment			
Exchange differences for current period	75,992	-	75,992
Income tax related to other comprehensive income	-	5,128	5,128
Balance at September 30, 2022	\$ (9,095)	\$ (130,602)	\$ (139,697)

(Continued)

	<b>Exchange Differences on Translating the Financial Statements of Foreign Operations</b>	<b>Unrealized Loss on Financial Assets at FVTOCI</b>	<b>Total</b>
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> (Concluded)

### 32. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

a. Net interest

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<u>Interest revenue</u>				
Notes discounted and loans Due from banks and call loans to the other banks	\$ 3,361,888	\$ 2,489,368	\$ 8,900,221	\$ 7,422,161
Investment in securities	84,879	18,125	157,825	54,551
Installment plan	524,136	370,221	1,339,954	1,109,937
Rental	85,179	92,238	263,687	270,367
Revolving interests of credit cards	96,135	90,316	270,817	251,507
Securities purchased under resale agreements	8,293	8,172	24,637	26,024
	19,019	5,488	40,306	18,003
				(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Accounts receivable factoring without recourse	\$ 4,387	\$ 2,445	\$ 10,491	\$ 5,840
Others	<u>59</u>	<u>76</u>	<u>355</u>	<u>295</u>
	<u>4,183,975</u>	<u>3,076,449</u>	<u>11,008,293</u>	<u>9,158,685</u>
<u>Interest expense</u>				
Deposits	(1,070,507)	(551,605)	(2,344,375)	(1,715,137)
Financial debentures	(130,417)	(112,757)	(382,007)	(334,593)
Funds borrowed from the Central Bank and other banks	(69,255)	(46,914)	(175,873)	(141,613)
Due to the Central Bank and other banks	(358)	(353)	(560)	(1,981)
Securities sold under repurchase agreements	(2,315)	(1,158)	(4,254)	(7,351)
Structured instruments	(28,332)	(2,115)	(50,676)	(5,606)
Lease liabilities	(7,298)	(9,276)	(22,859)	(28,992)
Others	<u>(4,732)</u>	<u>(3,945)</u>	<u>(12,491)</u>	<u>(12,069)</u>
	<u>(1,313,214)</u>	<u>(728,123)</u>	<u>(2,993,095)</u>	<u>(2,247,342)</u>
	<u>\$ 2,870,761</u>	<u>\$ 2,348,326</u>	<u>\$ 8,015,198</u>	<u>\$ 6,911,343</u> (Concluded)

b. Service fee income, net

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
<u>Service fee income</u>				
Insurance brokering	\$ 197,051	\$ 153,273	\$ 618,463	\$ 507,145
Securities brokering	66,489	115,452	201,898	330,747
Trust business	225,049	329,381	684,322	919,740
Loans	208,630	183,047	729,217	501,259
Guarantee	61,531	54,674	182,516	155,248
Others	<u>111,944</u>	<u>90,709</u>	<u>311,155</u>	<u>268,199</u>
	<u>870,694</u>	<u>926,536</u>	<u>2,727,571</u>	<u>2,682,338</u>
<u>Service fee expense</u>				
Commission	(19,705)	(18,392)	(68,817)	(60,857)
Cross-bank transactions	(9,273)	(8,753)	(27,902)	(28,468)
Others	<u>(40,924)</u>	<u>(39,720)</u>	<u>(107,456)</u>	<u>(106,236)</u>
	<u>(69,902)</u>	<u>(66,865)</u>	<u>(204,175)</u>	<u>(195,561)</u>
	<u>\$ 800,792</u>	<u>\$ 859,671</u>	<u>\$ 2,523,396</u>	<u>\$ 2,486,777</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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<u>Realized profit or loss</u>				
Commercial papers	\$ 62,491	\$ 15,422	\$ 123,011	\$ 46,428
Shares	7,930	(17,784)	98,060	106,071
Beneficiary certificates	(26,763)	24,559	(12,030)	32,315
Derivative financial instruments	(59,261)	(54,868)	408,838	1,077
Corporate bonds	2,570	1,530	945	2,000
Other	3,517	-	4,074	-
	<u>(9,516)</u>	<u>(31,141)</u>	<u>622,898</u>	<u>187,891</u>
<u>Valuation</u>				
Commercial papers	12,640	(56)	16,862	733
Shares	(4,743)	(13,792)	(224,649)	33,274
Beneficiary certificates	(4,234)	(25,487)	(205,099)	40,189
PEM Group policy assets	1,057	4,139	19,962	13,852
Derivative financial instruments	499,071	50,983	728,114	80,301
Corporate bonds	(687)	(4,093)	(4,215)	(567)
	<u>503,104</u>	<u>11,694</u>	<u>330,975</u>	<u>167,782</u>
	<u>\$ 493,588</u>	<u>\$ (19,447)</u>	<u>\$ 953,873</u>	<u>\$ 355,673</u>

- 1) For the nine months ended September 30, 2022 and 2021, realized profit or loss of gain on financial assets and liabilities at fair value through profit or loss included disposal profit amounted to \$396,287 thousand and \$68,069 thousand, dividend income amounted to \$27,525 thousand and \$27,624 thousand and interest revenue amounted to \$199,086 thousand and \$92,198 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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Dividend income	\$ 178,826	\$ 134,111	\$ 235,991	\$ 144,329
Gain on disposal of bonds	-	2,250	67	4,727
	<u>\$ 178,826</u>	<u>\$ 136,361</u>	<u>\$ 236,058</u>	<u>\$ 149,056</u>

e. Reversal of (impairment losses) on financial assets

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Investments in debt instruments at FVTOCI	\$ 633	\$ (685)	\$ 2,175	\$ (5,839)
Financial assets at amortized cost	<u>(837)</u>	<u>1,271</u>	<u>(65)</u>	<u>3,393</u>
	<u>\$ (204)</u>	<u>\$ 586</u>	<u>\$ 2,110</u>	<u>\$ (2,446)</u>

f. Other non-interest gains, net

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
(Losses) gains on disposal of properties and equipment	\$ (230)	\$ (73)	\$ (381)	\$ 1,114
Others	<u>29,543</u>	<u>3,455</u>	<u>43,984</u>	<u>12,167</u>
	<u>\$ 29,313</u>	<u>\$ 3,382</u>	<u>\$ 43,603</u>	<u>\$ 13,281</u>

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Bad debts on receivables	\$ 26,880	\$ 28,552	\$ 220,582	\$ 130,832
Bad debts (reversal of) on notes discounted and loans	646,594	(10,408)	747,290	540,118
(Reversal of) losses on guarantees	(27,000)	14,000	(4,000)	42,000
Loan (reversal of) commitments	21	(5,001)	16,318	(16,608)
Others	<u>-</u>	<u>(4,001)</u>	<u>2,000</u>	<u>(222)</u>
	<u>\$ 646,495</u>	<u>\$ 23,142</u>	<u>\$ 982,190</u>	<u>\$ 696,120</u>

h. Employee benefits expenses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Salaries	\$ 1,014,820	\$ 989,588	\$ 2,957,010	\$ 2,859,454
Labor and health insurance	59,224	57,708	196,898	170,086
Pension expense	33,591	30,966	99,764	91,398
Other employee expenses	<u>53,697</u>	<u>58,204</u>	<u>174,453</u>	<u>155,416</u>
	<u>\$ 1,161,332</u>	<u>\$ 1,136,466</u>	<u>\$ 3,428,125</u>	<u>\$ 3,276,354</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, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the accrual rates and amounts of employees' compensation and the remuneration of directors were as follows:

Accrual rate

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Employees' compensation	0.75%	0.75%
Remuneration of directors	2.50%	2.48%

Amount

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Employees' compensation	<u>\$ 12,256</u>	<u>\$ 11,526</u>	<u>\$ 37,037</u>	<u>\$ 31,731</u>
Remuneration of directors	<u>\$ 40,854</u>	<u>\$ 37,950</u>	<u>\$ 123,458</u>	<u>\$ 104,850</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 2021 and 2020 that were resolved by the Bank's board of directors on February 24, 2022 and February 25, 2021, respectively, are as shown below:

	<b>Cash</b>	
	<b>2021</b>	<b>2020</b>
Employees' compensation	<u>\$ 42,277</u>	<u>\$ 35,975</u>
Remuneration of directors	<u>\$ 140,922</u>	<u>\$ 96,195</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, 2021 and 2020.

Information on the employees' compensation and remuneration of directors resolved by the Bank's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

j. Depreciation and amortization expenses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Properties and equipment	\$ 52,793	\$ 50,897	\$ 154,922	\$ 154,766
Investment properties	759	22	759	67
Right-of-use assets	39,825	61,892	118,273	188,715
Intangible assets	<u>17,457</u>	<u>15,965</u>	<u>51,580</u>	<u>47,628</u>
	<u>\$ 110,834</u>	<u>\$ 128,776</u>	<u>\$ 325,534</u>	<u>\$ 391,176</u>

k. Other selling and administrative expenses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Taxes	\$ 229,599	\$ 181,375	\$ 618,485	\$ 539,076
Professional service	46,461	64,470	115,042	154,915
Insurance	46,346	44,950	139,621	132,579
Entertainment	24,800	15,865	59,838	51,066
Donation	27,235	23,502	76,508	67,194
Postage	19,171	17,938	53,484	51,788
Others	<u>177,904</u>	<u>219,997</u>	<u>471,885</u>	<u>451,060</u>
	<u>\$ 571,516</u>	<u>\$ 568,097</u>	<u>\$ 1,534,863</u>	<u>\$ 1,447,678</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:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current tax				
In respect of the current period	\$ 82,940	\$ 227,301	\$ 788,677	\$ 631,255
Income tax on unappropriated earnings	-	-	633	77
Adjustments for prior periods	-	422	3,553	(23,446)
Deferred tax				
In respect of the current period	<u>193,593</u>	<u>13,361</u>	<u>141,321</u>	<u>(8,150)</u>
Income tax expense recognized in profit or loss	<u>\$ 276,533</u>	<u>\$ 241,084</u>	<u>\$ 934,184</u>	<u>\$ 599,736</u>



b. Income tax recognized in other comprehensive income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<u>Deferred tax</u>				
In respect of the current period				
Fair value changes of financial assets at FVTOCI	<u>\$ 2,949</u>	<u>\$ 2,639</u>	<u>\$ 5,128</u>	<u>\$ (636)</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 2020 have been assessed and approved by the tax authorities.

### 34. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Basic earnings per share	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.83</u>	<u>\$ 0.78</u>
Diluted earnings per share	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.83</u>	<u>\$ 0.78</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, 2021 were as follows:

Unit: NT\$ Per Share

	<b>Before Retrospective Adjustment</b>	<b>After Retrospective Adjustment</b>
Basic earnings per share	<u>\$ 0.82</u>	<u>\$ 0.78</u>
Diluted earnings per share	<u>\$ 0.82</u>	<u>\$ 0.78</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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Earnings used in the computation of basic earnings per share	<u>\$ 1,338,561</u>	<u>\$ 1,290,526</u>	<u>\$ 3,944,826</u>	<u>\$ 3,566,844</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,338,561</u>	<u>\$ 1,290,526</u>	<u>\$ 3,944,826</u>	<u>\$ 3,566,844</u>

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	4,765,447	4,555,447	4,765,447	4,555,447
Effect of potentially dilutive ordinary shares				
Employees' compensation or bonuses issued to employees	<u>2,816</u>	<u>2,872</u>	<u>3,433</u>	<u>3,576</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>4,768,263</u>	<u>4,558,319</u>	<u>4,768,880</u>	<u>4,559,023</u>

The Group may settle the compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares will be 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

<b>Related Party</b>	<b>Relationship with the Group</b>
China Man-Made Fiber Corporation	Parent company of the Bank
Hsu Tian Investment Co., Ltd.	Legal director of the Bank
Kuei-Fong Wang	Natural director of the Bank
Te-Wei Chia	General manager and legal representatives of the Bank's director
Hsin-Chang Tsai, Li-Woon Lim, Pi-Ta Chen, Chien-An Shin	Independent director of the Bank
Jin-Yi Lee	Independent director of the Bank

(Continued)

<b>Related Party</b>	<b>Relationship with the Group</b>
Hsin-Ching Chang, Wei-Liang Lin, Ming-Hsiung Huang, Siou-Huei Ye, Shih-Yi Chiang, Li-Tzu Lai	Legal representatives of the Bank's director
23 persons including the Chairman and general manager's spouse	The spouses and second-degree relatives, etc. of the Bank's chairman and general managers
33 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
19 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
12 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 Chemical 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
Greenworld Food Co., Ltd.	Related party in substance
Nan Chung Petrochemical Corporation	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

(Continued)

<b>Related Party</b>	<b>Relationship with the Group</b>
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
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
Lei Fu Life Business Co., Ltd.	Related party in substance
Chi Da Investment Co., Ltd.	Related party in substance
Syu Yi Investment Co., Ltd.	Related party in substance
Yao Shang Investment Co., Ltd.	Related party in substance
China Man-Made Fiber Entertainment Co., Ltd	Related party in substance

(Concluded)

Significant transactions between the Group and its related parties:

a. Loans

For the nine months ended September 30, 2022

	Numbers/ Name	Highest Balance	Balance at End of the Period	Compliance		Interest Revenue	Collateral	The Difference Between Related and Non-related Party
				Performing Loans	Overdue Loans			
Employees' consumption loans	10	\$ 4,772	\$ 3,436	\$ 3,436	\$ -	\$ 47	Credit loans	None
Loans on mortgage	38	223,059	170,310	170,310	-	1,639	Real estate	None
Other loans	Zeng OO	101	72	72	-	1	Real estate	None
	Lee OO	2,273	2,167	2,167	-	24	Real estate	None
	Zeng OO	4,140	4,051	4,051	-	50	Real estate	None
	Liu OO	322	-	-	-	-	Real estate	None
	Tsai OO	5,000	-	-	-	2	Real estate	None
	Lin OO	321	252	252	-	-	Real estate	None
	Wang OO	6,000	3,000	3,000	-	43	Real estate	None
	Chen OO	80,000	40,000	40,000	-	501	Real estate	None
	Fang OO	32,832	9,416	9,416	-	143	Real estate	None
	Lin OO	16,400	15,500	15,500	-	203	Real estate	None
	Chang OO	1,750	1,744	1,744	-	3	Real estate	None
	Tsai OO	114	11	11	-	1	Real estate	None
	Liang OO	646	555	555	-	6	Real estate	None
	Ye OO	11,000	11,000	11,000	-	117	Real estate	None
	Huang OO	1,298	1,193	1,193	-	13	Real estate	None
	Wang OO	6,120	-	-	-	28	Real estate	None
	Chiu OO	2,627	2,395	2,395	-	24	Real estate	None
	Hsu OO	2,200	2,200	2,200	-	27	Real estate	None
	Huang OO	15,000	2,600	2,600	-	98	Real estate	None
	Zhang OO	2,500	2,500	2,500	-	31	Real estate	None

For the nine months ended September 30, 2021

	Numbers/ Name	Highest Balance	Balance at 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

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, 2022</u>		
	Ending Balance	Interest Ratio	Interest Expense
Taichung Bank Securities Investment Trust Co., Ltd.	\$ 98,338	0.00-1.04	\$ 444
Taichung Commercial Bank Workers' Welfare Commission	145,796	0.01-5.24	5,558
China Man-Made Fiber Corporation	88,271	0.01-0.70	45
Taichung Commercial Bank Cultural and Educational Foundation	8,262	0.01-1.34	64
Formosa Imperial Wineseller Corp.	80	0.33	-
Greenworld Food Co., Ltd.	4,315	0.01-0.33	2
Pan Asia Chemical Co., Ltd.	38,720	0.01-0.33	19
Chou Chin Industrial Co., Ltd.	25,246	0.01-0.33	2
Lei Fu Life Business Co., Ltd.	1,696	0.33	1
Yao Shang Investment Co., Ltd.	2,886	0.33	3
Yu Hui Limited	4	0.01	-
Chi Da Investment Co., Ltd.	2,886	0.33	3
Syu Yi Investment Co., Ltd.	2,886	0.33	3
China Man-Made Fiber Entertainment Co., Ltd.	1	0.33	1
Hsu Tian Investment Co., Ltd.	23,684	0.01-0.70	3
Pan Asia Investment Co., Ltd.	7	0.01	-

(Continued)

**For the Nine Months Ended September 30, 2022**

	Ending Balance	Interest Ratio	Interest Expense
Pan Hsu Investment Co., Ltd.	\$ 10	0.01	\$ -
Reliance Securities Co., Ltd.	10,111	0.33-0.97	54
Shuo-Jung Co., Ltd.	2,859	0.01	2
Deh Hsing Investment Co., Ltd.	8,232	0.17-0.70	86
Fengqi Investment Co., Ltd.	5	0.33	-
Others	<u>390,099</u>	0.00-5.24	<u>3,090</u>
	<u>\$ 854,394</u>		<u>\$ 9,380</u> (Concluded)

**For the Nine Months Ended September 30, 2021**

	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>

The interest rates did not significantly differ from those with ordinary customers except for the interest rates on the Bank's employee deposits at 5.38%, 4.80% and 4.80% as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

c. Financial debentures

The Bank issued, first no due date non-cumulative subordinated financial debenture in 2015, first no due date non-cumulative subordinated financial debenture in 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 in 2017, first no due date non-cumulative subordinated financial debenture and second no due date non-cumulative subordinated financial debenture in 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, 2022, 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 in 2015, first no due date non-cumulative subordinated financial debenture in 2016, first no due date non-cumulative subordinated financial debenture and fifth no due date non-cumulative subordinated financial debenture in 2017, first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture in 2018
Others	3,750,000	First no due date non-cumulative subordinated financial debenture in 2015, first no due date non-cumulative subordinated financial debenture in 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 in 2017, first no due date non-cumulative subordinated financial debenture and second no due date non-cumulative subordinated financial debenture in 2018

The interest payables on the financial debentures of the abovementioned related parties amounted to \$184,272 thousand, \$47,108 thousand and \$182,347 thousand on September 30, 2022, December 31, 2021 and September 30, 2021, respectively. The interest expenses amounted to \$77,913 thousand, \$75,988 thousand, \$227,411 thousand and \$225,486 thousand for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, respectively.

d. Service fee income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Taichung Bank Securities Investment Trust Co., Ltd.	\$ <u>726</u>	\$ <u>222</u>	\$ <u>1,956</u>	\$ <u>590</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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Greenworld Food Co., Ltd.	\$ <u>362</u>	\$ <u>215</u>	\$ <u>675</u>	\$ <u>564</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. Compensation of directors and key management personnel

For the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the amounts of compensation of directors and key management personnel were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Short-term benefits	\$ 71,909	\$ 69,334	\$ 255,339	\$ 233,874
Post-employee benefits	280	287	854	862
Other long-term benefits	<u>1</u>	<u>-</u>	<u>3</u>	<u>2</u>
	<u>\$ 72,190</u>	<u>\$ 69,621</u>	<u>\$ 256,196</u>	<u>\$ 234,738</u>

### 36. PLEDGED ASSETS

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Call loans to other banks - time deposits	\$ 200,000	\$ 200,000	\$ 200,000
Restricted assets - cash in banks	360,424	384,756	370,923
Notes receivable	3,237,750	3,036,279	3,099,029
Investments in debt instruments at amortized cost			
- government bonds	620,500	916,400	916,600
Deposit reserves for demand accounts	<u>-</u>	<u>5,000,000</u>	<u>5,000,000</u>
	<u>\$ 4,418,674</u>	<u>\$ 9,537,435</u>	<u>\$ 9,586,552</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:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Guarantee to district court for litigation	\$ 50,500	\$ 356,400	\$ 356,600
Collateral for overdraft of clearing account	500,000	500,000	500,000
Reserve of trust compensation	<u>70,000</u>	<u>60,000</u>	<u>60,000</u>
	<u>\$ 620,500</u>	<u>\$ 916,400</u>	<u>\$ 916,600</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, 2022, December 31, 2021 and September 30, 2021 were as follows:

a. Significant commitments

	September 30, 2022	December 31, 2021	September 30, 2021
Loan commitments (excluding credit cards)	\$ 172,334,284	\$ 146,654,164	\$ 145,808,568
Loan commitments - credit cards	14,743,767	13,909,975	13,600,717
Guarantee receivables	26,075,226	27,150,584	26,703,920
Trust liabilities	83,637,383	77,982,280	74,076,899
Letters of credit	3,141,858	3,870,866	4,418,696
Lease contract commitments	3,572,400	1,672,014	1,159,906

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, 2022**

Trust Asset	Amount	Trust Liability	Amount
Cash in banks	\$ 7,010,549	Securities under custody	
Debentures	9,802,456	payable	\$ 4,117,330
Shares	4,666,051	Trust capital	79,520,053
Funds	48,609,489	Net income	1,111,954
Structured finance instruments	1,570,331	Deferred carryover amounts	<u>(1,111,954)</u>
Real estate			
Land	7,732,991		
Buildings	128,186		
Securities under custody	<u>4,117,330</u>		
Trust assets	<u>\$ 83,637,383</u>	Trust liabilities	<u>\$ 83,637,383</u>

Note: On September 30, 2022, the bank's Offshore Banking Unit invested in foreign securities under specific purpose trust accounts amounting to \$2,766,016 thousand.

**Trust Account Asset Items  
September 30, 2022**

Item	Amount
Cash in banks	\$ 7,010,549
Debentures	9,802,456
Shares	4,666,051
Funds	48,609,489
Structured finance instruments	1,570,331
Real estate	
Land	7,732,991
Buildings	128,186
Securities under custody	<u>4,117,330</u>
	<u>\$ 83,637,383</u>

**Trust Account Income Statement**  
**Nine Months Ended September 30, 2022**

	<b>Amount</b>
Trust income	
Interest revenue	\$ 1,796,011
Trust expense	
Management fee	(684,057)
Tax	-
Income before income tax	1,111,954
Income tax expense	-
Net income	<u>\$ 1,111,954</u>

**Trust Account Balance Sheet**  
**December 31, 2021**

<b>Trust Asset</b>	<b>Amount</b>	<b>Trust Liability</b>	<b>Amount</b>
Cash in banks	\$ 6,399,616	Securities under custody	
Debentures	7,238,414	payable	\$ 6,646,778
Shares	3,455,339	Trust capital	71,335,502
Funds	47,078,055	Net income	1,210,606
Structured finance instruments	1,643,837	Deferred carryover amounts	(1,210,606)
Real estate			
Land	5,386,698		
Buildings	132,100		
Securities under custody	6,646,778		
Securities trust services	1,443		
Trust assets	<u>\$ 77,982,280</u>	Trust liabilities	<u>\$ 77,982,280</u>

Note: On December 31, 2022, the bank's Offshore Banking Unit invested in foreign securities under specific purpose trust accounts amounting to \$2,248,226 thousand.

**Trust Account Asset Items**  
**December 31, 2021**

<b>Item</b>	<b>Amount</b>
Cash in banks	\$ 6,399,616
Debentures	7,238,414
Shares	3,455,339
Funds	47,078,055
Structured finance instruments	1,643,837
Real estate	
Land	5,386,698
Buildings	132,100
Securities under custody	6,646,778
Securities trust services	1,443
	<u>\$ 77,982,280</u>

**Trust Account Income Statement**  
**Year Ended December 31, 2021**

	<b>Amount</b>
Trust income	
Interest revenue	\$ 2,428,466
Trust expense	
Management fee	(1,217,830)
Tax	<u>(30)</u>
Income before income tax	1,210,606
Income tax expense	<u>-</u>
Net income	<u><u>\$ 1,210,606</u></u>

**Trust Account Balance Sheet**  
**September 30, 2021**

<b>Trust Asset</b>	<b>Amount</b>	<b>Trust Liability</b>	<b>Amount</b>
Cash in banks	\$ 5,848,424	Securities under custody	
Debentures	7,597,784	payable	\$ 5,142,520
Shares	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><u>\$ 74,076,899</u></u>	Trust liabilities	<u><u>\$ 74,076,899</u></u>

Note: On September 30, 2021, the bank's Offshore Banking Unit invested in foreign securities under specific purpose trust accounts amounting to \$2,150,067 thousand.

**Trust Account Asset Items**  
**September 30, 2021**

<b>Item</b>	<b>Amount</b>
Cash in banks	\$ 5,848,424
Debentures	7,597,784
Shares	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><u>\$ 74,076,899</u></u>

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

	<b>Amount</b>
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>\$ 899,077</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 second supplementary agreement was processed on May 9, 2022, and the total contract price after the change was \$11,154,971 thousand. The Group entered into a contract of planning, design and supervision with YSL Architects & Associates, and the contract price was worth \$480,492 thousand. The Group entered into a contract of planning, design and supervision with Rich Honour Design Group, and the estimated contract price was \$195,000 thousand.

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

Financing lease income

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Year 1	\$ 2,899,954	\$ 2,468,413	\$ 3,363,720
Year 2	1,030,381	1,021,206	318,622
Year 3	213,504	218,035	62,003
Year 4	17,438	18,903	12,739
Year 5	12,739	12,739	12,739
Year 6 onwards	<u>145,198</u>	<u>154,537</u>	<u>157,937</u>
	<u>\$ 4,319,214</u>	<u>\$ 3,893,833</u>	<u>\$ 3,927,760</u>

Present value of financing lease income

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Year 1	\$ 2,559,310	\$ 2,175,166	\$ 2,993,485
Year 2	958,668	937,949	290,723
Year 3	197,298	199,223	51,198
Year 4	8,912	10,068	3,890
Year 5	4,658	4,354	4,257
Year 6 onwards	<u>86,742</u>	<u>90,068</u>	<u>91,408</u>
	<u>\$ 3,815,588</u>	<u>\$ 3,416,828</u>	<u>\$ 3,434,961</u>

Capital expenditure commitment

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Year 1	\$ 5,169,185	\$ 4,670,691	\$ 1,997,741
Year 2	741,564	2,532,019	2,580,464
Year 3	40,084	14,394	3,068,448
Year 4	<u>19,500</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,970,333</u>	<u>\$ 7,217,104</u>	<u>\$ 7,646,653</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 was in the High Court Taichung Branch as 2020 renewed trial No. 78. After the second instance, the High Court Taichung Branch reappealed to trial No. 78 of 2020 on March 29, 2022, ruling that the Bank won the case. However, the plaintiff refused to accept the judgment of the second instance and filed an appeal, which was still pending in the Supreme Court as of June 30, 2022. 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:

	<b>September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1, 2021	\$ 19,090	\$ 14,090
Loss provision	<u>3,750</u>	<u>3,750</u>
Balance at September 30, 2021	<u>\$ 22,840</u>	<u>\$ 17,840</u>

For the nine months ended September 30, 2022 and 2021, the loss provision of \$3,750 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, 2022

	<b>Carrying Amount</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets</u>					
Investments in debt instruments at amortized cost	\$ 110,667,174	\$ 81,330,070	\$ 27,887,261	\$ -	\$ 109,217,331
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Bank debentures	16,500,000	-	16,643,034	-	16,643,034

December 31, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Investments in debt instruments at amortized cost	\$ 110,098,208	\$ 86,270,904	\$ 24,405,895	\$ -	\$ 110,676,799
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Bank debentures	16,500,000	-	16,636,344	-	16,636,344

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

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, 2022			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ 8,900,145	\$ -	\$ 8,900,145	\$ -
Commercial papers	25,506,051	25,506,051	-	-
Domestic listed shares and emerging market shares	713,210	656,136	57,074	-
Domestic unlisted shares	83,855	-	-	83,855
Beneficiary certificates	413,652	413,652	-	-
Domestic corporate bonds	565,574	565,574	-	-
Others	946,770	-	946,770	-
	<u>\$ 37,129,257</u>	<u>\$ 27,141,413</u>	<u>\$ 9,903,989</u>	<u>\$ 83,855</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic unlisted shares	\$ 861,616	\$ -	\$ -	\$ 861,616
Domestic listed shares	3,839,206	3,839,206	-	-
Foreign listed shares	287,376	287,376	-	-

(Continued)

	<b>September 30, 2022</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investments in debt instruments</b>				
Domestic corporate bonds	\$ 32,028,536	\$ 32,028,536	\$ -	\$ -
Domestic government bonds	5,285,601	5,285,601	-	-
Foreign bonds	2,813,488	-	2,813,488	-
Bank debentures	1,661,725	1,661,725	-	-
	<u>\$ 46,777,548</u>	<u>\$ 43,102,444</u>	<u>\$ 2,813,488</u>	<u>\$ 861,616</u>
<b>Financial liabilities at FVTPL</b>				
Derivative financial liabilities	<u>\$ 2,078,233</u>	<u>\$ -</u>	<u>\$ 2,078,233</u>	<u>\$ -</u>

(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	\$ 81,611	\$ 2,244	\$ -	\$ -	\$ -	\$ -	\$ 83,855

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	\$ 810,234	\$ 51,382	\$ -	\$ -	\$ -	\$ -	\$ 861,616

	<b>December 31, 2021</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets at FVTPL</b>				
Derivative financial assets	\$ 4,006,983	\$ -	\$ 4,006,983	\$ -
Commercial papers	26,680,732	26,680,732	-	-
Domestic listed shares and emerging market shares	919,500	849,850	69,650	-
Domestic unlisted shares	81,611	-	-	81,611
Beneficiary certificates	757,683	757,683	-	-
Domestic corporate bonds	422,471	422,471	-	-
Others	806,522	-	806,522	-
	<u>\$ 33,675,502</u>	<u>\$ 28,710,736</u>	<u>\$ 4,883,155</u>	<u>\$ 81,611</u>
<b>Financial assets at FVTOCI</b>				
<b>Investments in equity instruments</b>				
Domestic unlisted shares	\$ 810,234	\$ -	\$ -	\$ 810,234
Domestic listed shares	3,136,272	3,136,272	-	-
Foreign listed shares	308,783	308,783	-	-
<b>Investments in debt instruments</b>				
Domestic corporate bonds	34,101,503	34,101,503	-	-
Domestic government bonds	4,865,736	4,865,736	-	-
Foreign bonds	3,121,222	-	3,121,222	-
Bank debentures	2,204,054	2,204,054	-	-
	<u>\$ 48,547,804</u>	<u>\$ 44,616,348</u>	<u>\$ 3,121,222</u>	<u>\$ 810,234</u>
<b>Financial liabilities at FVTPL</b>				
Derivative financial liabilities	<u>\$ 512,399</u>	<u>\$ -</u>	<u>\$ 512,399</u>	<u>\$ -</u>



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	\$ 7,203	\$ 66,900	\$ -	\$ -	\$ -	\$ 81,611

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	\$ 751,556	\$ 58,678	\$ -	\$ -	\$ -	\$ -	\$ 810,234

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

There were no transfers between Levels 1 and 2 for the nine months ended September 30, 2022 and 2021.

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, 2022, December 31, 2021 and September 30, 2021, were as follows:

Items	Fair value on September 30, 2022	Fair value on December 31, 2021	Fair value on September 30, 2021	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	\$ 83,855	\$ 81,611	\$ 46,290	Seller's quote (Monte Carlo Simulation Method)	Volatility rate  Minority equity volatility rate	20.02%-33.00%  34.14%	The lower the volatility rate, the higher the fair value  The lower the minority equity volatility rate, the higher the fair value
Financial assets at fair value through other comprehensive income Domestic unlisted shares	861,616	810,234	831,171	Seller's quote (Monte Carlo Simulation Method)	Volatility rate	16.40%-34.65%	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 the volatility rate of quantitative information on significant unobservable input of market multiple. The sensitivity analysis based on assets category is as follows:

September 30, 2022

<b>Significant Unobservable Input</b>	<b>Sensitivity Rate</b>	<b>Impact</b>
Liquidity discount ratio	Increase 10%	\$ (22,537)
	Decrease 10%	22,537

December 31, 2021

<b>Significant Unobservable Input</b>	<b>Sensitivity Rate</b>	<b>Impact</b>
Liquidity discount ratio	Increase 10%	\$ (20,627)
	Decrease 10%	20,627

September 30, 2021

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

c. Categories of financial instruments

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 37,129,257	\$ 33,675,502	\$ 32,591,744
Financial assets at amortized cost (Note 1)	703,299,008	674,488,002	654,775,983
Financial assets at FVTOCI			
Equity instruments	4,988,198	4,255,289	3,890,094
Debt instruments	41,789,350	44,292,515	41,530,769
<u>Financial liabilities</u>			
Financial liabilities at FVTPL	2,078,233	512,399	529,839
Financial liabilities at amortized cost (Note 2)	735,618,773	705,617,774	684,601,589

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 resale 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 program.
- 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. It is expected that the US Secured Overnight Financing Rate (SOFR) will replace the USD 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, 2022, the Group has identified all the information systems and internal processes that need to be updated, and completed some of the updates.

As of September 30, 2022, 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:

<b>Non-derivative Financial</b>	<b>Amount</b>		
	<b>Financial Assets</b>	<b>Financial Liabilities</b>	
<u>Notes discounted and loans, net</u>			
USD LIBOR	\$ 8,340,000	\$ -	
<u>Funds borrowed from the central bank and other banks</u>			
USD LIBOR	-	127,000	
<u>Financial assets at amortized cost</u>			
USD LIBOR	<u>7,176,000</u>	<u>-</u>	
	<u>\$ 15,516,000</u>	<u>\$ 127,000</u>	
<b>Derivative Financial</b>	<b>Nominal Amount</b>	<b>Amount</b>	
		<b>Financial Assets</b>	<b>Financial Liabilities</b>
<u>Interest rate-linked structured instrument contracts</u>			
USD LIBOR	<u>\$ 1,070,610</u>	<u>\$ 162,782</u>	<u>\$ 162,782</u>

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, 2022, December 31, 2021 and September 30, 2021 would have increased/decreased by \$590,150 thousand, \$937,186 thousand and \$779,615 thousand, respectively, and other equity would have decreased/increased by \$1,717,752 thousand, \$1,564,751 thousand and \$1,917,856 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, 2022, December 31, 2021 and September 30, 2021 would have increased/decreased by \$105,185 thousand, and decreased/increased by \$10,994 thousand and \$28,014 thousand, respectively, and other equity would have increased/decreased by \$129,151 thousand, \$114,411 thousand and \$112,648 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, 2022, December 31, 2021 and September 30, 2021 would have increased/decreased by \$181,608 thousand, \$263,819 thousand and \$193,825 thousand, respectively, and other equity would have increased/decreased by \$748,230 thousand, \$638,293 thousand and \$583,514 thousand, respectively.

The summary of sensitivity analysis was as follows:

<b>September 30, 2022</b>			
<b>Main Risk</b>	<b>Range of Change</b>	<b>Influence Amount</b>	
		<b>Other Equity</b>	<b>Income</b>
Interest risk	Interest rate curve rises 100BPS	\$ (1,717,752)	\$ 590,150
	Interest rate curve falls 100BPS	1,717,752	(590,150)
Exchange rate risk	USD/NTD, CNY/NTD, JPY/NTD increase by 3%	129,151	105,185
	USD/NTD, CNY/NTD, JPY/NTD decrease by 3%	(129,151)	(105,185)
Equity securities price risk	Equity securities prices rise by 15%	748,230	181,608
	Equity securities prices fall by 15%	(748,230)	(181,608)

<b>December 31, 2021</b>			
<b>Main Risk</b>	<b>Range of Change</b>	<b>Influence Amount</b>	
		<b>Other Equity</b>	<b>Income</b>
Interest risk	Interest rate curve rises 100BPS	\$ (1,564,751)	\$ 937,186
	Interest rate curve falls 100BPS	1,564,751	(937,186)
Exchange rate risk	USD/NTD, CNY/NTD, JPY/NTD increase by 3%	114,411	(10,994)
	USD/NTD, CNY/NTD, JPY/NTD decrease by 3%	(114,411)	10,994
Equity securities price risk	Equity securities prices rise by 15%	638,293	263,819
	Equity securities prices fall by 15%	(638,293)	(263,819)

<b>September 30, 2021</b>			
<b>Main Risk</b>	<b>Range of Change</b>	<b>Influence Amount</b>	
		<b>Other Equity</b>	<b>Income</b>
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)



## 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, 2022, the ratio of loans with collateral to the total amount of loans was approximately 75%. The ratio of financing guarantees to commercial letters of collateral held was approximately 27%, 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.

<b>Product Portfolio</b>	
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 resale 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, 2022

	<b>Total Carrying Amount</b>	<b>Allowance for Impairment Loss</b>	<b>Total Value of Exposure</b>	<b>Fair Value of Collateral</b>
Financial assets that were impaired				
Notes discounted and loans	\$ 6,720,860	\$ (1,581,999)	\$ 5,138,861	\$ 5,138,861
Receivables	868,052	(206,769)	661,283	627,554
Guarantees and letters of credit	88,501	(33,644)	54,857	37,864
Debt instruments	8,664	(8,664)	-	-
Others	<u>85,019</u>	<u>(12,175)</u>	<u>72,844</u>	<u>-</u>
Total financial assets that were impaired	<u>\$ 7,771,096</u>	<u>\$ (1,843,251)</u>	<u>\$ 5,927,845</u>	<u>\$ 5,804,279</u>

December 31, 2021

	<b>Total Carrying Amount</b>	<b>Allowance for Impairment Loss</b>	<b>Total Value of Exposure</b>	<b>Fair Value of Collateral</b>
Financial assets that were impaired				
Notes discounted and loans	\$ 8,698,694	\$ (1,857,339)	\$ 6,841,355	\$ 6,841,355
Receivables	801,948	(239,926)	562,022	534,495
Guarantees and letters of credit	88,571	(33,375)	55,196	37,864
Debt instruments	7,554	(7,554)	-	-
Others	<u>85,019</u>	<u>(12,005)</u>	<u>73,014</u>	<u>-</u>
Total financial assets that were impaired	<u>\$ 9,681,786</u>	<u>\$ (2,150,199)</u>	<u>\$ 7,531,587</u>	<u>\$ 7,413,714</u>

September 30, 2021

	<b>Total Carrying Amount</b>	<b>Allowance for Impairment Loss</b>	<b>Total Value of Exposure</b>	<b>Fair Value of Collateral</b>
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
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>

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:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Irrevocable loan commitments	\$ 10,393,510	\$ 8,946,143	\$ 9,301,217
Credit card commitments	14,743,767	13,909,975	13,600,717
Guarantee receivables	26,075,226	27,150,584	26,703,920
Letters of credit	3,141,858	3,870,866	4,418,696

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:

<b>Counterparty</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Private enterprise	\$ 276,820,141	\$ 272,232,887	\$ 267,118,751
Natural person	267,347,662	251,463,839	241,120,576
Government agencies	2,047,000	-	1,000,000
Others	<u>2,853,685</u>	<u>2,194,108</u>	<u>2,288,961</u>
	<u>\$ 549,068,488</u>	<u>\$ 525,890,834</u>	<u>\$ 511,528,288</u>

<b>Credit Risk Profile by Group or Industry</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Natural person	\$ 267,347,662	\$ 251,463,839	\$ 241,120,576
Manufacturing	82,768,076	82,428,014	80,517,778
Commercial	52,205,122	55,055,686	53,515,343
Real estate and leasing	69,418,566	68,116,161	68,501,284
Construction industry	25,093,874	21,651,987	21,604,370
Servicing	11,051,988	10,721,758	11,123,020
Finance and insurance	22,336,359	20,517,085	18,484,887
Transportation warehousing and information communication	8,026,541	9,110,025	8,666,159
Others	<u>10,820,300</u>	<u>6,826,279</u>	<u>7,994,871</u>
	<u>\$ 549,068,488</u>	<u>\$ 525,890,834</u>	<u>\$ 511,528,288</u>



<b>Credit Risk Profile by Region</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Domestic	\$ 512,520,986	\$ 494,778,509	\$ 479,530,396
Asia	23,724,032	18,613,232	19,233,917
North America	9,935,008	9,615,136	9,838,085
Others	<u>2,888,462</u>	<u>2,883,957</u>	<u>2,925,890</u>
	<u>\$ 549,068,488</u>	<u>\$ 525,890,834</u>	<u>\$ 511,528,288</u>
<b>Credit Risk Profile by Collateral</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Unsecured	\$ 90,054,131	\$ 83,184,331	\$ 80,977,080
Secured			
Real estate	402,619,340	389,570,276	378,120,911
Letter of bank guarantee	17,367,099	18,341,803	18,040,189
Chattel	7,402,016	6,481,073	6,592,855
Debenture	17,794,069	16,708,301	16,053,921
Notes receivable	1,501,433	1,906,758	1,875,362
Shares	6,863,930	5,375,785	5,478,714
Others	<u>5,466,470</u>	<u>4,322,507</u>	<u>4,389,256</u>
	<u>\$ 549,068,488</u>	<u>\$ 525,890,834</u>	<u>\$ 511,528,288</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, 2022

<b>Notes Discounted and Loans</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference of</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Impairment Loss</b>	<b>Total</b>
				<b>under</b>	
				<b>Regulations</b>	
Product category					
Corporate loans	\$ 236,983,296	\$ 2,761,833	\$ 4,319,134	\$ -	\$ 244,064,263
Consumer loans	255,092,618	9,110,973	2,401,583	-	266,605,174
Others	<u>22,667</u>	<u>622</u>	<u>143</u>	-	<u>23,432</u>
Total carrying amount	492,098,581	11,873,428	6,720,860	-	510,692,869
Allowance for doubtful accounts	(1,991,881)	(930,101)	(1,581,999)	-	(4,503,981)
Difference of impairment loss under regulations	-	-	-	(1,881,463)	(1,881,463)
	<u>\$ 490,106,700</u>	<u>\$ 10,943,327</u>	<u>\$ 5,138,861</u>	<u>\$ (1,881,463)</u>	<u>\$ 504,307,425</u>

<b>Receivables</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference of</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Impairment Loss</b>	<b>Total</b>
				<b>under</b>	
				<b>Regulations</b>	
Product category					
Corporate loans	\$ 12,488,212	\$ 272,770	\$ 807,322	\$ -	\$ 13,568,304
Consumer loans	1,742,257	23,815	32,547	-	1,798,619
Others	<u>68,448,799</u>	<u>4</u>	<u>28,183</u>	-	<u>68,476,986</u>
Total carrying amount	82,679,268	296,589	868,052	-	83,843,909
Allowance for doubtful accounts	(123,536)	(6,187)	(206,769)	-	(336,492)
Difference of impairment loss under regulations	-	-	-	(272,538)	(272,538)
	<u>\$ 82,555,732</u>	<u>\$ 290,402</u>	<u>\$ 661,283</u>	<u>\$ (272,538)</u>	<u>\$ 83,234,879</u>

<b>Irrevocable Loan Commitments</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference of</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Impairment Loss</b>	<b>Total</b>
				<b>under</b>	
				<b>Regulations</b>	
Product category					
Corporate loans	\$ 8,906,717	\$ 33,250	\$ 85,019	\$ -	\$ 9,024,986
Consumer loans	<u>1,368,524</u>	<u>-</u>	<u>-</u>	-	<u>1,368,524</u>
Total carrying amount	10,275,241	33,250	85,019	-	10,393,510
Allowance for doubtful accounts	(63,471)	(782)	(12,175)	-	(76,428)
Difference of impairment loss under regulations	-	-	-	(747)	(747)
	<u>\$ 10,211,770</u>	<u>\$ 32,468</u>	<u>\$ 72,844</u>	<u>\$ (747)</u>	<u>\$ 10,316,335</u>

**Credit Card Commitments**

	<u>Stage 1</u> <u>12-month ECLs</u>	<u>Stage 2</u> <u>Lifetime ECL</u>	<u>Stage 3</u> <u>Lifetime ECL</u>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
Product category					
Consumer loans	\$ 14,679,552	\$ 64,215	\$ -	\$ -	\$ 14,743,767
Total carrying amount	14,679,552	64,215	-	-	14,743,767
Allowance for doubtful accounts	(5,234)	(1,528)	-	-	(6,762)
Difference of impairment loss under regulations	-	-	-	(621)	(621)
	<u>\$ 14,674,318</u>	<u>\$ 62,687</u>	<u>\$ -</u>	<u>\$ (621)</u>	<u>\$ 14,736,384</u>

**Guarantee Receivables**

	<u>Stage 1</u> <u>12-month ECLs</u>	<u>Stage 2</u> <u>Lifetime ECL</u>	<u>Stage 3</u> <u>Lifetime ECL</u>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
Product category					
Corporate loans	\$ 25,628,365	\$ 358,360	\$ 88,501	\$ -	\$ 26,075,226
Total carrying amount	25,628,365	358,360	88,501	-	26,075,226
Allowance for doubtful accounts	(182,416)	(68,132)	(33,644)	-	(284,192)
Difference of impairment loss under regulations	-	-	-	(9,771)	(9,771)
	<u>\$ 25,445,949</u>	<u>\$ 290,228</u>	<u>\$ 54,857</u>	<u>\$ (9,771)</u>	<u>\$ 25,781,263</u>

**Letters of Credit**

	<u>Stage 1</u> <u>12-month ECLs</u>	<u>Stage 2</u> <u>Lifetime ECL</u>	<u>Stage 3</u> <u>Lifetime ECL</u>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
Product category					
Corporate loans	\$ 3,141,858	\$ -	\$ -	\$ -	\$ 3,141,858
Total carrying amount	3,141,858	-	-	-	3,141,858
Allowance for doubtful accounts	(8,253)	-	-	-	(8,253)
Difference of impairment loss under regulations	-	-	-	(6,819)	(6,819)
	<u>\$ 3,133,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,819)</u>	<u>\$ 3,126,786</u>

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<b>Notes Discounted and Loans</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>		
Product category					
Corporate loans	\$ 227,290,646	\$ 2,322,566	\$ 6,118,651	\$ -	\$ 235,731,863
Consumer loans	238,225,115	9,920,228	2,579,934	-	250,725,277
Others	<u>29,546</u>	<u>1,028</u>	<u>109</u>	-	<u>30,683</u>
Total carrying amount	465,545,307	12,243,822	8,698,694	-	486,487,823
Allowance for doubtful accounts	(1,465,291)	(608,655)	(1,857,339)	-	(3,931,285)
Difference of impairment loss under regulations	-	-	-	(2,750,165)	(2,750,165)
	<u>\$ 464,080,016</u>	<u>\$ 11,635,167</u>	<u>\$ 6,841,355</u>	<u>\$ (2,750,165)</u>	<u>\$ 479,806,373</u>
<b>Receivables</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>		
Product category					
Corporate loans	\$ 12,160,742	\$ 311,725	\$ 712,609	\$ -	\$ 13,185,076
Consumer loans	1,683,488	22,751	37,488	-	1,743,727
Others	<u>60,904,209</u>	<u>14</u>	<u>51,851</u>	-	<u>60,956,074</u>
Total carrying amount	74,748,439	334,490	801,948	-	75,884,877
Allowance for doubtful accounts	(108,467)	(7,900)	(239,926)	-	(356,293)
Difference of impairment loss under regulations	-	-	-	(104,485)	(104,485)
	<u>\$ 74,639,972</u>	<u>\$ 326,590</u>	<u>\$ 562,022</u>	<u>\$ (104,485)</u>	<u>\$ 75,424,099</u>
<b>Irrevocable Loan Commitments</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>		
Product category					
Corporate loans	\$ 7,175,795	\$ 33,250	\$ 85,019	\$ -	\$ 7,294,064
Consumer loans	<u>1,652,079</u>	-	-	-	<u>1,652,079</u>
Total carrying amount	8,827,874	33,250	85,019	-	8,946,143
Allowance for doubtful accounts	(40,877)	(661)	(12,005)	-	(53,543)
Difference of impairment loss under regulations	-	-	-	(4,221)	(4,221)
	<u>\$ 8,786,997</u>	<u>\$ 32,589</u>	<u>\$ 73,014</u>	<u>\$ (4,221)</u>	<u>\$ 8,888,379</u>

<b>Credit Card Commitments</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference of</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Impairment Loss</b>	<b>Total</b>
				<b>under</b>	
				<b>Regulations</b>	
Product category					
Consumer loans	\$ 13,827,884	\$ 82,091	\$ -	\$ -	\$ 13,909,975
Total carrying amount	13,827,884	82,091	-	-	13,909,975
Allowance for doubtful accounts	(5,046)	(1,915)	-	-	(6,961)
Difference of impairment loss under regulations	-	-	-	(422)	(422)
	<u>\$ 13,822,838</u>	<u>\$ 80,176</u>	<u>\$ -</u>	<u>\$ (422)</u>	<u>\$ 13,902,592</u>

<b>Guarantee Receivables</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference of</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Impairment Loss</b>	<b>Total</b>
				<b>under</b>	
				<b>Regulations</b>	
Product category					
Corporate loans	\$ 26,971,681	\$ 90,332	\$ 88,571	\$ -	\$ 27,150,584
Total carrying amount	26,971,681	90,332	88,571	-	27,150,584
Allowance for doubtful accounts	(171,880)	(7,782)	(33,375)	-	(213,037)
Difference of impairment loss under regulations	-	-	-	(84,926)	(84,926)
	<u>\$ 26,799,801</u>	<u>\$ 82,550</u>	<u>\$ 55,196</u>	<u>\$ (84,926)</u>	<u>\$ 26,852,621</u>

<b>Letters of Credit</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference of</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Impairment Loss</b>	<b>Total</b>
				<b>under</b>	
				<b>Regulations</b>	
Product category					
Corporate loans	\$ 3,870,866	\$ -	\$ -	\$ -	\$ 3,870,866
Total carrying amount	3,870,866	-	-	-	3,870,866
Allowance for doubtful accounts	(8,629)	-	-	-	(8,629)
Difference of impairment loss under regulations	-	-	-	(4,226)	(4,226)
	<u>\$ 3,862,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,226)</u>	<u>\$ 3,858,011</u>

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<b>Notes Discounted and Loans</b>					
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<b>Difference of</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Impairment Loss</b>	<b>Total</b>
				<b>under</b>	
				<b>Regulations</b>	
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>-</u>	<u>30,667</u>
Total carrying amount	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>-</u>	<u>-</u>	<u>-</u>	<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>
<b>Receivables</b>					
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<b>Difference of</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Impairment Loss</b>	<b>Total</b>
				<b>under</b>	
				<b>Regulations</b>	
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 carrying amount	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>
<b>Irrevocable Loan Commitments</b>					
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<b>Difference of</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Impairment Loss</b>	<b>Total</b>
				<b>under</b>	
				<b>Regulations</b>	
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 carrying amount	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>

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

<b>Guarantee Receivables</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference of</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Impairment Loss</b>	<b>Total</b>
				<b>under</b>	
				<b>Regulations</b>	
Product category					
Corporate loans	\$ 25,859,873	\$ 752,507	\$ 91,540	\$ -	\$ 26,703,920
Total carrying amount	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	-	-	-	(37,293)	(37,293)
	<u>\$ 25,687,735</u>	<u>\$ 718,463</u>	<u>\$ 57,052</u>	<u>\$ (37,293)</u>	<u>\$ 26,425,957</u>

<b>Letters of Credit</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference of</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Impairment Loss</b>	<b>Total</b>
				<b>under</b>	
				<b>Regulations</b>	
Product category					
Corporate loans	\$ 4,418,696	\$ -	\$ -	\$ -	\$ 4,418,696
Total carrying amount	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>

ii. Debt instrument investments

September 30, 2022

<b>Financial Assets at FVTOCI</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Total</b>
Product category (Note)				
Investment grade bond	\$ 41,817,196	\$ -	\$ -	\$ 41,817,196
Non-investment grade bond	-	-	-	-
Total carrying amount	41,817,196	-	-	41,817,196
Allowance for impairment	(27,846)	-	-	(27,846)
Difference of impairment loss under regulations	-	-	-	-
	<u>\$ 41,789,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,789,350</u>

<b>Investments in Debt Instruments at Amortized Cost</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Total</b>
Product category (Note)				
Investment grade bond	\$ 53,251,467	\$ -	\$ -	\$ 53,251,467
Non-investment grade bond	-	-	8,664	8,664
Others (NCDs issued by the CBC)	<u>57,440,000</u>	<u>-</u>	<u>-</u>	<u>57,440,000</u>
Total carrying amount	110,691,467	-	8,664	110,700,131
Allowance for impairment	(24,293)	-	(8,664)	(32,957)
Difference of impairment loss under regulations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 110,667,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,667,174</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, 2022

	<b>Financial Assets at FVTOCI</b>	<b>Financial Assets at Amortized Cost</b>
Total carrying amount	\$ 42,897,721	\$ 110,700,131
Loss allowance	<u>(27,846)</u>	<u>(32,957)</u>
Amortized cost	42,869,875	110,667,174
Fair value adjustment	<u>(1,080,525)</u>	<u>-</u>
	<u>\$ 41,789,350</u>	<u>\$ 110,667,174</u>

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

Credit Rating	Definition	Recognition Basis	Expected Credit Loss	Total Carrying Amount	
				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%-0.41%	\$ 42,897,721	\$ 110,691,467
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%	-	8,664
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:

	<b>Credit Rating</b>		
	<b>Normal (12-month Expected credit Losses)</b>	<b>Abnormal (Lifetime ECL and not Credit Impaired)</b>	<b>Default (Lifetime ECL and Credit Impaired)</b>
<u>Financial assets at FVTOCI</u>			
Balance at January 1, 2022	\$ 29,891	\$ -	\$ -
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	639	-	-
Disposal	(917)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	<u>(1,767)</u>	<u>-</u>	<u>-</u>
Loss allowance at September 30, 2022	<u>\$ 27,846</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Financial assets at amortized cost</u>			
Balance at January 1, 2022	\$ 23,109	\$ -	\$ 7,554
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	4,724	-	-
Disposal	(3,706)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	<u>166</u>	<u>-</u>	<u>1,110</u>
Loss allowance at September 30, 2022	<u>\$ 24,293</u>	<u>\$ -</u>	<u>\$ 8,664</u>

December 31, 2021

	<b>Financial Assets at FVTOCI</b>			<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	
Product category (Note)				
Investment grade bond	\$ 44,322,406	\$ -	\$ -	\$ 44,322,406
Non-investment grade bond	-	-	-	-
Total carrying amount	44,322,406	-	-	44,322,406
Allowance for impairment	(29,891)	-	-	(29,891)
Difference of impairment loss under regulations	-	-	-	-
	<u>\$ 44,292,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,292,515</u>
	<b>Investments in Debt Instruments at Amortized Cost</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	
Product category (Note)				
Investment grade bond	\$ 46,331,317	\$ -	\$ -	\$ 46,331,317
Non-investment grade bond	-	-	7,554	7,554
Others (NCDs issued by the CBC)	63,790,000	-	-	63,790,000
Total carrying amount	110,121,317	-	7,554	110,128,871
Allowance for impairment	(23,109)	-	(7,554)	(30,663)
Difference of impairment loss under regulations	-	-	-	-
	<u>\$ 110,098,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,098,208</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, 2021

	<b>Financial Assets at FVTOCI</b>	<b>Financial Assets at Amortized Cost</b>
Total carrying amount	\$ 44,159,489	\$ 110,128,871
Loss allowance	(29,891)	(30,663)
Amortized cost	44,129,598	110,098,208
Fair value adjustment	162,917	-
	<u>\$ 44,292,515</u>	<u>\$ 110,098,208</u>

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

Credit Rating	Definition	Recognition Basis	Expected Credit Loss	Total Carrying Amount	
				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%	\$ 44,159,489	\$ 110,121,317
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%	-	7,554
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 at January 1, 2021	\$ 20,708	\$ -	\$ -
Changes in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	11,833	-	-
Disposal	(1,341)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	<u>(1,309)</u>	<u>-</u>	<u>-</u>
Loss allowance at December 31, 2021	<u>\$ 29,891</u>	<u>\$ -</u>	<u>\$ -</u>

	<b>Credit Rating</b>		
	<b>Normal (12-month Expected Credit Losses)</b>	<b>Abnormal (Lifetime ECL and Not Credit Impaired)</b>	<b>Default (Lifetime ECL and Credit Impaired)</b>
<u>Financial assets at amortized cost</u>			
Balance at January 1, 2021	\$ 26,472	\$ -	\$ 7,668
Changes in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	1,523	-	-
Disposal	(3,819)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	<u>(1,067)</u>	<u>-</u>	<u>(114)</u>
Loss allowance at December 31, 2021	<u>\$ 23,109</u>	<u>\$ -</u>	<u>\$ 7,554</u>

September 30, 2021

	<b>Financial Assets at FVTOCI</b>			<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	
Product category (Note)				
Investment grade bond	\$ 41,557,306	\$ -	\$ -	\$ 41,557,306
Non-investment grade bond	-	-	-	-
Total carrying amount	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>

	<b>Investments in Debt Instruments at Amortized Cost</b>			<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12-month ECLs</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	
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 carrying amount	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

	<b>Financial Assets at FVTOCI</b>	<b>Financial Assets at Amortized Cost</b>
Total carrying amount	\$ 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 carrying amount of the investments in debt instruments of each credit rating are as follows:

Credit Rating	Definition	Recognition Basis	Expected Credit Loss	Total Carrying Amount	
				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:

	<b>Credit Rating</b>		
	<b>Normal (12-month Expected credit Losses)</b>	<b>Abnormal (Lifetime ECL and not Credit Impaired)</b>	<b>Default (Lifetime ECL and Credit Impaired)</b>
<u>Financial assets at FVTOCI</u>			
Balance at 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	-	-
Disposal	(790)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	<u>(795)</u>	<u>-</u>	<u>-</u>
Loss allowance at September 30, 2021	<u>\$ 26,537</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Financial assets at amortized cost</u>			
Balance at 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	-	-
Disposal	(3,716)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	<u>(951)</u>	<u>-</u>	<u>(69)</u>
Loss allowance at September 30, 2021	<u>\$ 23,004</u>	<u>\$ -</u>	<u>\$ 7,599</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 shares 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, 2022	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	\$ 3,200,073	\$ 52,220	\$ -	\$ 1,466	\$ -	\$ 3,253,759
Funds borrowed from the Central Bank and other banks	1,699,519	1,599,667	1,124,397	448,333	3,108,739	7,980,655
Securities sold under repurchase agreements	701,740	200,371	-	-	-	902,111
Payables	7,903,991	739,565	1,259,072	168,737	550,090	10,621,455
Deposits and remittances	76,733,221	102,048,685	79,460,226	151,886,199	284,128,572	694,256,903
Bank debentures	-	301,820	-	28,862	16,500,000	16,830,682
Lease liabilities	14,982	29,311	43,942	82,876	776,627	947,738
Other items of cash outflow on maturity	1,722,025	513,518	30,402	958,453	3,297,287	6,521,685

December 31, 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	\$ 3,900,014	\$ -	\$ 730	\$ 52,956	\$ -	\$ 3,953,700
Funds borrowed from the Central Bank and other banks	1,653,991	2,555,307	1,406,005	1,148,161	3,695,692	10,459,156
Securities sold under repurchase agreements	401,059	804,865	-	-	-	1,205,924
Payables	9,108,609	1,514,852	523,948	388,301	276,052	11,811,762
Deposits and remittances	44,500,411	77,736,118	76,585,695	150,354,178	310,138,163	659,314,565
Bank debentures	-	-	-	65,375	16,500,000	16,565,375
Lease liabilities	14,789	29,210	42,950	82,878	797,308	967,135
Other items of cash outflow on maturity	1,824,823	370,311	41,499	233,960	819,573	3,290,166

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

#### 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 consolidated balance sheets. The maturity analysis of derivative financial liabilities was as follows:

September 30, 2022	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	\$ 45,785	\$ 119,276	\$ 165,436	\$ 86,316	\$ -	\$ 416,813
Total	\$ 45,785	\$ 119,276	\$ 165,436	\$ 86,316	\$ -	\$ 416,813

December 31, 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	\$ 20,678	\$ 50,214	\$ 67,220	\$ 77,111	\$ -	\$ 215,223
Total	\$ 20,678	\$ 50,214	\$ 67,220	\$ 77,111	\$ -	\$ 215,223

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

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, 2022	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	\$ 16,947,607	\$ 12,010,037	\$ 5,402,553	\$ 1,706,500	\$ -	\$ 36,066,697
Inflows	16,681,645	11,657,857	5,186,239	1,653,591	-	35,179,332
Total outflows	16,947,607	12,010,037	5,402,553	1,706,500	-	36,066,697
Total inflows	16,681,645	11,657,857	5,186,239	1,653,591	-	35,179,332
Net flows	\$ (265,962)	\$ (352,180)	\$ (216,314)	\$ (52,909)	\$ -	\$ (887,365)

December 31, 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	\$ 1,860,409	\$ 8,130,465	\$ 847,551	\$ 3,691,713	\$ -	\$ 14,530,138
Inflows	1,845,858	8,057,050	831,979	3,615,157	-	14,350,044
Total outflows	1,860,409	8,130,465	847,551	3,691,713	-	14,530,138
Total inflows	1,845,858	8,057,050	831,979	3,615,157	-	14,350,044
Net flows	\$ (14,551)	\$ (73,415)	\$ (15,572)	\$ (76,556)	\$ -	\$ (180,094)



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)

#### 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, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitments	\$ 12,693,412	\$ 18,587,270	\$ 31,712,051	\$ 70,521,595	\$ 53,563,723	\$ 187,078,051
Letters of credit	683,453	2,033,876	415,331	9,198	-	3,141,858
Guarantee receivables	7,279,676	2,605,136	1,949,136	2,678,524	11,562,754	26,075,226
Lease contract commitment	2,964,761	112,711	384,833	110,095	-	3,572,400
Total	\$ 23,621,302	\$ 23,338,993	\$ 34,461,351	\$ 73,319,412	\$ 65,126,477	\$ 219,867,535

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitments	\$ 10,420,397	\$ 16,346,728	\$ 27,465,124	\$ 61,833,906	\$ 44,497,984	\$ 160,564,139
Letters of credit	1,149,591	2,504,565	195,332	21,378	-	3,870,866
Guarantee receivables	6,880,119	6,232,979	1,557,578	3,017,885	9,462,023	27,150,584
Lease contract commitment	1,427,851	149,460	12,454	82,249	-	1,672,014
Total	\$ 19,877,958	\$ 25,233,732	\$ 29,230,488	\$ 64,955,418	\$ 53,960,007	\$ 193,257,603

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

#### 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, 2022					
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	\$ 905,427	\$ 901,409	\$ 907,520	\$ 901,409	\$ 6,111

December 31, 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	\$ 1,211,468	\$ 1,205,559	\$ 1,241,778	\$ 1,205,559	\$ 36,219

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

#### 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, 2022

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	\$ 11,351,278	\$ -	\$ 11,351,278	\$ 11,351,278	\$ -	\$ -

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	\$ 901,409	\$ -	\$ 901,409	\$ 901,409	\$ -	\$ -

December 31, 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	\$ 11,258,439	\$ -	\$ 11,258,439	\$ 11,258,439	\$ -	\$ -

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	\$ 1,205,559	\$ -	\$ 1,205,559	\$ 1,205,559	\$ -	\$ -

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	\$ -	\$ -

## 42. INFORMATION ABOUT THE BANK

### a. Asset quality

Items		September 30, 2022					September 30, 2021				
		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	\$ 290,003	\$ 148,863,971	0.19%	\$ 1,707,088	588.64%	\$ 474,453	\$ 151,454,394	0.31%	\$ 1,834,525	386.66%
	Unsecured	25,190	95,177,274	0.03%	1,471,215	5,840.47%	204,393	80,886,231	0.25%	1,577,447	771.77%
Consumer loans	Mortgage (Note 4)	165,569	72,479,815	0.23%	1,088,103	657.19%	160,627	61,513,280	0.26%	922,713	574.44%
	Cash card	-	-	-	-	-	-	5	-	1	-
	Microcredit (Note 5)	2,755	944,798	0.29%	13,117	476.12%	2,046	930,818	0.22%	13,756	672.34%
Other (Note 6)	Secured	202,039	159,081,868	0.13%	1,682,335	832.68%	256,562	150,535,762	0.17%	1,601,124	624.07%
	Unsecured	17,515	32,880,561	0.05%	422,999	2,415.07%	38,409	26,126,065	0.15%	422,090	1,098.94%
Loans		703,071	509,428,287	0.14%	6,384,857	908.14%	1,136,490	471,446,555	0.24%	6,371,656	560.64%

Items		September 30, 2022					September 30, 2021				
		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		\$ 1,492	\$ 736,424	0.20%	\$ 27,107	1,816.82%	\$ 2,617	\$ 713,061	0.37%	\$ 25,868	988.46%
Accounts receivable without recourse (Note 7)		-	274,064	-	7,996	-	-	308,326	-	4,659	-

Non-reportable overdue loans and receivables

	September 30, 2022		September 30, 2021	
	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)	\$ 842	\$ 546	\$ 1,277	\$ 708
Amount received from performance of debt negotiation program (Note 9)	10,488	15,878	10,417	18,205
Total	11,330	16,424	11,694	18,913

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, 2022		
Top 10 Rank (Note 1)	Group (Note 2)	Total Credit (Note 3)	Percentage of Net Worth (%)
1	Group A 016700 real estate development activities	\$ 4,934,879	7.61
2	Group B 016700 real estate development activities	3,102,550	4.79
3	Group C 016700 real estate development activities	2,250,543	3.47
4	Group D 014290 civil engineering construction	2,125,297	3.28
5	Group E 012411 smelting and refining of iron and steel	2,040,054	3.15
6	Group F 016700 real estate development activities	1,830,100	2.82
7	Group G 010892 manufacture of macaroni, noodles, couscous and similar farinaceous products	1,754,281	2.71
8	Group H 016700 real estate development activities	1,735,168	2.68
9	Group I 016499 other financial intermediation	1,719,395	2.65
10	Group J 012630 bare printed circuit boards manufacturing	1,687,290	2.60

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 K 016700 real estate development activities	2,599,114	4.32
3	Group B 016700 real estate development activities	2,326,951	3.87
4	Group L 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 C 016700 real estate development activities	1,906,450	3.17
7	Group D 014290 civil engineering construction	1,774,780	2.95
8	Group G 010892 manufacture of macaroni, noodles, couscous and similar farinaceous products	1,749,577	2.91
9	Group J 012630 bare printed circuit boards manufacturing	1,729,113	2.87
10	Group M 013822 hazardous industrial waste treatment	1,470,594	2.44

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, 2022**

(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	\$ 533,888,567	\$ 8,136,487	\$ 18,629,523	\$ 96,667,903	\$ 657,322,480
Interest-sensitive liabilities	204,993,733	352,046,057	59,730,109	9,238,641	626,008,540
Interest sensitivity gap	328,894,834	(343,909,570)	(41,100,586)	87,429,262	31,313,940
Net equity					64,827,415
Ratio of interest-sensitive assets to liabilities					105.00%
Ratio of interest sensitivity gap to net equity					48.30%

**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%

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, 2022**

(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	\$ 1,498,687	\$ 315,183	\$ 16,862	\$ 352,208	\$ 2,182,940
Interest-sensitive liabilities	1,106,311	1,040,055	244,986	9,590	2,400,942
Interest sensitivity gap	392,376	(724,872)	(228,124)	342,618	(218,002)
Net equity					2,041,808
Ratio of interest-sensitive assets to liabilities					90.92%
Ratio of interest sensitivity gap to net equity					(10.68%)

**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%)

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, 2022	September 30, 2021
Return on total assets	Pretax	0.61	0.56
	After tax	0.51	0.49
Return on net equity	Pretax	7.45	6.96
	After tax	6.15	6.07
Profit margin		37.99	39.06

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, 2022 and 2021.



e. Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities  
September 30, 2022**

(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	\$ 712,374,592	\$ 78,857,900	\$ 60,702,771	\$ 46,118,678	\$ 58,159,270	\$ 116,351,222	\$ 352,184,751
Major capital outflow on maturity	864,956,289	26,686,978	50,927,307	111,356,180	122,442,286	194,309,094	359,234,444
Gap	(152,581,697)	52,170,922	9,775,464	(65,237,502)	(64,283,016)	(77,957,872)	(7,049,693)

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)

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, 2022**

(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	3,384,022	805,054	592,852	525,445	311,203	1,149,468
Major capital outflow on maturity	3,949,994	1,044,706	1,244,142	446,324	839,136	375,686
Gap	(565,972)	(239,652)	(651,290)	(79,121)	(527,933)	773,782

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

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 carrying amount 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, 2022						Total
	USD	CNY	JPY	AUD	EUR	Others	
<u>Financial assets in foreign currencies</u>							
Cash and cash equivalents	\$ 9,031,308	\$ 1,414,081	\$ 589,059	\$ 130,206	\$ 216,491	\$ 525,565	\$ 11,906,710
Due from the Central Bank and call loans to other banks	730,250	89,560	-	-	-	1,140,848	1,960,658
Financial assets at fair value through profit or loss	2,022,081	13,506	-	-	1,566	181,309	2,218,462
Financial assets at fair value through other comprehensive income	1,307,977	1,681,004	-	111,883	-	-	3,100,864
Notes discounted and loans	34,176,112	913,781	1,355,282	217,034	1,100,933	660,037	38,423,179
Receivables	947,677	3,705,369	298,342	16,896	13,561	53,370	5,035,215
Financial assets at amortized cost	22,983,408	4,118,272	-	1,414,938	-	674,241	29,190,859
Other assets	964,209	-	-	-	-	-	964,209
<u>Financial liabilities in foreign currencies</u>							
Funds borrowed from the Central Bank and other banks	-	3,454,322	-	-	-	-	3,454,322
Deposits and remittances	73,645,211	3,435,173	1,659,535	1,821,035	726,169	1,699,082	82,986,205
Financial liabilities at fair value through profit or loss	913,222	-	-	-	1,726	181,310	1,096,258
Other financial liabilities	2,637,155	-	-	-	-	1,057,421	3,694,576
Payables	672,635	76,983	296,260	1,199	9,783	17,223	1,074,083
Lease liabilities	-	32,461	-	-	-	7,542	40,003
Provisions	26,148	-	-	-	-	-	26,148
Other liabilities	156,147	36,712	2,684	-	16,398	-	211,941
New Taiwan dollars exchange rate	31.75	4.48	0.22	20.67	31.26		
	December 31, 2021						Total
	USD	CNY	JPY	AUD	EUR	Others	
<u>Financial assets in foreign currencies</u>							
Cash and cash equivalents	\$ 5,215,275	\$ 812,902	\$ 342,361	\$ 178,519	\$ 89,890	\$ 1,119,524	\$ 7,758,471
Due from the Central Bank and call loans to other banks	1,181,979	86,880	-	140,560	-	225,289	1,634,708
Financial assets at fair value through profit or loss	1,203,661	-	-	-	1,098	5,439	1,210,198
Financial assets at fair value through other comprehensive income	1,373,965	1,938,370	-	117,670	-	-	3,430,005
Notes discounted and loans	32,874,107	874,568	1,234,805	75,300	1,215,774	615,252	36,889,806
Receivables	996,226	3,323,823	109,965	10,772	11,751	33,762	4,486,299
Financial assets at amortized cost	18,899,657	3,213,098	-	1,344,923	-	779,584	24,237,262
Other assets	301,792	-	-	-	-	896	302,688
<u>Financial liabilities in foreign currencies</u>							
Funds borrowed from the Central Bank and other banks	-	2,803,782	-	-	-	-	2,803,782
Deposits and remittances	60,943,986	3,721,575	901,938	1,980,233	703,282	1,918,283	70,169,297
Financial liabilities at fair value through profit or loss	280,123	19,722	-	-	1,162	5,438	306,445
Other financial liabilities	467,255	-	-	-	-	117,238	584,493
Payables	742,228	142,482	106,541	1,314	7,629	3,529	1,003,723
Lease liabilities	-	35,879	-	-	-	4,524	40,403
Provisions	22,520	-	-	-	-	-	22,520
Other liabilities	156,307	26,646	2,524	-	16,918	-	202,395
New Taiwan dollars exchange rate	27.68	4.34	0.24	20.08	31.32		

	September 30, 2021						
	USD	CNY	JPY	AUD	EUR	Others	Total
<u>Financial assets in foreign currencies</u>							
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
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		

## 45. CASH FLOW INFORMATION

### Changes in Liabilities from Financing Activities

#### For the nine months ended September 30, 2022

	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	\$ 10,459,156	\$ (2,478,501)	\$ -	\$ -	\$ 7,980,655
Commercial papers	2,063,676	84,364	-	-	2,148,040
Bank debentures	16,500,000	-	-	-	16,500,000
Guarantee deposits received	641,997	37,072	-	-	679,069
Lease liabilities	853,218	(110,780)	152,451	(49,592)	845,297
	<u>\$ 30,518,047</u>	<u>\$ (2,467,845)</u>	<u>\$ 152,451</u>	<u>\$ (49,592)</u>	<u>\$ 28,153,061</u>

#### 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	1,006,781	(178,348)	230,244	(181,073)	877,604
	<u>\$ 23,173,148</u>	<u>\$ 2,536,092</u>	<u>\$ 230,244</u>	<u>\$ (181,073)</u>	<u>\$ 25,758,411</u>

#### **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. EVENTS AFTER REPORTING PERIODS**

In order to obtain a platform for the development of banking business in the western United States and improve international competitiveness to enhance the economic benefits of the overall scale, on October 1, 2022, the Bank's board of directors resolved to acquire American Continental Bancorp, headquartered in Industrial City, California, for an estimated consideration of \$41.4834 per share. The amount of consolidated net value of American Continental Bancorp on the settlement date, after verification by an accountant, is based on the multiplier of 1.83 to determine the purchase price. The case is subject for approval by the competent authorities of both parties before the subsequent transactions can be completed. Upon completion of the transaction, American Continental Bancorp will become a 100% owned subsidiary of the Bank.

On June 30, 2022, the Bank's board of directors resolved in their meeting a cash capital increase by issuing 250,000 thousand ordinary shares at \$10 per share, of which 15% of the shares was reserved for employees' subscription. On September 22, 2022, the above transaction was approved under the ruling reference No. 1110356507 issued by the Banking Bureau of the FSC. On October 17, 2022, the Company's board of directors resolved to issue ordinary shares at \$11.75 per share.

#### **48. 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, 2022								
Interest revenue	\$ 2,593,571	\$ 3,848,894	\$ 2,158,962	\$ 1,380,298	\$ 94,896	\$ 3,139,973	\$ (2,208,301)	\$ 11,008,293
Interest expense	<u>(1,213,571)</u>	<u>(1,347,982)</u>	<u>(797,232)</u>	<u>(1,068,209)</u>	<u>(34,304)</u>	<u>(740,098)</u>	<u>2,208,301</u>	<u>(2,993,095)</u>
Net revenue	1,380,000	2,500,912	1,361,730	312,089	60,592	2,399,875	-	8,015,198
Net income and loss other than interest								
Service fee income	599,059	865,128	495,982	75,898	7,288	480,041	-	2,523,396
Gain on financial instruments	-	-	-	31,938	-	1,154,503	-	1,186,441
Others	9,787	22,670	16,123	(50,267)	(3,331)	(514,579)	(55,716)	(575,313)
Provision for bad debts expense, commitments and guarantee liabilities	(1,953,865)	(513,298)	(269,835)	(33,202)	(12,379)	1,800,389	-	(982,190)
Operating expenses	<u>(638,244)</u>	<u>(1,114,753)</u>	<u>(745,118)</u>	<u>-</u>	<u>(35,154)</u>	<u>(2,810,969)</u>	<u>55,716</u>	<u>(5,288,522)</u>
Income before income tax	<u>\$ (603,263)</u>	<u>\$ 1,760,659</u>	<u>\$ 858,882</u>	<u>\$ 336,456</u>	<u>\$ 17,016</u>	<u>\$ 2,509,260</u>	<u>\$ -</u>	<u>\$ 4,879,010</u>
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	<u>(943,101)</u>	<u>(973,238)</u>	<u>(598,150)</u>	<u>(381,274)</u>	<u>(14,872)</u>	<u>(1,145,255)</u>	<u>1,808,548</u>	<u>(2,247,342)</u>
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
Provision for bad debts expense, commitments and guarantee liabilities	60,821	156,581	(584,689)	10,632	(5,903)	(333,562)	-	(696,120)
Operating expenses	<u>(615,189)</u>	<u>(1,091,383)</u>	<u>(752,723)</u>	<u>-</u>	<u>(24,849)</u>	<u>(2,687,340)</u>	<u>56,276</u>	<u>(5,115,208)</u>
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>

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, 2022	December 31, 2021	September 30, 2021
Northern area	\$ 151,758,241	\$ 145,565,777	\$ 138,510,094
Central area	208,227,992	206,673,851	199,730,037
Southern area	85,189,894	85,045,094	86,922,219
OBU	65,900,517	54,677,735	55,395,907
Overseas branch	4,141,646	3,118,161	2,975,775
Head office and others	<u>290,300,514</u>	<u>277,597,775</u>	<u>264,766,113</u>
	<u>\$ 805,518,804</u>	<u>\$ 772,678,393</u>	<u>\$ 748,300,145</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	
	2022	2021
Taiwan	\$ 10,903,882	\$ 9,765,879
Asia	245,054	211,307
America	<u>786</u>	<u>722</u>
	<u>\$ 11,149,722</u>	<u>\$ 9,977,908</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.

#### 49. 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.	Table 1
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 2
3	Endorsement/guarantee provided.	Table 3
4	Marketable securities held.	Table 4
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 5 (attached).
- d. Business relationships and significant transactions between the parent company and subsidiaries: Table 6 (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 7).



**TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Taichung Bank Leasing Corporation Limited	Land and buildings	July 11, 2022	\$ 560,000	All paid	Shang Zan Co., Ltd.	-	-	-	-	\$ -	According to market review and valuation report	For rent	As contract

Note 1: If the acquired assets should be valued in accordance with the regulations, the valuation results should be indicated in the reference column for price determination.

Note 2: The paid-in capital refers to the paid-in capital of the parent. If the issuer's shares have no par value or each share has a non-NT\$10 nominal value, the transaction rate of 10% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

Note 3: The date of occurrence of the fact refers to the date of signing the transaction, the date of payment, the date of entrustment transaction, the date of transfer, the date of resolution of the board of directors or other dates on which the transaction item and transaction amount are fully determined.

## TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(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	\$ 51,018	\$ 38,335	\$ 38,335	4-10	Necessary for short-term financing	\$ -	Business turnover	\$ 383	Real estate	\$ 86,610	\$ 217,038	\$ 868,151	Note 9
		Da Fang Skill Color Marketing Consultant Co., Ltd.	Other receivables	Not related	176,294	159,070	159,070	4-10	Necessary for short-term financing	-	Business turnover	1,591	Real estate	180,000	217,038	868,151	Note 9
		Qiyi Intergrated Marketing Co., Ltd.	Other receivables	Not related	174,424	-	-	4-10	Necessary for short-term financing	-	Business turnover	-	Real estate	326,301	217,038	868,151	Note 9
		TCCBL Co., Ltd. (B.V.I.)	Other receivables - related party	Related	10,610	10,610	10,610	-	Necessary for short-term financing	-	Business turnover	106	None	-	217,038	868,151	Note 9

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.

## TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(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	\$ 13,022,268	\$ 546,488	\$ 95,250	\$ -	\$ -	4.39	\$ 21,703,780	-	-	-
		Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Indirect shareholding of 100% of subsidiary	13,022,268	4,609,240	4,609,240	2,300,688	-	212.37	21,703,780	-	-	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.

Note 4: The balance of Taichung Bank Leasing Corporation Limited's endorsement guarantee for a single enterprise (Taichung Bank Financial Leasing (Suzhou) Co., Ltd.) has reached the amount based on the announcement standard of the parent company China Man-Made Fiber Corporation mainly due to exchange rate changes.

## TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2022

(In Thousands of New Taiwan Dollars or Shares)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 30, 2022				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	207,983	\$ 2,170,378	100	\$ 2,170,378	
	Taichung Bank Insurance Brokers Co., Ltd.	Subsidiary	Investment accounted for using the equity method	128,600	1,909,412	100	1,909,412	
	Taichung Bank Securities Co., Ltd.	Subsidiary	Investment accounted for using the equity method	162,450	1,691,534	100	1,691,534	
	Taichung Bank Securities Investment Trust Co., Ltd.	Associate	Investment accounted for using the equity method	12,000	167,774	38	167,774	
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	898,499	100	898,499	
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	-	846,450	100	846,450	
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	201,453	100	201,453	

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, 2022

(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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2022	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2022	Accumulated Inward Remittance of Earnings as of September 30, 2022
					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	\$ 40,279 (CNY 9,102 thousand)	\$ 846,450 (CNY 189,024 thousand)	\$ -

Accumulated Investment in Mainland China as of September 30, 2022	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
\$893,373	\$893,373	\$1,302,227

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\$4.48, CNY1=NT\$4.43).

## 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, 2022

(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	September 30, 2022 Taichung Commercial Bank Co., Ltd.	Taichung Insurance Brokers Co., Ltd.	a	Deposits and remittances	\$ 1,424,780	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.	1
		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	68,539	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	88,956	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	112,894	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	14,816	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	15,083	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-

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

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

(Continued)

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, 2022 and 2021. 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, 2022 and 2021.

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

(Concluded)

**TABLE 7****TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
SEPTEMBER 30, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Man-Made Fiber Corporation	1,036,984,592	21.76
Pan Asia Chemical Corporation	265,923,672	5.58

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.