Taichung Commercial Bank Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2023 and 2022 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 referred to as the "Group"), as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three 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 the Standards on Review Engagements of the Republic of China 2410 "Review of Interim 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 March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months then ended 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

May 4, 2023

<u>*Notice to Readers*</u>

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)

	March 31, 2023 (Reviewed)		December 31, 2022 (Audited)		March 31, 2022 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Note 6)	$ 18,170,691	2	$ 25,760,718	3	$ 14,287,370	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7 and 36)	45,889,764	6	40,921,600	5	41,734,407	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Note 8)	34,263,985	4	29,009,114	4	34,128,834	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Note 9)	46,681,620	6	45,228,975	6	49,998,783	7
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10 and 36)	106,223,462	13	104,757,966	13	109,314,388	14
SECURITIES PURCHASED UNDER RESALE AGREEMENTS (Note 11)	10,911,716	2	11,643,340	1	11,392,750	2
RECEIVABLES, NET (Notes 12 and 36)	15,818,882	2	14,434,692	2	14,434,145	2
NOTES DISCOUNTED AND LOANS, NET (Notes 13 and 35)	508,771,625	63	514,112,826	64	487,907,936	62
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Note 14)	172,257	-	172,301	-	169,612	-
RESTRICTED ASSETS, NET (Notes 15 and 36)	399,327	-	506,705	-	367,771	-
OTHER FINANCIAL ASSETS, NET (Note 16)	271,035	-	271,035	-	437,502	-
PROPERTIES AND EQUIPMENT, NET (Note 17)	16,949,491	2	16,256,083	2	14,030,500	2
RIGHT-OF-USE ASSETS, NET (Note 18)	801,087	-	809,276	-	811,961	-
INVESTMENT PROPERTIES, NET (Note 19)	604,289	-	592,167	-	20,019	-
INTANGIBLE ASSETS, NET (Note 20)	257,460	-	234,756	-	210,922	-
DEFERRED TAX ASSETS (Note 4)	699,424	-	692,053	-	891,766	-
OTHER ASSETS (Notes 21 and 36)	2,446,180	-	2,559,221	-	2,361,833	-
TOTAL	$ 809,332,295	100	$ 807,962,828	100	$ 782,500,499	100
LIABILITIES AND EQUITY						
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 22)	$ 8,353,740	1	$ 8,703,740	1	$ 3,453,700	1
FUNDS BORROWED FROM THE CENTRAL BANK AND OTHER BANKS (Notes 23 and 36)	9,634,969	1	8,898,102	1	10,952,264	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Note 8)	1,120,056	-	1,630,985	-	1,003,490	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Note 24)	-	-	-	-	1,206,045	-
PAYABLES (Notes 25 and 35)	7,953,438	1	9,427,839	1	5,667,207	1
CURRENT TAX LIABILITIES (Note 4)	819,994	-	554,448	-	697,818	-
DEPOSITS AND REMITTANCES (Notes 26 and 35)	683,601,178	85	683,104,149	85	671,447,375	86
BANK DEBENTURES (Notes 27 and 35)	16,500,000	2	16,500,000	2	16,500,000	2
OTHER FINANCIAL LIABILITIES (Note 28)	6,750,297	1	6,670,510	1	3,561,045	1
PROVISIONS (Notes 4 and 29)	1,265,282	-	1,237,517	-	1,330,697	-
LEASE LIABILITIES (Notes 18 and 35)	845,524	-	852,915	-	850,552	-
DEFERRED TAX LIABILITIES (Note 4)	109,486	-	109,486	-	109,486	-
OTHER LIABILITIES (Note 30)	1,054,808	-	1,043,511	-	1,153,070	-
Total liabilities	738,008,772	91	738,733,202	91	717,932,749	92
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 31)						
Ordinary shares	50,154,465	6	50,154,465	7	45,385,205	6
Capital surplus	1,528,256	-	1,528,256	-	1,054,006	-
Retained earnings						
Legal reserve	12,141,002	2	12,141,002	1	10,677,008	1
Special reserve	149,077	-	149,077	-	149,678	-
Unappropriated earnings	6,889,830	1	5,416,510	1	6,162,401	1
Other equity	460,893	-	(159,684)	-	1,139,452	-
Total equity attributable to owners of the Bank	71,323,523	9	69,229,626	9	64,567,750	8
Total equity	71,323,523	9	69,229,626	9	64,567,750	8
TOTAL	$ 809,332,295	100	$ 807,962,828	100	$ 782,500,499	100

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 March 31			
	2023		2022	
	Amount	%	Amount	%
INTEREST REVENUE (Notes 32 and 35)	$ 4,861,612	117	$ 3,162,409	92
INTEREST EXPENSE (Notes 32 and 35)	(2,104,585)	(51)	(744,793)	(22)
NET INTEREST	2,757,027	66	2,417,616	70
NET INCOME AND LOSS OTHER THAN INTEREST				
Service fee income, net (Notes 32 and 35)	892,800	22	862,539	25
Gains on financial assets and liabilities at fair value through profit or loss (Note 32)	395,254	10	92,154	3
Realized gains on financial assets at fair value through other comprehensive income (Note 32)	10,487	-	5,224	-
Foreign exchange gains, net	75,227	2	61,662	2
Reversal of (impairment losses) on financial assets (Notes 9, 10 and 32)	2,556	-	(989)	-
Share of loss of associates accounted for using the equity method (Note 14)	(495)	-	(2,746)	-
Other non-interest gains, net (Notes 29 and 32)	16,530	-	2,034	-
TOTAL NET REVENUE	4,149,386	100	3,437,494	100
PROVISION FOR BAD DEBTS EXPENSE, COMMITMENTS AND GUARANTEES (Notes 12, 13, 29 and 32)	(438,443)	(11)	(217,869)	(7)
OPERATING EXPENSES				
Employee benefits expenses (Note 32)	(1,216,385)	(29)	(1,102,755)	(32)
Depreciation and amortization expenses (Note 32)	(113,779)	(3)	(106,941)	(3)
Other selling and administrative expenses (Notes 32 and 35)	(611,882)	(15)	(447,436)	(13)
Total operating expenses	(1,942,046)	(47)	(1,657,132)	(48)
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,768,897	42	1,562,493	45
INCOME TAX EXPENSE (Notes 4 and 33)	(295,577)	(7)	(286,479)	(8)
NET PROFIT FOR THE PERIOD	1,473,320	35	1,276,014	37

(Continued)

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	$ 270,508	6	$ 223,618	7
Share of the other comprehensive income of associates accounted for using the equity method	451	-	7,234	-
Income tax expense relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 33)	(2,908)	-	(2,930)	-
Items that will not be reclassified subsequently to profit, net of income tax	268,051	6	227,922	7
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on the translation of financial statements of foreign operations	(17,568)	-	43,949	1
Unrealized gains (losses) on investments in debt instruments designated as at fair value through other comprehensive income	370,094	9	(440,120)	(13)
Items that may be reclassified subsequently to profit or loss, net of income tax	352,526	9	(396,171)	(12)
Other comprehensive income (loss) for the period, net of income tax	620,577	15	(168,249)	(5)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 2,093,897	50	$ 1,107,765	32
EARNINGS PER SHARE (Note 34)				
Basic	$ 0.29		$ 0.27	
Diluted	$ 0.29		$ 0.27	

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							
	Share Capital		Retained Earnings			Other Equity		
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	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	Total Equity
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
Net profit for the three months ended March 31, 2022	-	-	-	-	1,276,014	-	-	1,276,014
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	43,949	(212,198)	(168,249)
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	1,276,014	43,949	(212,198)	1,107,765
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	344	-	(344)	-
BALANCE AT MARCH 31, 2022	$ 45,385,205	$ 1,054,006	$ 10,677,008	$ 149,678	$ 6,162,401	$ (41,138)	$ 1,180,590	$ 64,567,750
BALANCE AT JANUARY 1, 2023	$ 50,154,465	$ 1,528,256	$ 12,141,002	$ 149,077	$ 5,416,510	$ (37,875)	$ (121,809)	$ 69,229,626
Net profit for the three months ended March 31, 2023	-	-	-	-	1,473,320	-	-	1,473,320
Other comprehensive (loss) income for the three months ended March 31, 2023, net of income tax	-	-	-	-	-	(17,568)	638,145	620,577
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	1,473,320	(17,568)	638,145	2,093,897
BALANCE AT MARCH 31, 2023	$ 50,154,465	$ 1,528,256	$ 12,141,002	$ 149,077	$ 6,889,830	$ (55,443)	$ 516,336	$ 71,323,523

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 Three Months Ended March 31	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,768,897	$ 1,562,493
Adjustments for:		
Depreciation expense	94,228	89,965
Amortization expense	19,551	16,976
Provision for bad debts expense, commitments and guarantees liabilities	438,443	217,869
Gains on financial assets and liabilities at fair value through profit or loss	(395,254)	(92,154)
Losses on disposal of properties and equipment	37	75
Interest expense	2,104,585	744,793
Interest revenue	(4,861,612)	(3,162,409)
Dividend income	(10,487)	(5,157)
Share of loss of associates	495	2,746
Gains on disposal of investments in debt instruments at fair value through other comprehensive income	-	(67)
(Reversal of) impairment losses on financial assets	(2,556)	989
Unrealized losses (gains) on foreign currency exchange	246,915	(983,356)
Gain on lease suspension	(1,461)	(98)
Total adjustment	(2,367,116)	(3,169,828)
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	17,699	(249,811)
Financial assets at fair value through profit or loss	(2,639,032)	486,725
Receivables	(1,325,870)	(107,172)
Notes discounted and loans	4,965,804	(8,324,526)
Other financial assets	100	80
Other assets	139,454	650,721
Due to the Central Bank and other banks	(350,000)	(500,000)
Financial liabilities at fair value through profit or loss	(2,731,514)	(356,812)
Securities sold under repurchase agreements	-	486
Payables	(2,121,560)	(5,625,722)
Deposits and remittances	497,029	12,331,140
Other financial liabilities	159,956	689,782
Provision for employee benefits	(8,752)	(9,491)
Other liabilities	22,870	9,128
Changes in operating assets and liabilities	(3,373,816)	(1,005,472)
Cash used in operations	(3,972,035)	(2,612,807)
Interest received	4,785,812	3,175,648
Dividends received	10,487	5,157
Interest paid	(1,456,176)	(543,572)
Income tax paid	(40,310)	(30,183)
Net cash used in operating activities	(672,222)	(5,757)

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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 Three Months Ended March 31	
	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	$ (1,487,241)	$ (1,766,116)
Proceeds from disposal of financial assets at fair value through other comprehensive income	650,000	201,745
Purchase of financial assets at amortized cost	(178,314,082)	(221,737,454)
Proceeds from sale of financial assets at amortized cost	176,619,075	222,503,756
Payments for properties and equipment	(746,780)	(325,716)
Decrease in refundable deposits	80,965	42,232
Payments for intangible assets	(40,115)	(6,726)
Payments for investment properties	(13,261)	(20,019)
Net cash used in investing activities	(3,251,439)	(1,108,298)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from Central Bank and other banks	736,867	493,108
(Repayments of) proceeds from commercial papers issued	(80,169)	223,094
(Refund of) proceeds from guarantee deposits received	(11,573)	137,761
Repayments of principal portion of lease liabilities	(39,684)	(36,540)
Net cash generated from financing activities	605,441	817,423
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(17,568)	43,949
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,335,788)	(252,683)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	55,897,012	47,367,088
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 52,561,224	$ 47,114,405

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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)

	March 31	
	2023	**2022**
RECONCILIATIONS OF THE AMOUNTS IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE CONSOLIDATED BALANCE SHEETS AT MARCH 31, 2023 AND 2022		
Cash and cash equivalents in the consolidated balance sheets	$ 18,170,691	$ 14,287,370
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”	23,478,817	21,434,285
Securities purchased under resale agreements in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	10,911,716	11,392,750
Cash and cash equivalents at the end of the period	$ 52,561,224	$ 47,114,405

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

1. GENERAL INFORMATION

Taichung Commercial Bank Co., Ltd. (the "Bank"), formerly known as Taichung District Association Saving Co., Ltd. It was established 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. 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 March 31, 2023, the Bank had a business department, a trust department, a foreign exchange transaction department, 82 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 Bank Law of the Republic of China ("ROC").

At the time of the establishment, the amount of capital invested by the Bank was $500 thousand. In line with the government degree, in order to improve the capital structure and cooperate with the government decree, the Bank has successively applied for increase and decrease of capital. As of March 31, 2023, the Bank's capital amount was $50,154,465 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 May 4, 2023.

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)

   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 in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases 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 9 and IFRS 17 - 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 shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of 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 other 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 MATERIAL ACCOUNTING POLICY INFORMATION

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 which 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 an 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:

			Percentage of Equity Held (%)		
Investor Company	**Subsidiary**	**Main Business and Products**	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
Taichung Commercial Bank Co., Ltd.	Taichung Bank Insurance Brokers Co., Ltd.	Insurance broker industry	100	100	100
	Taichung Bank Leasing Corporation Limited	Leasing business	100	100	100
	Taichung Commercial Bank Securities Co., Ltd.	Securities industry	100	100	100
Taichung Bank Leasing Corporation Limited	TCCBL Co., Ltd.	Financial leasing and investment business	100	100	100
TCCBL Co., Ltd.	Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Financial leasing business	100	100	100
Taichung Commercial Bank Securities Co., Ltd.	Taichung Bank Venture Capital Co., Ltd.	Venture capital business	100	100	100

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

e. Other material accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2022.

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 are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

2) Income tax expense

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. MATERIAL 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 on 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 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, 2022. Please refer to Note 5 to the consolidated financial statements as of December 31, 2022 for the details of critical accounting judgments and key sources of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	$ 4,517,739	$ 7,586,216	$ 4,079,489
Checks for clearing	2,080,767	4,276,016	777,486
Due from banks	11,572,185	13,898,486	9,430,395
	$ 18,170,691	$ 25,760,718	$ 14,287,370

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 March 31, 2023, December 31, 2022 and March 31, 2022.

b. Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of March 31, 2023 and 2022 are shown in the consolidated statements of cash flows. Reconciliations as of December 31, 2022 are stated below:

	December 31, 2022
Reconciliations of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2022	
Cash and cash equivalents in the consolidated balance sheets	$ 25,760,718
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"	18,492,954
Securities purchased under resell agreements in accordance with cash and cash equivalents under IAS 7 "Statement of Cash Flows"	11,643,340
Cash and cash equivalents at the end of the year	$ 55,897,012

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 March 31, 2023, December 31, 2022 and March 31, 2022, which were transferred to the refundable deposits. Refer to Note 21.

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

	March 31, 2023	December 31, 2022	March 31, 2022
Deposit reserves			
Deposit reserves for checking accounts	$ 14,706,824	$ 12,018,774	$ 15,878,967
Deposit reserves for demand accounts	22,157,926	22,270,486	20,149,962
Inter-bank clearing account	4,998,782	4,515,145	4,004,607
Deposit reserves for foreign currency deposits	94,401	95,201	85,875
Call loans to banks	3,861,831	1,951,994	1,554,996
Deposit reserves for trust compensation	70,000	70,000	60,000
	$ 45,889,764	$ 40,921,600	$ 41,734,407

a. The loss allowance is 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 March 31, 2023, December 31, 2022 and March 31, 2022.

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 March 31, 2022. Refer to Note 36.

c. The Group deposited the reserves for trust compensation on government bonds measured at amortized cost on March 31, 2023, December 31, 2022 and March 31, 2022, with a nominal amount of $70,000 thousand, $70,000 thousand and $60,000 thousand, respectively. Refer to Note 36.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets at FVTPL			
Commercial papers	$ 24,174,966	$ 18,158,908	$ 25,822,836
Domestic listed shares and emerging market shares	956,670	682,938	1,052,330
Domestic unlisted shares	90,562	87,095	81,636
PEM group policy assets	878,079	875,684	844,786
Beneficiary certificates	355,719	290,350	819,219
Corporate bonds	546,900	587,037	433,208
Asset swap contracts	6,101,176	6,609,438	4,167,481
Cross-currency swap contracts	274,741	617,521	199,809
Foreign exchange forward contracts	56,975	105,601	163,490
Cross-currency option contracts	445,376	544,909	358,107
Interest rate-linked structured instruments	382,821	449,633	185,932
	$ 34,263,985	$ 29,009,114	$ 34,128,834
Financial liabilities at FVTPL			
Cross-currency swap contracts	$ 270,159	$ 564,281	$ 279,101
Foreign exchange forward contracts	17,878	67,728	177,347
Cross-currency option contracts	449,198	549,343	361,110
Interest rate-linked structured instruments	382,821	449,633	185,932
	$ 1,120,056	$ 1,630,985	$ 1,003,490

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 March 31, 2023, December 31, 2022 and March 31, 2022 were as follows:

	March 31, 2023		December 31, 2022		March 31, 2022	
	Contract Amounts	Interest Rate Range	Contract Amounts	Interest Rate Range	Contract Amounts	Interest Rate Range
Asset swap contracts	$ 6,071,400	0.80%-5.00%	$ 6,577,200	0.80%-5.00%	$ 4,156,500	0.80%-4.25%
Cross-currency swap contracts	41,339,915	-	44,882,911	-	17,179,838	-
Foreign exchange forward contracts	2,350,205	-	4,304,938	-	10,806,448	-
Cross-currency option contracts	44,630,492	-	43,191,197	-	40,927,900	-
Interest rate-linked structured instrument contracts	4,149,444	0.00%-10.20%	3,989,488	1.50%-10.20%	1,274,275	4.50%-10.20%

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2023	December 31, 2022	March 31, 2022
Investments in equity instruments at FVTOCI	$ 5,695,897	$ 5,152,992	$ 5,191,542
Investments in debt instruments at FVTOCI	40,985,723	40,075,983	44,807,241
	$ 46,681,620	$ 45,228,975	$ 49,998,783

a. Investments in equity instruments at FVTOCI

	March 31, 2023	December 31, 2022	March 31, 2022
Domestic listed shares	$ 4,474,651	$ 3,926,732	$ 3,934,845
Domestic unlisted shares	878,745	898,032	932,282
Foreign listed shares	342,501	328,228	324,415
	$ 5,695,897	$ 5,152,992	$ 5,191,542

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 $1,560 thousand and their related unrealized valuation gains of $344 thousand were transferred from other equity to retained earnings on March 31, 2023 and 2022.

Dividend income of $10,487 thousand and $5,157 thousand was recognized in profit or loss for the three months ended March 31, 2023 and 2022, respectively.

b. Investments in debt instruments at FVTOCI

	March 31, 2023	December 31, 2022	March 31, 2022
Corporate bonds	$ 29,391,000	$ 29,822,548	$ 34,067,844
Government bonds	5,292,512	5,228,275	5,384,964
Foreign bonds	4,630,512	3,362,115	3,165,151
Bank debentures	1,671,699	1,663,045	2,189,282
	$ 40,985,723	$ 40,075,983	$ 44,807,241

Foreign bonds denominated in foreign currencies were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
USD	$ 95,300	$ 55,300	$ 39,000
CNY	380,000	380,000	445,000
AUD	6,000	6,000	6,000

1) The Group recognized the gain on reversal of impairment (loss) of $537 thousand and $(467) thousand for the three months ended March 31, 2023 and 2022, 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

	March 31, 2023	December 31, 2022	March 31, 2022
Foreign bonds	$ 28,431,137	$ 28,442,213	$ 25,978,924
Government bonds	11,821,110	11,070,175	10,468,952
NCDs issued by the CBC	46,950,000	49,350,000	62,290,000
Corporate bonds	19,437,375	16,314,020	11,504,714
Bank debentures	100,000	100,000	-
Treasury bills	148,280	148,280	-
	106,887,902	105,424,688	110,242,590
Less: Allowance for impairment loss	(43,940)	(46,222)	(31,702)
Less: Withdrawal of reserves for trust compensation and refundable deposits	(620,500)	(620,500)	(896,500)
	$ 106,223,462	$ 104,757,966	$ 109,314,388

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

	March 31, 2023	December 31, 2022	March 31, 2022
USD	$ 711,797	$ 725,297	$ 685,197
CNY	920,000	920,000	860,000
AUD	92,500	68,500	77,000
ZAR	580,000	480,000	450,000

b. As of March 31, 2022, the government bonds at amortized cost amounted to $1,200,000 thousand which had been sold under repurchase agreements. Refer to Note 40 for information relating to their carrying amount.

c. The Group recognized the gain on reversal of impairment (loss) of $2,019 thousand and $(522) thousand for the three months ended March 31, 2023 and 2022, 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 under resale agreements in the amounts of $10,911,716 thousand, $11,643,340 thousand and $11,392,750 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022 would be subsequently resold for $10,916,713 thousand, $11,646,960 thousand and $11,394,763 thousand, respectively, with interest rate ranging from 1.24%-1.33%, 1.28% and 0.33%-0.57%, respectively.

12. RECEIVABLES, NET

	March 31, 2023	December 31, 2022	March 31, 2022
Notes receivable	$ 6,394,956	$ 6,212,834	$ 5,702,488
Receivables on credit cards	765,691	791,791	712,125
Accounts receivable factored without recourse	116,658	148,925	309,000
Acceptances	855,882	544,239	904,702
Interest receivables	1,756,075	1,677,420	1,105,655
Receivables on foreign currency settlement	6,194	4,094	7,094
Lease receivables	4,852,384	4,651,334	3,937,510
Assignment receivables	722,265	504,214	905,858
Receivables on securities settlement	1,158,172	808,484	1,426,892
Other receivables	433,555	296,051	557,737
	17,061,832	15,639,386	15,569,061
Less: Unrealized interest income	(894,612)	(834,356)	(737,926)
Less: Allowance for doubtful accounts	(348,338)	(370,338)	(396,990)
	$ 15,818,882	$ 14,434,692	$ 14,434,145

a. Movements in the total carrying amount of receivables for the three months ended March 31, 2023 and 2022 were as follows:

For the three months ended March 31, 2023

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2023	$ 82,750,786	$ 396,675	$ 778,507	$ 83,925,968
Transfers to lifetime ECL	(91,023)	91,283	(260)	-
Transfers to credit-impaired financial assets	(76,784)	(6,592)	83,376	-
Transfers to 12-month ECLs	3,889	(3,804)	(85)	-
New receivables purchased or originated	6,263,707	2,762	7,298	6,273,767
Write-offs	-	(6,537)	(39,412)	(45,949)
Derecognition	(3,105,224)	(59,203)	(18,399)	(3,182,826)
Foreign exchange differences and other changes	146,723	(12,182)	9,731	144,272
Balance at March 31, 2023	$ 85,892,074	$ 402,402	$ 820,756	$ 87,115,232

For the three months ended March 31, 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	(193,931)	194,087	(156)	-
Transfers to credit-impaired financial assets	(9,583)	(126,860)	136,443	-
Transfers to 12-month ECLs	53,480	(3,279)	(50,201)	-
New receivables purchased or originated	8,424,638	392	14	8,425,044
Write-offs	-	(6,059)	(5,844)	(11,903)
Derecognition	(4,285,044)	(24,646)	(6,341)	(4,316,031)
Foreign exchange differences and other changes	31,043	10,818	8,061	49,922
Balance at March 31, 2022	$ 78,769,042	$ 378,943	$ 883,924	$ 80,031,909

The above-mentioned 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 three months ended March 31, 2023 and 2022 were as follows:

For the three months ended March 31, 2023

	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, 2023	$ 127,490	$ 9,604	$ 196,536	$ 333,630	$ 152,676	$ 486,306
Reconciliation from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(1,246)	1,410	(164)	-	-	-
Transfers to credit-impaired financial assets	(1,246)	(516)	1,762	-	-	-
Transfers to 12-month ECLs	545	(489)	(56)	-	-	-
Derecognition of financial assets in current period	(24,424)	(2,201)	(2,325)	(28,950)	-	(28,950)
New financial assets purchased or originated	40,820	346	188	41,354	-	41,354
Difference of impairment loss under regulations	-	-	-	-	(12,686)	(12,686)
Write-offs	-	(6,537)	(4,016)	(10,553)	(35,396)	(45,949)
Recovery of written-offs	-	-	-	-	3,614	3,614
Foreign exchange differences and other changes	(9,733)	6,647	23,603	20,517	-	20,517
Balance at March 31, 2023	$ 132,206	$ 8,264	$ 215,528	$ 355,998	$ 108,208	$ 464,206

For the three months ended March 31, 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	$ 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	(1,700)	1,824	(124)	-	-	-
Transfers to credit-impaired financial assets	(28)	(2,722)	2,750	-	-	-
Transfers to 12-month ECLs	22,556	(525)	(22,031)	-	-	-
Derecognition of financial assets in current period	(34,186)	(916)	(23,661)	(58,763)	-	(58,763)
New financial assets purchased or originated	33,124	33	416	33,573	-	33,573
Difference of impairment loss under regulations	-	-	-	-	38,413	38,413
Write-offs	-	(7,338)	(2,560)	(9,898)	(2,005)	(11,903)
Recovery of written-offs	-	-	-	-	7,706	7,706
Foreign exchange differences and other changes	(20,842)	8,674	39,731	27,563	-	27,563
Balance at March 31, 2022	$ 107,391	$ 6,930	$ 234,447	$ 348,768	$ 148,599	$ 497,367

The allowance for doubtful accounts of the above-mentioned 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

	March 31, 2023	December 31, 2022	March 31, 2022
Bills negotiated	$ 150,293	$ 163,189	$ 508,944
Overdrafts	-	-	973
Secured overdrafts	7,979	7,220	10,814
Accounts receivable financing	57,753	63,668	61,989
Securities margin loans receivables	1,275,892	1,234,183	1,429,257
Short-term unsecured loans	39,934,188	45,405,871	42,221,010
Short-term secured loans	97,209,220	100,085,561	97,645,462
Medium-term unsecured loans	81,106,038	77,330,088	64,901,800
Medium-term secured loans	121,775,600	123,575,879	121,103,128
Long-term unsecured loans	11,237,701	11,048,117	9,861,480
Long-term secured loans	162,048,494	161,228,409	156,552,105
Delinquent loans	683,016	601,847	578,518
	515,486,174	520,744,032	494,875,480
Add: Adjustment of premium or discount	21,430	23,690	22,798
Less: Allowance for doubtful accounts	(6,735,979)	(6,654,896)	(6,990,342)
	$ 508,771,625	$ 514,112,826	$ 487,907,936

a. As of March 31, 2023, December 31, 2022 and March 31, 2022, the delinquent loans on which interest ceased to accrue amounted to $683,016 thousand, $601,847 thousand and $578,518 thousand, respectively. The unrecognized interest revenues on these loans were $4,242 thousand, $14,619 thousand and $3,829 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

b. There was no credit loan written off without a lawsuit for the three months ended March 31, 2023 and 2022.

c. Movements in the total carrying amount of notes discounted and loans for the three months ended March 31, 2023 and 2022 were as follows:

For the three months ended March 31, 2023

	12-month ECLs	**Lifetime ECL**	**Credit-impaired Financial Assets**	**Total**
Balance at January 1, 2023	$ 499,535,755	$ 14,044,049	$ 7,187,918	$ 520,767,722
Transfers to lifetime ECL	(2,323,549)	2,335,480	(11,931)	-
Transfers to credit-impaired financial assets	(538,704)	(835,105)	1,373,809	-
Transfers to 12-month ECLs	981,169	(962,231)	(18,938)	-
New notes discounted and loans purchased or originated	80,376,806	631,131	6,500	81,014,437
Write-offs	-	-	(381,184)	(381,184)
Derecognition	(72,084,777)	(2,211,612)	(141,541)	(74,437,930)
Foreign exchange differences and other changes	(11,154,253)	(215,292)	(85,896)	(11,455,441)
Balance at March 31, 2023	$ 494,792,447	$ 12,786,420	$ 7,928,737	$ 515,507,604

For the three months ended March 31, 2022

	12-month ECLs	**Lifetime ECL**	**Credit-impaired Financial Assets**	**Total**
Balance at January 1, 2022	$ 465,545,307	$ 12,243,822	$ 8,698,694	$ 486,487,823
Transfers to lifetime ECL	(1,782,010)	1,782,142	(132)	-
Transfers to credit-impaired financial assets	(78,755)	(413,304)	492,059	-
Transfers to 12-month ECLs	1,354,275	(1,317,273)	(37,002)	-
New notes discounted and loans purchased or originated	87,917,835	560,159	19,258	88,497,252
Write-offs	-	-	(119,939)	(119,939)
Derecognition	(68,676,082)	(1,240,878)	(171,058)	(70,088,018)
Foreign exchange differences and other changes	(9,690,031)	(175,407)	(13,402)	(9,878,840)
Balance at March 31, 2022	$ 474,590,539	$ 11,439,261	$ 8,868,478	$ 494,898,278

d. Movements in the allowance for doubtful accounts of notes discounted and loans for the three months ended March 31, 2023 and 2022 were as follows:

For the three months ended March 31, 2023

	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, 2023	$ 2,055,966	$ 1,156,156	$ 1,634,126	$ 4,846,248	$ 1,808,648	$ 6,654,896
Reconciliation from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(4,818)	5,879	(1,061)	-	-	-
Transfers to credit-impaired financial assets	(3,408)	(72,070)	75,478	-	-	-
Transfers to 12-month ECLs	107,441	(105,724)	(1,717)	-	-	-
Derecognition of financial assets in current period	(446,201)	(297,486)	(16,271)	(759,958)	-	(759,958)
New financial assets purchased or originated	478,994	108,768	4,325	592,087	-	592,087
Difference of impairment loss under regulations	-	-	-	-	396,333	396,333
Write-offs	-	-	(46,838)	(46,838)	(334,346)	(381,184)
Recovery of written-offs	-	-	-	-	86,870	86,870
Foreign exchange differences and other changes	(199,159)	109,259	236,835	146,935	-	146,935
Balance at March 31, 2023	$ 1,988,815	$ 904,782	$ 1,884,877	$ 4,778,474	$ 1,957,505	$ 6,735,979

For the three months ended March 31, 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 arising from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(3,419)	3,430	(11)	-	-	-
Transfers to credit-impaired financial assets	(212)	(23,749)	23,961	-	-	-
Transfers to 12-month ECLs	59,270	(54,896)	(4,374)	-	-	-
Derecognition of financial assets in current period	(363,813)	(38,793)	(29,731)	(432,337)	-	(432,337)
New financial assets purchased or originated	424,546	41,223	13,152	478,921	-	478,921
Difference of impairment loss under regulations	-	-	-	-	145,529	145,529
Write-offs	-	-	(80,584)	(80,584)	(39,355)	(119,939)
Recovery of written-offs	-	-	-	-	205,868	205,868
Foreign exchange differences and other changes	(118,063)	88,625	60,288	30,850	-	30,850
Balance at March 31, 2022	$ 1,463,600	$ 624,495	$ 1,840,040	$ 3,928,135	$ 3,062,207	$ 6,990,342

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:

	March 31, 2023		December 31, 2022		March 31, 2022	
	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.	$ 172,257	38.46	$ 172,301	38.46	$ 169,612	38.46

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

Investee Company	For the Three Months Ended March 31 2023	2022
Taichung Bank Securities Investment Trust Co., Ltd.	$ (495)	$ (2,746)

Investment was accounted for using the equity method and the share of 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

	March 31, 2023	December 31, 2022	March 31, 2022
Restricted assets - cash in banks	$ 394,925	$ 504,576	$ 361,384
Pending settlement payments	4,402	2,129	6,387
	$ 399,327	$ 506,705	$ 367,771

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

	March 31, 2023	December 31, 2022	March 31, 2022
Other delinquent receivables, net	$ 271,035	$ 271,035	$ 437,502

Other delinquent receivables, net were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Delinquent receivables not from loans	$ 386,903	$ 387,003	$ 537,879
Less: Allowance for doubtful accounts (Note 12)	(115,868)	(115,968)	(100,377)
	$ 271,035	$ 271,035	$ 437,502

17. PROPERTIES AND EQUIPMENT, NET

	For the Three Months Ended March 31, 2023						
	Land	Buildings and Structures	Transportation Equipment	Miscellaneous Equipment	Lease Improvements	Construction in Progress	Total
Cost							
Balance at January 1, 2023	$ 7,859,148	$ 2,187,301	$ 70,162	$ 2,145,461	$ 43,637	$ 7,189,832	$ 19,495,541
Additions	-	320	342	17,997	7,683	720,438	746,780
Disposals	-	-	(31)	(17,821)	-	-	(17,852)
Reclassifications	-	-	-	18,013	-	(20,126)	(2,113)
Exchange differences, net	-	-	40	94	(40)	-	94
Balance at March 31, 2023	7,859,148	2,187,621	70,513	2,163,744	51,280	7,890,144	20,222,450
Accumulated depreciation							
Balance at January 1, 2023	-	1,312,047	51,013	1,786,170	13,228	-	3,162,458
Additions	-	12,941	1,884	33,477	2,880	-	51,182
Disposals	-	-	(31)	(17,784)	-	-	(17,815)
Exchange differences, net	-	-	25	119	(10)	-	134
Balance at March 31, 2023	-	1,324,988	52,891	1,801,982	16,098	-	3,195,959
Impairment							
Balance at January 1, 2023	77,000	-	-	-	-	-	77,000
Balance at March 31, 2023	77,000	-	-	-	-	-	77,000
Balance at March 31, 2023	$ 7,782,148	$ 862,633	$ 17,622	$ 361,762	$ 35,182	$ 7,890,144	$ 16,949,491

	For the Three Months Ended March 31, 2022						
	Land	Buildings and Structures	Transportation Equipment	Miscellaneous Equipment	Lease Improvements	Construction in Progress	Total
Cost							
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	-	169	292	10,616	437	314,202	325,716
Disposals	-	-	(30)	(21,852)	-	-	(21,882)
Reclassifications	-	-	-	420	-	(570)	(150)
Exchange differences, net	-	-	304	1,571	67	-	1,942
Balance at March 31, 2022	7,859,148	2,110,651	65,652	2,110,351	25,714	5,002,828	17,174,344
Accumulated depreciation							
Balance at January 1, 2022	-	1,267,495	43,401	1,719,631	5,767	-	3,036,294
Additions	-	9,865	1,774	37,778	1,443	-	50,860
Disposals	-	-	(30)	(21,777)	-	-	(21,807)
Exchange differences, net	-	-	160	1,335	2	-	1,497
Balance at March 31, 2022	-	1,277,360	45,305	1,736,967	7,212	-	3,066,844
Impairment							
Balance at January 1, 2022	77,000	-	-	-	-	-	77,000
Balance at March 31, 2022	77,000	-	-	-	-	-	77,000
Balance at March 31, 2022	$ 7,782,148	$ 833,291	$ 20,347	$ 373,384	$ 18,502	$ 5,002,828	$ 14,030,500

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

Buildings and structures	
Buildings	30 to 60 years
Renovation	10 to 29 years
Transportation equipment	3 to 5 years
Miscellaneous equipment	2 to 15 years
Lease improvements	2 to 5 years

18. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying amount			
Land and buildings	$ 760,283	$ 767,353	$ 778,674
Transportation equipment	40,804	41,923	33,287
	$ 801,087	$ 809,276	$ 811,961

	For the Three Months Ended March 31	
	2023	2022
Additions to right-of-use assets	$ 53,693	$ 34,534
Depreciation charge for right-of-use assets		
Land and buildings	$ 37,033	$ 34,468
Transportation equipment	4,874	4,637
	$ 41,907	$ 39,105

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 $20,033 thousand and $2,010 thousand for the three months ended March 31, 2023 and 2022, respectively. The disposal gain of $1,461 thousand and $98 thousand was recognized for the three months ended March 31, 2023 and 2022.

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 three months ended March 31, 2023 and 2022.

b. Lease liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying amount	$ 845,524	$ 852,915	$ 850,552

Range of discount rates for lease liabilities was as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Land	1.01%-4.14%	1.01%-4.14%	1.01%-4.14%
Buildings	1.16%-5.95%	1.01%-5.95%	1.01%-5.95%
Transportation equipment	1.16%-5.96%	1.01%-5.96%	1.01%-5.96%

c. Material lease-in activities and terms

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

d. Other lease information

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

	For the Three Months Ended March 31	
	2023	2022
Expenses relating to short-term leases	$ 1,095	$ 963
Expenses relating to low-value asset leases	$ 3,031	$ 2,782
Total cash outflow for leases	$ (50,351)	$ (48,202)

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

19. INVESTMENT PROPERTIES, NET

	For the Three Months Ended March 31, 2023			
	Land	Structures	Investment Properties Under Construction	Total
Cost				
Balance at January 1, 2023	$ 464,341	$ 91,104	$ 38,620	$ 594,065
Additions	-	-	13,261	13,261
Balance at March 31, 2023	464,341	91,104	51,881	607,326
Accumulated depreciation				
Balance at January 1, 2023	-	1,898	-	1,898
Additions	-	1,139	-	1,139
Balance at March 31, 2023	-	3,037	-	3,037
Balance at March 31, 2023	$ 464,341	$ 88,067	$ 51,881	$ 604,289

	For the Three Months Ended March 31, 2022			
	Land	**Structures**	**Investment Properties Under Construction**	**Total**
Cost				
Balance at January 1, 2022	$ -	$ -	$ -	$ -
Additions	-	-	20,019	20,019
Balance at March 31, 2022	-	-	20,019	20,019
Accumulated depreciation				
Balance at January 1, 2022	-	-	-	-
Additions	-	-	-	-
Balance at March 31, 2022	-	-	-	-
Balance at March 31, 2022	$ -	$ -	$ 20,019	$ 20,019

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. On July 11, 2022, the Group acquired investment properties in Kaohsiung Sanmin District through business combination, and the fair value was NT$560,439 thousand which was evaluated by independent qualified professional valuers The Group's management team evaluated the fair value of investment properties and the amount was close to the carrying amount.

c. The fair value of the investment properties of the Group on March 31, 2023 was $651,880 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.

d. The abovementioned investment properties were leased out for 5 to 17 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 March 31, 2023, December 31, 2022 and March 31, 2022 is as follows:

	March 31, 2023	**December 31, 2022**	**March 31, 2022**
Year 1	$ 10,255	$ 25,906	$ 698
Year 2	30,154	30,154	7,172
Year 3	30,154	30,154	6,462
Year 4	30,265	30,241	6,487
Year 5	14,344	20,345	6,704
Year 6 onwards	84,109	85,234	91,760
	$ 199,281	$ 222,034	$ 119,283

20. INTANGIBLE ASSETS, NET

	March 31, 2023	December 31, 2022	March 31, 2022
Business rights	$ 28,000	$ 28,000	$ 28,000
Computer software	229,460	206,756	182,922
	$ 257,460	$ 234,756	$ 210,922

a. Business rights of the Group arose from the transfer of Fengxing Securities Co., Ltd., which was classified as intangible assets with indefinite useful lives and not subject to amortization. As of March 31, 2023, there was no impairment loss of the business rights.

b. Movements of intangible assets were as follows:

	For the Three Months Ended March 31	
	2023	2022
Balance at January 1	$ 234,756	$ 220,723
Additions	40,115	6,726
Amortization	(19,551)	(16,976)
Reclassifications	2,113	150
Exchange differences, net	27	299
Balance at March 31	$ 257,460	$ 210,922

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

Computer software	1 to 5 years

21. OTHER ASSETS, NET

	March 31, 2023	December 31, 2022	March 31, 2022
Refundable deposits	$ 2,193,638	$ 2,274,603	$ 2,112,437
Prepayments	224,637	166,689	227,859
Receipts under payment for shares underwriting	-	93,783	16,229
Others	27,905	24,146	5,308
	$ 2,446,180	$ 2,559,221	$ 2,361,833

As of March 31, 2023, December 31, 2022 and March 31, 2022, the time deposits and government bonds at amortized cost in the amounts of $750,500 thousand, $750,500 thousand and $1,036,500 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 as refundable deposits. Refer to Note 36.

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	March 31, 2023	December 31, 2022	March 31, 2022
Call loans from banks	$ 8,000,000	$ 8,650,000	$ 3,400,000
Due to Chunghwa Post Co., Ltd.	53,687	53,687	53,687
Due to banks	300,053	53	13
	$ 8,353,740	$ 8,703,740	$ 3,453,700

23. FUNDS BORROWED FROM THE CENTRAL BANK AND OTHER BANKS

	March 31, 2023	December 31, 2022	March 31, 2022
Funds borrowed from the Central Bank	$ -	$ -	$ 3,701,840
Funds borrowed from other banks	9,634,969	8,898,102	7,250,424
	$ 9,634,969	$ 8,898,102	$ 10,952,264
Funds borrowed from the Central Bank (%)	-	-	0.10
Funds borrowed from other banks (%)	1.65-5.23	1.75-6.77	0.95-5.66

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

24. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	March 31, 2023	December 31, 2022	March 31, 2022
Government bonds	$ -	$ -	$ 1,206,045

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

	March 31, 2023	December 31, 2022	March 31, 2022
Government bonds	$ -	$ -	$ 1,206,436
Government bonds	-	-	0.21%-0.23%

25. PAYABLES

	March 31, 2023	December 31, 2022	March 31, 2022
Notes and checks in clearing	$ 2,080,767	$ 4,276,016	$ 777,486
Accrued expenses	1,456,191	2,130,489	1,133,081
Accounts payable for delivery	1,268,664	791,988	1,612,946
Interest payable	1,259,896	612,737	483,853
Acceptances	856,940	544,899	909,065
Collections payable	50,686	141,778	141,229
Factored accounts payable	14,387	14,994	16,410
Foreign currency settlement payable	2,003	5,227	6,091
Other payables	963,904	909,711	587,046
	$ 7,953,438	$ 9,427,839	$ 5,667,207

26. DEPOSITS AND REMITTANCES

	March 31, 2023	December 31, 2022	March 31, 2022
Checking	$ 7,194,481	$ 11,528,762	$ 6,949,111
Demand	195,154,868	195,777,314	200,158,652
Demand savings	162,313,007	162,103,208	162,127,199
Time	133,846,159	135,448,254	147,082,704
Time savings	185,089,001	178,202,610	155,071,780
Remittances	3,662	44,001	57,929
	$ 683,601,178	$ 683,104,149	$ 671,447,375

27. BANK DEBENTURES

	March 31, 2023	December 31, 2022	March 31, 2022
Subordinated financial debenture	$ 16,500,000	$ 16,500,000	$ 16,500,000

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

	March 31, 2023	December 31, 2022	March 31, 2022
Commercial papers payable	$ 2,600,853	$ 2,681,022	$ 2,286,770
Structured commodity principal	4,149,444	3,989,488	1,274,275
	$ 6,750,297	$ 6,670,510	$ 3,561,045

29. PROVISIONS

	March 31, 2023	December 31, 2022	March 31, 2022
Provision for employee benefits	$ 817,500	$ 826,252	$ 950,623
Provision for losses on guarantees	279,263	275,963	285,963
Provision for loan commitments	120,172	93,388	60,865
Provision for outstanding loss	25,340	24,090	20,340
Other provisions	23,007	17,824	12,906
	$ 1,265,282	$ 1,237,517	$ 1,330,697

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

	March 31, 2023	December 31, 2022	March 31, 2022
Benefit plans	$ 620,696	$ 631,542	$ 764,158
Preferential interest on employees' deposits	155,625	154,244	148,959
Other long-term employee benefit liabilities	41,179	40,466	37,506
	$ 817,500	$ 826,252	$ 950,623

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 were $30,106 thousand and $29,758 thousand for the three months ended March 31, 2023 and 2022, respectively.

2) Defined benefit plans

The defined benefit plan adopted of the Bank 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 of general employees that applicable to old seniority personnel (excluding appointed managers) in December 2022 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 year ended December 31, 2022 and 2021 was as follows:

	For the Three Months Ended March 31	
	2023	**2022**
Operating expenses	$ 3,353	$ 2,733

3) Preferential interest on employees’ deposits plan

The Group had 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, and the preferential interest on employee’s deposit liabilities were carried out by qualified actuaries.

For the three months ended March 31, 2023 and 2022, the expenses under preferential interest on employees’ deposits plan recognized in the consolidated statements of comprehensive income amounted to $1,381 thousand and $1,326 thousand, respectively.

4) Other long-term employee benefit liabilities

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

For the three months ended March 31, 2023 and 2022, the Group recognized total expenses related to the long-term employee benefits in the consolidated statements of comprehensive income were $911 thousand and $873 thousand, respectively.

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

For the three months ended March 31, 2023

	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, 2023	$ 193,788	$ 20,588	$ 34,996	$ 249,372	$ 26,591	$ 275,963
Reconciliation from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(2)	2	-	-	-	-
Transfers to credit-impaired financial assets	(18)	-	18	-	-	-
Transfers to 12-month ECLs	19	(19)	-	-	-	-
Derecognition of financial assets in current period	(73,496)	(12,296)	-	(85,792)	-	(85,792)
New financial assets purchased or originated	62,142	56,774	-	118,916	-	118,916
Difference of impairment loss under regulations	-	-	-	-	(23,013)	(23,013)
Foreign exchange differences and other changes	(7,442)	(125)	756	(6,811)	-	(6,811)
Balance at March 31, 2023	$ 174,991	$ 64,924	$ 35,770	$ 275,685	$ 3,578	$ 279,263

For the three months ended March 31, 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	(413)	413	-	-	-	-
Transfers to credit-impaired financial assets	-	-	-	-	-	-
Transfers to 12-month ECLs	1,253	(1,253)	-	-	-	-
Derecognition of financial assets in current period	(82,900)	(683)	-	(83,583)	-	(83,583)
New financial assets purchased or originated	86,210	-	-	86,210	-	86,210
Difference of impairment loss under regulations	-	-	-	-	(13,716)	(13,716)
Foreign exchange differences and other changes	(7,799)	6,419	469	(911)	-	(911)
Balance at March 31, 2022	$ 168,231	$ 12,678	$ 33,844	$ 214,753	$ 71,210	$ 285,963

For the three months ended March 31, 2023 and 2022, a provision was recognized for bad debts expense, commitments and guarantees.

c. Movements of the other provision were as follows:

For the three months ended March 31, 2023

	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, 2023	$ 8,267	$ 9,214	$ -	$ 17,481	$ 343	$ 17,824
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	(6,323)	(9,214)	-	(15,537)	-	(15,537)
New financial assets purchased or originated	10,237	-	-	10,237	-	10,237
Difference of impairment loss under regulations	-	-	-	-	11,713	11,713
Foreign exchange differences and other changes	(1,230)	-	-	(1,230)	-	(1,230)
Balance at March 31, 2023	$ 10,951	$ -	$ -	$ 10,951	$ 12,056	$ 23,007

For the three months ended March 31, 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	(6,545)	-	-	(6,545)	-	(6,545)
New financial assets purchased or originated	9,085	-	-	9,085	-	9,085
Difference of impairment loss under regulations	-	-	-	-	(1,137)	(1,137)
Foreign exchange differences and other changes	(1,352)	-	-	(1,352)	-	(1,352)
Balance at March 31, 2022	$ 9,817	$ -	$ -	$ 9,817	$ 3,089	$ 12,906

For the three months ended March 31, 2023 and 2022, a provision was recognized for bad debts expense, commitments and guarantees.

d. Movements of the loan commitments were as follows:

For the three months ended March 31, 2023

	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, 2023	$ 77,787	$ 1,648	$ 11,897	$ 91,332	$ 2,056	$ 93,388
Reconciliation from financial instruments recognized at the beginning of the period:						
Transfers to lifetime ECL	(2)	2	-	-	-	-
Transfers to credit-impaired financial assets	-	(13)	13	-	-	-
Transfers to 12-month ECLs	340	(340)	-	-	-	-
Derecognition of financial assets in current period	(12,108)	(27)	(659)	(12,794)	-	(12,794)
New financial assets purchased or originated	12,144	26,851	-	38,995	-	38,995
Difference of impairment loss under regulations	-	-	-	-	1,751	1,751
Foreign exchange differences and other changes	(1,001)	(155)	(12)	(1,168)	-	(1,168)
Balance at March 31, 2023	$ 77,160	$ 27,966	$ 11,239	$ 116,365	$ 3,807	$ 120,172

For the three months ended March 31, 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	(2)	2	-	-	-	-
Transfers to credit-impaired financial assets	-	(17)	17	-	-	-
Transfers to 12-month ECLs	382	(382)	-	-	-	-
Derecognition of financial assets in current period	(6,692)	(72)	(88)	(6,852)	-	(6,852)
New financial assets purchased or originated	1,433	-	-	1,433	-	1,433
Difference of impairment loss under regulations	-	-	-	-	1,795	1,795
Foreign exchange differences and other changes	(643)	2	(17)	(658)	-	(658)
Balance at March 31, 2022	$ 40,401	$ 2,109	$ 11,917	$ 54,427	$ 6,438	$ 60,865

For the three months ended March 31, 2023 and 2022, a provision was recognized for bad debt expense, commitments and guarantees.

e. Please refer to Note 37 for the amount of $25,340 thousand, $24,090 thousand and $20,340 thousand for the outstanding compensation provision of the Bank on March 31, 2023, December 31, 2022 and March 31, 2022.

30. OTHER LIABILITIES

	March 31, 2023	December 31, 2022	March 31, 2022
Guarantee deposits received	$ 608,698	$ 620,271	$ 779,758
Advance receipts	413,183	385,190	292,231
Credit transactions	240	240	4,285
Others	32,687	37,810	76,796
	$ 1,054,808	$ 1,043,511	$ 1,153,070

31. EQUITY

a. Share capital

Ordinary shares

	March 31, 2023	December 31, 2022	March 31, 2022
Number of shares authorized (in thousands)	7,770,000	7,770,000	6,150,000
Shares authorized	$ 77,700,000	$ 77,700,000	$ 61,500,000
Number of shares issued and fully paid (in thousands)	5,015,447	5,015,447	4,538,521
Shares issued	$ 50,154,465	$ 50,154,465	$ 45,385,205

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

As of March 31, 2022, the Bank had issued ordinary shares totaling $45,385,205 thousand, divided into 4,538,521 thousand ordinary shares at par value of $10 per share. In July 2022, the Bank transferred $2,269,260 thousand of unappropriated earnings to ordinary shares, consisting of 226,926 thousand ordinary shares at par value of $10 per share. In June 2022, the board of directors of the Bank resolved to issue 250,000 thousand ordinary shares with a par value of $10, for a consideration of $11.75 per share issued at premium. On September 22, 2022, the above transaction was approved under ruling reference No. 1110356507 issued by the Banking Bureau of the FSC and the subscription base date was determined as at December 16, 2022. As of March 31, 2023, the Bank had increased ordinary shares to $50,154,465 thousand, divided into 5,015,447 thousand ordinary shares at par value of $10 per share.

b. Capital surplus

	March 31, 2023	December 31, 2022	March 31, 2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*			
Issuance of ordinary shares	$ 1,381,133	$ 1,381,133	$ 943,633
Issuance of ordinary shares - employee share options	115,707	115,707	79,040
Expired employee share options	6,874	6,874	6,791
May be used to offset a deficit only			
Share of changes in capital surplus of associates	16,813	16,813	16,813
Conversion of bank debentures' components	7,729	7,729	7,729
	$ 1,528,256	$ 1,528,256	$ 1,054,006

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

c. Appropriation of earnings and dividend policy

Under the Bank's dividend policy as set forth in the Articles, where the Bank made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 30% of the remaining profit; however, provided that the legal reserve amounts to the total paid-in capital, the legal reserve need not be set aside, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 32.

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

An 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 Law 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 risk 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 reversed amount.

According to 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 uses 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 2022 had been proposed by board of directors on February 23, 2023 and 2021 were approved in the shareholders' meetings on May 17, 2022, respectively, as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2022	**2021**	**2022**	**2021**
Legal reserve	$ 1,619,325	$ 1,463,994	$ -	$ -
Special reserve	159,684	-	-	-
Reverse a special reserve	(565)	(601)	-	-
Cash dividends	1,504,634	1,134,630	0.30	0.25
Share dividends	2,106,488	2,269,260	0.42	0.50

The appropriation of earnings for 2022 are subject to the resolution of the shareholders in their meeting to be held on May 15, 2023.

d. Other equity items

	Exchange Differences on Translating the Financial Statements of Foreign Operations	**Unrealized Gains (Losses) on Financial Assets at FVTOCI**	**Total**
Balance at January 1, 2023	$ (37,875)	$ (121,809)	$ (159,684)
Recognized for the period			
Unrealized gains			
Equity instruments	-	270,508	270,508
Debt instruments	-	370,631	370,631
Net remeasurement of loss allowance - debt instruments	-	(537)	(537)
Share from associates accounted for using the equity method	-	451	451

(Continued)

	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at FVTOCI	Total
Cumulative translation adjustment			
Exchange differences for current period	$ (17,568)	$ -	$ (17,568)
Income tax related to other comprehensive income	-	(2,908)	(2,908)
Balance at March 31, 2023	$ (55,443)	$ 516,336	$ 460,893
Balance at January 1, 2022	$ (85,087)	$ 1,393,132	$ 1,308,045
Recognized for the period			
Unrealized gains (losses)			
Equity instruments	-	223,618	223,618
Debt instruments	-	(440,587)	(440,587)
Net remeasurement of loss allowance - debt instruments	-	467	467
Share from associates accounted for using the equity method	-	7,234	7,234
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(344)	(344)
Cumulative translation adjustment			
Exchange differences for current period	43,949	-	43,949
Income tax related to other comprehensive income	-	(2,930)	(2,930)
Balance at March 31, 2022	$ (41,138)	$ 1,180,590	$ 1,139,452

(Concluded)

32. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

a. Net interest

	For the Three Months Ended March 31	
	2023	2022
Interest revenue		
Notes discounted and loans	$ 3,841,976	$ 2,570,964
Due from banks and call loans to the other banks	167,339	25,542
Investment in securities	611,858	369,284
Installment plan	91,132	88,521

(Continued)

	For the Three Months Ended March 31	
	2023	2022
Rental	$ 103,898	$ 89,006
Revolving interests of credit cards	7,891	7,794
Securities purchased under resale agreements	34,087	8,649
Accounts receivable factoring without recourse	3,180	2,491
Others	251	158
	4,861,612	3,162,409
Interest expense		
Deposits	(1,798,592)	(546,367)
Financial debentures	(140,096)	(125,099)
Funds borrowed from the Central Bank and other banks	(109,748)	(52,100)
Due to the Central Bank and other banks	(381)	(55)
Securities sold under repurchase agreements	-	(925)
Structured instruments	(43,338)	(8,806)
Lease liabilities	(6,541)	(7,917)
Others	(5,889)	(3,524)
	(2,104,585)	(744,793)
	$ 2,757,027	$ 2,417,616

(Concluded)

b. Service fee income, net

	For the Three Months Ended March 31	
	2023	2022
Service fee income		
Insurance brokering	$ 233,367	$ 206,586
Securities brokering	61,832	72,420
Trust business	252,450	257,880
Loans	264,078	232,869
Guarantee	62,869	60,103
Others	95,371	97,896
	969,967	927,754
Service fee expense		
Commission	(32,979)	(24,790)
Cross-bank transactions	(8,936)	(9,190)
Others	(35,252)	(31,235)
	(77,167)	(65,215)
	$ 892,800	$ 862,539

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

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

	For the Three Months Ended March 31	
	2023	2022
Realized profit or loss		
Commercial papers	$ 75,179	$ 22,454
Shares	49,821	23,753
Beneficiary certificates	18,166	24,318
Derivative financial instruments	189,031	122,760
Corporate bonds	3,059	-
	335,256	193,285
Valuation		
Commercial papers	2,888	(234)
Shares	84,845	(22,651)
Beneficiary certificates	7,436	(64,925)
PEM Group policy assets	9,751	10,760
Derivative financial instruments	(48,076)	(22,745)
Corporate bonds	3,154	(1,336)
	59,998	(101,131)
	$ 395,254	$ 92,154

1) For the three months ended March 31, 2023 and 2022, realized profit or loss of gain on financial assets and liabilities at fair value through profit or loss included disposal profit amounted to $218,102 thousand and $150,677 thousand, dividend income amounted to $1,653 thousand and $1,796 thousand and interest revenue amounted to $115,501 thousand and $40,812 thousand, respectively.

2) Net income from exchange rate commodities includes realized and unrealized gains and losses on exchange forward contracts, cross-currency options and cross-currency swaps. The translation gains or losses included net income from exchange rate commodities when significant assets and liabilities denominated in foreign currencies classified as at FVTPL are not designated for hedging relationship.

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

	For the Three Months Ended March 31	
	2023	2022
Dividend income	$ 10,487	$ 5,157
Gain on disposal of bonds	-	67
	$ 10,487	$ 5,224

e. Reversal of (impairment losses) on financial assets

	For the Three Months Ended March 31	
	2023	2022
Gain (loss) investments in debt instruments at FVTOCI	$ 537	$ (467)
Gain (loss) financial assets at amortized cost	2,019	(522)
	$ 2,556	$ (989)

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

	For the Three Months Ended March 31	
	2023	2022
Losses on disposal of properties and equipment	$ (37)	$ (75)
Others	16,567	2,109
	$ 16,530	$ 2,034

g. Provision for bad debts expense, commitments and guarantees

	For the Three Months Ended March 31	
	2023	2022
Bad debts on receivables	$ 19,946	$ 37,868
Bad debts on notes discounted and loans	382,997	197,001
Losses on (reversal of) guarantees	3,300	(12,000)
Loan (reversal of) commitments	27,000	(5,000)
Others	5,200	-
	$ 438,443	$ 217,869

h. Employee benefits expenses

	For the Three Months Ended March 31	
	2023	2022
Salaries	$ 1,040,531	$ 934,686
Labor and health insurance	78,442	77,390
Pension expense	33,459	32,491
Other employee expenses	63,953	58,188
	$ 1,216,385	$ 1,102,755

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. The employees' compensation and the remuneration of directors for the three months ended March 31, 2023 and 2022, respectively, were as follows:

Accrual rate

	For the Three Months Ended March 31	
	2023	**2022**
Employees' compensation	0.75%	0.78%
Remuneration of directors	2.50%	2.50%

Amount

	For the Three Months Ended March 31	
	2023	**2022**
Employees' compensation	$ 13,444	$ 12,374
Remuneration of directors	$ 44,815	$ 39,580

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 2022 and 2021 that were resolved by the Bank's board of directors on February 23, 2023 and February 24, 2022 respectively, are as shown below:

	Cash	
	2022	**2021**
Employees' compensation	$ 50,173	$ 42,277
Remuneration of directors	$ 167,245	$ 140,922

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, 2022 and 2021.

Information on the employees' compensation and remuneration of directors resolved by the Bank's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

j. Depreciation and amortization expenses

	For the Three Months Ended March 31	
	2023	2022
Properties and equipment	$ 51,182	$ 50,860
Investment properties	1,139	-
Right-of-use assets	41,907	39,105
Intangible assets	19,551	16,976
	$ 113,779	$ 106,941

k. Other selling and administrative expenses

	For the Three Months Ended March 31	
	2023	2022
Taxes	$ 241,015	$ 187,933
Professional service	100,587	32,754
Advertisement	21,190	13,504
Insurance	48,797	46,133
Entertainment	19,103	15,482
Donation	22,306	24,055
Postage	16,263	15,843
Others	142,621	111,732
	$ 611,882	$ 447,436

33. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Three Months Ended March 31	
	2023	2022
Current tax		
In respect of the current period	$ 305,856	$ 321,823
Deferred tax		
In respect of the current period	(10,279)	(35,344)
Income tax expense recognized in profit or loss	$ 295,577	$ 286,479

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2023	2022
Deferred tax		
In respect of the current period		
Fair value changes of financial assets at FVTOCI	$ (2,908)	$ (2,930)

c. Income tax assessments

The income tax returns of Taichung Commercial Bank Co., Ltd., Taichung Bank Insurance Brokers Co., Ltd., and Taichung Commercial Bank Securities Co., Ltd. through 2021 along with Taichung Bank Leasing Corporation Limited through 2020 have been assessed and approved by the tax authorities.

34. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended March 31	
	2023	2022
Basic earnings per share	$ 0.29	$ 0.27
Diluted earnings per share	$ 0.29	$ 0.27

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares. The basic and diluted earnings per share adjusted retrospectively for the three months ended March 31, 2022 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 0.28	$ 0.27
Diluted earnings per share	$ 0.28	$ 0.27

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

Net profit for the period

	For the Three Months Ended March 31	
	2023	2022
Earnings used in the computation of basic earnings per share	$ 1,473,320	$ 1,276,014
Earnings used in the computation of diluted earnings per share	$ 1,473,320	$ 1,276,014

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

	For the Three Months Ended March 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	5,015,447	4,765,447
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	3,167	2,823
Weighted average number of ordinary shares used in the computation of diluted earnings per share	5,018,614	4,768,270

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

Related Party	Relationship with the Group
China Man-Made Fiber Corporation	Parent company of the Bank
Hsu Tian Investment Co., Ltd.	Legal director of the Bank
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
Hsin-Ching Chang, Wei-Liang Lin (Note), 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
29 persons including the director of the Board's spouse	The spouses and children of the Bank's directors
7 persons including Kai-Yu, Lin	Key management personnel
19 persons including associate general manager's spouse	The spouses and children of the Bank's associate general managers
110 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
Pan Asia Chemical Co., Ltd.	Related party in substance
China Fiber Investment Co., Ltd.	Related party in substance
Pan Asia Investment Co., Ltd.	Related party in substance

(Continued)

Related Party	Relationship with the Group
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
Yu Hui Limited	Related party in substance
Formosawine Vintners Corporation	Related party in substance
Bomi International Co., Ltd.	Related party in substance
Shanghai Bomi Food Co., Ltd.	Related party in substance
Noble House Global Limited	Related party in substance
Noble House Glory Corporation	Related party in substance
Wang Wanjin Culture and Education Foundation	Related party in substance
Chaoqing Investment Co., Ltd.	Related party in substance
Sheng Yuan Ze Investment Limited Company	Related party in substance
Pan Hsu Investment Co., Ltd.	Related party in substance
Precious Wealth International Limited	Related party in substance
Storm Model Management Co., Ltd.	Related party in substance
Bonwell Praise Co., Ltd.	Related party in substance
Chen Teng Public Relations (Shanghai) Company	Related party in substance
Shanghai Bomi Consulting management Limited Company	Related party in substance
Shuo-Jung Co., Ltd.	Related party in substance
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
Dr. Brain Lab Technology Co., Ltd.	Related party in substance

(Concluded)

Note: Wei-Liang, Lin, the legal representative of Hsu Tian Investment Co., Ltd., was discharged on February 9, 2023.

a. Loans

For the three months ended March 31, 2023

	Numbers/ Name	Highest Balance	Balance, End of the Period	Compliance Performing Loans	Compliance Overdue Loans	Interest Revenue	Collateral	The Difference Between Related and Non-related Party
Employees consumption loans	10	$ 4,252	$ 3,977	$ 3,977	$ -	$ 20	Credit loans	None
Loans on mortgage	42	224,426	201,149	201,149	-	899	Real estate	None
Other loans	Lee OO	2,133	2,098	2,098	-	10	Real estate	None
	Yang OO	4,465	4,379	4,379	-	23	Real estate	None
	Lin OO	229	206	206	-	-	Real estate	None
	Wang OO	6,000	3,000	3,000	-	18	Real estate	None
	Chen OO	40,000	40,000	40,000	-	189	Real estate	None
	Fang OO	11,716	9,216	9,216	-	58	Real estate	None
	Chang OO	1,726	1,709	1,709	-	10	Real estate	None
	Chang OO	2,500	2,500	2,500	-	13	Real estate	None
	Liang OO	525	495	495	-	2	Real estate	None
	Ye OO	11,000	11,000	11,000	-	51	Real estate	None
	Huang OO	1,159	1,124	1,124	-	5	Real estate	None
	Chiu OO	2,317	2,240	2,240	-	10	Real estate	None
	Hsu OO	2,200	2,200	2,200	-	12	Real estate	None
	Huang OO	2,224	1,804	1,804	-	9	Real estate	None

For the three months ended March 31, 2022

	Numbers/ Name	Highest Balance	Balance, End of the Period	Compliance Performing Loans	Compliance Overdue Loans	Interest Revenue	Collateral	The Difference Between Related and Non-related Party
Employees consumption loans	10	$ 4,072	$ 3,455	$ 3,455	$ -	$ 15	Credit loans	None
Loans on mortgage	37	176,119	159,630	159,630	-	477	Real estate	None
Other loans	Zeng OO	101	91	91	-	-	Real estate	None
	Lee OO	2,273	2,238	2,238	-	7	Real estate	None
	Zeng OO	4,140	4,110	4,110	-	15	Real estate	None
	Liu OO	322	-	-	-	-	Real estate	None
	Lin OO	321	298	298	-	-	Real estate	None
	Wang OO	6,000	3,000	3,000	-	14	Real estate	None
	Chen OO	40,000	40,000	40,000	-	150	Real estate	None
	Fang OO	15,916	15,916	15,916	-	48	Real estate	None
	Lin OO	16,400	16,100	16,100	-	62	Real estate	None
	Tsai OO	114	80	80	-	-	Real estate	None
	Liang OO	646	616	616	-	2	Real estate	None
	Ye OO	11,000	11,000	11,000	-	33	Real estate	None
	Huang OO	1,298	1,263	1,263	-	4	Real estate	None
	Wang OO	6,120	-	-	-	28	Real estate	None
	Chiu OO	2,627	2,550	2,550	-	8	Real estate	None
	Hsu OO	2,200	2,200	2,200	-	8	Real estate	None
	Huang OO	15,000	12,000	12,000	-	39	Real estate	None

According to Articles 32 and 33 of the Banking Law, 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

	For the Three Months Ended March 31, 2023		
	Ending Balance	Interest Ratio	Interest Expense
Taichung Bank Securities Investment Trust Co., Ltd.	$ 95,688	0.00-1.45	$ 234
Taichung Commercial Bank Workers' Welfare Commission	159,292	0.01-5.51	2,085
China Man-Made Fiber Corporation	68,629	0.01-1.25	83
Taichung Commercial Bank Cultural and Educational Foundation	8,238	0.01-1.47	30
Formosa Imperial Wineseller Corp.	1	0.58	-
Greenworld Food Co., Ltd.	4,018	0.58	3
Pan Asia Chemical Corporation	30,405	0.01-0.58	15
Chou Chin Industrial Co., Ltd.	17,456	0.01-0.58	4
Chou Chang Co., Ltd.	-	0.01	-
Shuo-Jung Co., Ltd.	8,161	0.01	-
Hsu Tian Investment Co., Ltd.	123,226	0.01-1.25	2
Reliance Securities Co., Ltd.	10,159	0.58-1.22	25
Deh Hsing Investment Co., Ltd.	8,235	0.58-1.25	10
Yu Hui Limited	4	0.01	-
Fengqi Investment Co., Ltd.	5	0.58	-
China Man-Made Fiber Entertainment Co., Ltd.	1	0.58	-
Lei Fu Life Business Co., Ltd.	1,240	0.58	2
Pan Asia Investment Co., Ltd.	7	0.01	-
Pan Hsu Investment Co., Ltd.	8	0.01	-
Chi Da Investment Co., Ltd.	4,171	0.58	5
Yao Shang Investment Co., Ltd.	4,171	0.58	5
Syu Yi Investment Co., Ltd.	4,171	0.58	5
Others	444,161	0.00-5.51	1,696
	$ 991,447		$ 4,204

	For the Three Months Ended March 31, 2022		
	Ending Balance	**Interest Ratio**	**Interest Expense**
Taichung Bank Securities Investment Trust Co., Ltd.	$ 100,042	0.00-0.79	$ 132
Taichung Commercial Bank Workers' Welfare Commission	150,646	0.01-4.80	1,710
China Man-Made Fiber Corporation	55,004	0.01-0.08	7
Taichung Commercial Bank Cultural and Educational Foundation	8,210	0.01-1.09	17
Formosa Imperial Wineseller Corp.	575	0.08	-
Greenworld Food Co., Ltd.	3,743	0.08	-
Pan Asia Chemical Corporation	32,129	0.08	3
Chou Chin Industrial Co., Ltd.	16,445	0.01-0.08	1
Chou Chang Co., Ltd.	4,369	0.01	-
Shuo-Jung Co., Ltd.	36,717	0.01	1
Hsu Tian Investment Co., Ltd.	33,324	0.01-0.08	1
Reliance Securities Co., Ltd.	10,071	0.08-0.79	14
Deh Hsing Investment Co., Ltd.	458,145	0.08	31
Syu Yi Investment Co., Ltd.	3,201	0.08	-
China Man-Made Fiber Entertainment Co., Ltd.	4,879	0.08	-
Pan Hsu Investment Co., Ltd.	6	0.01	-
Chi Da Investment Co., Ltd.	3,201	0.08	-
Yao Shang Investment Co., Ltd.	3,201	0.08	-
Others	407,694	0.00-4.80	882
	$ 1,331,602		$ 2,799

The interest rates did not significantly differ from those with ordinary customers except for the interest rates on the Bank's employee deposits at 5.51% and 4.80% as of March 31, 2023 and 2022, 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 March 31, 2023 the related party subscribed for the financial debentures issued by the Bank through underwriting brokers 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 above-mentioned related parties were $136,259 thousand, $51,852 thousand and $121,444 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively. The interest expenses were $84,406 thousand and $74,336 thousand for the three months ended March 31, 2023 and 2022, respectively.

d. Service fee income

	For the Three Months Ended March 31	
	2023	2022
Taichung Bank Securities Investment Trust Co., Ltd.	$ 460	$ 492

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

	For the Three Months Ended March 31	
	2023	2022
Greenworld Food Co., Ltd.	$ 336	$ 140

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. Lease arrangements

Line Item	Related Party Category/Name	March 31, 2023	March 31, 2022
Lease liabilities	Related party in substance		
	Yu Hui Limited	$ 5,838	$ 8,790
	General Pride Enterprise Co., Ltd.	$ 444	$ 90

Line Item	Related Party Category/Name	For the Three Months Ended March 31 2023	For the Three Months Ended March 31 2022
Interest expense	Related party in substance		
	Yu Hui Limited	$ 33	$ 49
	General Pride Enterprise Co., Ltd.	$ 3	$ 1

The lease period and rent payment are in accordance with the contract. The general lease period is 2 to 5 years, and the payment is mainly made on a monthly basis.

g. Compensation of directors and key management personnel

For the three months ended March 31, 2023 and 2022, the amounts of remuneration of directors and key management personnel were as follows:

	For the Three Months Ended March 31 2023	For the Three Months Ended March 31 2022
Short-term benefits	$ 122,574	$ 108,920
Post-employee benefits	12,031	294
Other long-term benefits	2	1
	$ 134,607	$ 109,215

36. PLEDGED ASSETS

	March 31, 2023	December 31, 2022	March 31, 2022
Call loans to other banks - time deposits	$ 200,000	$ 200,000	$ 200,000
Restricted assets - cash in banks	394,925	504,576	361,384
Notes receivable	3,241,141	3,044,289	3,020,262
Investments in debt instruments at amortized cost - government bonds	620,500	620,500	896,500
Deposit reserves for demand accounts	-	-	5,000,000
	$ 4,456,566	$ 4,369,365	$ 9,478,146

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 district courts 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:

	March 31, 2023	December 31, 2022	March 31, 2022
Guarantee to district court for litigation	$ 50,500	$ 50,500	$ 336,500
Reserve of trust compensation	70,000	70,000	60,000
Collateral for overdraft of clearing account	500,000	500,000	500,000
	$ 620,500	$ 620,500	$ 896,500

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 March 31, 2023, December 31, 2022 and March 31, 2022 were as follows:

a. Significant commitments

	March 31, 2023	December 31, 2022	March 31, 2022
Loan commitments (excluding credit cards)	$ 180,502,739	$ 171,409,708	$ 156,493,434
Loan commitments - credit cards	14,673,958	14,958,648	14,273,289
Guarantee receivables	26,253,131	27,269,501	27,664,939
Trust liabilities	85,618,683	84,321,674	79,028,949
Letters of credit	4,201,141	3,350,494	4,542,216
Lease contract commitments	3,743,047	3,477,185	2,276,541

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
March 31, 2023

Trust Asset	Amount	Trust Liability	Amount
Cash in banks	$ 5,324,807	Securities under custody payable	$ 4,800,496
Debentures	12,484,342	Trust capital	80,818,187
Shares	4,796,735	Net income	349,904
Funds	46,831,381	Deferred carryover amounts	(349,904)
Structured finance instruments	1,766,148		
Real estate			
Land	9,492,291		
Buildings	122,483		
Securities under custody	4,800,496		
Trust assets	$ 85,618,683	Trust liabilities	$ 85,618,683

Note: On March 31, 2023, the bank's Offshore Banking Unit invested in foreign securities under specific purpose trust accounts amounting to $2,693,631 thousand.

Trust Account Asset Items
March 31, 2023

Item	Amount
Cash in banks	$ 5,324,807
Debentures	12,484,342
Shares	4,796,735
Funds	46,831,381
Structured finance instruments	1,766,148
Real estate	
Land	9,492,291
Buildings	122,483
Securities under custody	4,800,496
	$ 85,618,683

Trust Account Income Statement
Three Months Ended March 31, 2023

	Amount
Trust income	
Interest revenue	$ 601,742
Trust expense	
Management fee	(251,838)
Tax	-
Income before income tax	349,904
Income tax expense	-
Net income	$ 349,904

Trust Account Balance Sheet
December 31, 2022

Trust Asset	Amount	Trust Liability	Amount
Cash in banks	$ 6,123,483	Securities under custody payable	$ 3,972,065
Debentures	11,201,507		
Shares	4,873,628	Trust capital	80,349,609
Funds	46,912,839	Net income	1,468,359
Structured finance instruments	1,679,542	Deferred carryover amounts	(1,468,359)
Real estate			
Land	9,428,737		
Buildings	129,873		
Securities under custody	3,972,065		
Trust assets	$ 84,321,674	Trust liabilities	$ 84,321,674

Note: On December 31, 2022, the bank's Offshore Banking Unit invested in foreign securities under specific purpose trust accounts amounting to $2,672,714 thousand.

Trust Account Asset Items
December 31, 2022

Item	Amount
Cash in banks	$ 6,123,483
Debentures	11,201,507
Shares	4,873,628
Funds	46,912,839
Structured finance instruments	1,679,542
Real estate	
Land	9,428,737
Buildings	129,873
Securities under custody	3,972,065
	$ 84,321,674

Trust Account Income Statement
Year Ended December 31, 2022

	Amount
Trust income	
Interest revenue	$ 2,405,773
Trust expense	
Management fee	(937,253)
Tax	(161)
Income before income tax	1,468,359
Income tax expense	-
Net income	$ 1,468,359

Trust Account Balance Sheet
March 31, 2022

Trust Asset	Amount	Trust Liability	Amount
Cash in banks	$ 7,218,189	Securities under custody	
Debentures	7,582,545	payable	$ 4,578,136
Shares	3,916,525	Trust capital	74,450,813
Funds	48,996,165	Net income	325,526
Structured finance instruments	1,734,024	Deferred carryover amounts	(325,526)
Real estate			
Land	4,875,565		
Buildings	127,800		
Securities under custody	4,578,136		
Trust assets	$ 79,028,949	Trust liabilities	$ 79,028,949

Note: On March 31, 2022, the bank's Offshore Banking Unit invested in foreign securities under specific purpose trust accounts amounting to $2,408,196 thousand.

Trust Account Asset Items
March 31, 2022

Item	Amount
Cash in banks	$ 7,218,189
Debentures	7,582,545
Shares	3,916,525
Funds	48,996,165
Structured finance instruments	1,734,024
Real estate	
Land	4,875,565
Buildings	127,800
Securities under custody	4,578,136
	$ 79,028,949

Trust Account Income Statement
Three Months Ended March 31, 2022

	Amount
Trust income	
Interest revenue	$ 583,318
Trust expense	
Management fee	(257,792)
Tax	-
Income before income tax	325,526
Income tax expense	-
Net income	$ 325,526

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 Bank 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

	March 31, 2023	December 31, 2022	March 31, 2022
Year 1	$ 3,096,028	$ 3,045,375	$ 2,590,309
Year 2	1,263,270	1,161,828	985,568
Year 3	329,210	276,855	183,396
Year 4	12,739	12,739	14,361
Year 5	12,739	12,739	12,739
Year 6 onwards	138,398	141,798	151,137
	$ 4,852,384	$ 4,651,334	$ 3,937,510

Present value of financing lease income

	March 31, 2023	December 31, 2022	March 31, 2022
Year 1	$ 2,715,045	$ 2,678,140	$ 2,282,648
Year 2	1,168,646	1,076,999	913,908
Year 3	309,680	258,615	167,649
Year 4	4,453	4,354	5,684
Year 5	4,874	4,765	4,454
Year 6 onwards	83,816	85,295	88,697
	$ 4,286,514	$ 4,108,168	$ 3,463,040

Capital expenditure commitment

	March 31, 2023	December 31, 2022	March 31, 2022
Year 1	$ 3,924,610	$ 3,026,937	$ 2,891,270
Year 2	903,602	2,176,974	4,159,818
Year 3	74,620	32,464	104,794
	$ 4,902,832	$ 5,236,375	$ 7,155,882

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, which the Bank lost 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 for the Bank assessed that the content of the original judgment was contradictory and unprovoked. Therefore, the Bank filed an appeal on February 27, 2020 to the High Court Taichung Branch, and the appeal was 2020 renewed trial No. 78. After the second instance, the trial No. 78 of 2020 was reappealed to the High Court Taichung Branch on March 29, 2022, and according to the ruling the Bank won the case. However, as of March 31, 2023, the plaintiff still has the right to appeal, and the case has not yet been concluded. 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 and litigation costs) of the open litigation. Movements of the outstanding loss provision were as follows:

	For the Three Months Ended March 31	
	2023	**2022**
Balance at January 1	$ 24,090	$ 19,090
Loss provision	1,250	1,250
Balance at March 31	$ 25,340	$ 20,340

For the three months ended March 31, 2023 and 2022, the loss provision of $1,250 thousand was recognized for 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

March 31, 2023

	Carrying Amount	Fair Value			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets					
Investments in debt instruments at amortized cost	$ 106,843,962	$ 78,498,052	$ 27,357,756	$ -	$ 105,855,808
Financial liabilities					
Financial liabilities at amortized cost					
Bank debentures	16,500,000	-	16,643,029	-	16,643,029

December 31, 2022

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Investments in debt instrument at amortized cost	$ 105,378,466	$ 76,715,095	$ 27,222,061	$ -	$ 103,937,156
Financial liabilities					
Financial liabilities at amortized cost					
Bank debentures	16,500,000	-	16,643,094	-	16,643,094

March 31, 2022

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Investments in debt instruments at amortized cost	$ 110,210,888	$ 84,406,776	$ 25,552,061	$ -	$ 109,958,837
Financial liabilities					
Financial liabilities at amortized cost					
Bank debentures	16,500,000	-	16,636,279	-	16,636,279

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.

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

1) Fair value hierarchy

	March 31, 2023			
	Total	Level 1	Level 2	Level 3
Financial assets at FVTPL				
Derivative financial assets	$ 7,261,089	$ -	$ 7,261,089	$ -
Commercial papers	24,174,966	24,174,966	-	-
Domestic listed shares and emerging market shares	956,670	921,065	35,605	-
Domestic unlisted shares	90,562	-	-	90,562
Beneficiary certificates	355,719	355,719	-	-
Domestic corporate bonds	546,900	546,900	-	-
Others	878,079	-	878,079	-
	$ 34,263,985	$ 25,998,650	$ 8,174,773	$ 90,562

(Continued)

	March 31, 2023			
	Total	Level 1	Level 2	Level 3
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ 878,745	$ -	$ -	$ 878,745
Domestic listed shares	4,474,651	4,474,651	-	-
Foreign listed shares	342,501	342,501	-	-
Investments in debt instruments				
Domestic corporate bonds	29,391,000	29,391,000	-	-
Domestic government bonds	5,292,512	5,292,512	-	-
Foreign bonds	4,630,512	-	4,630,512	-
Bank debentures	1,671,699	1,671,699	-	-
	$ 46,681,620	$ 41,172,363	$ 4,630,512	$ 878,745
Financial liabilities at FVTPL				
Derivative financial liabilities	$ 1,120,056	$ -	$ 1,120,056	$ -

(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	$ 87,095	$ 3,467	$ -	$ -	$ -	$ -	$ 90,562

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	$ 898,032	$ (19,287)	$ -	$ -	$ -	$ -	$ 878,745

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Financial assets at FVTPL				
Derivative financial assets	$ 8,327,102	$ -	$ 8,327,102	$ -
Commercial papers	18,158,908	18,158,908	-	-
Domestic listed shares and emerging market shares	682,938	643,358	39,580	-
Domestic unlisted shares	87,095	-	-	87,095
Beneficiary certificates	290,350	290,350	-	-
Domestic corporate bonds	587,037	587,037	-	-
Others	875,684	-	875,684	-
	$ 29,009,114	$ 19,679,653	$ 9,242,366	$ 87,095

(Continued)

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ 898,032	$ -	$ -	$ 898,032
Domestic listed shares	3,926,732	3,926,732	-	-
Foreign listed shares	328,228	328,228	-	-
Investments in debt instruments				
Domestic corporate bonds	29,822,548	29,822,548	-	-
Domestic government bonds	5,228,275	5,228,275	-	-
Foreign bonds	3,362,115	-	3,362,115	-
Bank debentures	1,663,045	1,663,045	-	-
	$ 45,228,975	$ 40,968,828	$ 3,362,115	$ 898,032
Financial liabilities at FVTPL				
Derivative financial liabilities	$ 1,630,985	$ -	$ 1,630,985	$ -

(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	$ 5,484	$ -	$ -	$ -	$ -	$ 87,095

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	$ 87,798	$ -	$ -	$ -	$ -	$ 898,032

	March 31, 2022			
	Total	Level 1	Level 2	Level 3
Financial assets at FVTPL				
Derivative financial assets	$ 5,074,819	$ -	$ 5,074,819	$ -
Commercial papers	25,822,836	25,822,836	-	-
Domestic listed shares and emerging market shares	1,052,330	979,049	73,281	-
Domestic unlisted shares	81,636	-	-	81,636
Beneficiary certificates	819,219	819,219	-	-
Domestic corporate bonds	433,208	433,208	-	-
Others	844,786	-	844,786	-
	$ 34,128,834	$ 28,054,312	$ 5,992,886	$ 81,636

(Continued)

	March 31, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ 932,282	$ -	$ -	$ 932,282
Domestic listed shares	3,934,845	3,934,845	-	-
Foreign listed shares	324,415	324,415	-	-
Investments in debt instruments				
Domestic corporate bonds	34,067,844	34,067,844	-	-
Domestic government bonds	5,384,964	5,384,964	-	-
Foreign bonds	3,165,151	-	3,165,151	-
Bank debentures	2,189,282	2,189,282	-	-
	$ 49,998,783	$ 45,901,350	$ 3,165,151	$ 932,282
Financial liabilities at FVTPL				
Derivative financial liabilities	$ 1,003,490	$ -	$ 1,003,490	$ -

(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	$ 25	$ -	$ -	$ -	$ -	$ 81,636

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	$ 122,048	$ -	$ -	$ -	$ -	$ 932,282

There were no transfers between Levels 1 and 2 in the current and prior period.

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 March 31, 2023, December 31, 2022 and March 31, 2022, were as follows:

Items	Fair Value on March 31, 2023	Fair Value on December 31, 2022	Fair Value on March 31, 2022	Valuation Techniques	Significant Unobservable Input	Range	Relationship Between Inputs and Fair Value
Financial assets at fair value through profit or loss							
Domestic unlisted shares	$ 90,562	$ 87,095	$ 81,636	Seller's quote (Monte Carlo Simulation Method)	Volatility rate	19.69%-33.00%	The lower the volatility rate, the higher the fair value
					Minority equity volatility rate	34.14%	The lower the minority equity volatility rate, the higher the fair value
Financial assets at fair value through other comprehensive income							
Domestic unlisted shares	878,745	898,032	932,282	Seller's quote (Monte Carlo Simulation Method)	Volatility rate	21.85%-22.93%	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 adopts multiple approaches to estimate the volatility rate of quantitative information on its significant unobservable input. The sensitivity analysis based on category of assets is as follows:

March 31, 2023

Significant Unobservable Input	Sensitivity Rate	Impact
Liquidity discount ratio	Increase 10%	$ (23,458)
	Decrease 10%	23,458

December 31, 2022

Significant Unobservable Input	Sensitivity Rate	Impact
Liquidity discount ratio	Increase 10%	$ (23,496)
	Decrease 10%	23,496

March 31, 2022

Significant Unobservable Input	Sensitivity Rate	Impact
Liquidity discount ratio	Increase 10%	$ (23,813)
	Decrease 10%	23,813

c. Categories of financial instruments

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets			
Financial assets at FVTPL	$ 34,263,985	$ 29,009,114	$ 34,128,834
Financial assets at amortized cost (Note 1)	708,650,140	714,777,268	682,004,935
Financial assets at FVTOCI			
Equity instruments	5,695,897	5,152,992	5,191,542
Debt instruments	40,985,723	40,075,983	44,807,241
Financial liabilities			
Financial liabilities at FVTPL	1,120,056	1,630,985	1,003,490
Financial liabilities at amortized cost (Note 2)	733,402,320	733,924,611	713,567,394

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, investments in debt instruments 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 rates 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-Group 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 March 31, 2023, the Group has identified all the information systems and internal processes that need to be updated, and completed some of the updates.

As of March 31, 2023, 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:

	Amount	
Non-derivative Financial	**Financial Assets**	**Financial Liabilities**
Notes discounted and loans, net		
USD LIBOR	$ 2,666,000	$ -
Financial assets at amortized cost		
USD LIBOR	214,000	-
	$ 2,880,000	$ -

		Amount	
Derivative Financial	**Nominal Amount**	**Financial Assets**	**Financial Liabilities**
Interest rate-linked structured instrument contracts			
USD LIBOR	$ 1,020,751	$ 135,572	$ 135,572

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 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 March 31, 2023, December 31, 2022 and March 31, 2022 would have increased/decreased by $676,717 thousand, $716,053 thousand and $831,096 thousand, respectively, and other equity would have decreased/increased by $1,906,589 thousand, $1,659,054 thousand and $1,552,627 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 March 31, 2023, December 31, 2022 and March 31, 2022 would have increased/decreased by $256,133 thousand, and increased/decreased by $98,313 thousand and $95,368 thousand, respectively, and other equity would have increased/decreased by $163,737 thousand, $132,380 thousand and $118,515 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 March 31, 2023, December 31, 2022 and March 31, 2022 would have increased/decreased by $210,443 thousand, $159,057 thousand and $292,978 thousand, respectively, and other equity would have increased/decreased by $854,385 thousand, $772,949 thousand and $778,731 thousand, respectively.

The summary of sensitivity analysis was as follows:

March 31, 2023			
Main Risk	Range of Change	Influence Amount	
		Other Equity	Income
Interest risk	Interest rate curve rises 100BPS	$ (1,906,589)	$ 676,717
	Interest rate curve falls 100BPS	1,906,589	(676,717)
Exchange rate risk	USD/NTD, CNY/NTD, JPY/NTD increase by 3%	163,737	256,133
	USD/NTD, CNY/NTD, JPY/NTD decrease by 3%	(163,737)	(256,133)
Equity securities price risk	Equity securities prices rise by 15%	854,385	210,443
	Equity securities prices fall by 15%	(854,385)	(210,443)

December 31, 2022			
Main Risk	Range of Change	Influence Amount	
		Other Equity	Income
Interest risk	Interest rate curve rises 100BPS	$ (1,659,054)	$ 716,053
	Interest rate curve falls 100BPS	1,659,054	(716,053)
Exchange rate risk	USD/NTD, CNY/NTD, JPY/NTD increase by 3%	132,380	98,313
	USD/NTD, CNY/NTD, JPY/NTD decrease by 3%	(132,380)	(98,313)
Equity securities price risk	Equity securities prices rise by 15%	772,949	159,057
	Equity securities prices fall by 15%	(772,949)	(159,057)

March 31, 2022			
Main Risk	Range of Change	Influence Amount	
		Other Equity	Income
Interest risk	Interest rate curve rises 100BPS	$ (1,552,627)	$ 831,096
	Interest rate curve falls 100BPS	1,552,627	(831,096)
Exchange rate risk	USD/NTD, CNY/NTD, JPY/NTD increase by 3%	118,515	95,368
	USD/NTD, CNY/NTD, JPY/NTD decrease by 3%	(118,515)	(95,368)
Equity securities price risk	Equity securities prices rise by 15%	778,731	292,978
	Equity securities prices fall by 15%	(778,731)	(292,978)

2) Credit risk

a) The source and definition of credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in 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 March 31, 2023, the ratio of loans with collateral to the total amount of loans was approximately 74%. 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 property 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 the 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:

<u>Quantitative indicators</u>

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

  The TCRI rating of the listed cabinet company corresponding to the external rating has been reduced from the investment grade to the non-investment grade, that is, the credit risk has significantly increased since the 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.

<u>Qualitative indicators</u>

- Unfavorable changes in the current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform debt obligations.

- Significant changes in actual or expected results of the debtor's operations.

- The credit risk of other financial instruments from the same debtor has increased significantly.

ii) Definition of default and credit-impaired financial assets

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

Quantitative indicators

- Changes in external TCRI credit ratings

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

- Information on overdue status

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

Qualitative indicators

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

- The debtor has gone bankrupt or may have called for bankruptcy or financial restructuring.

- Other debt instrument contracts of the debtor have defaulted.

- Due to the economic or contractual reasons associated with the debtor's financial difficulties, the debtor's creditors give the borrower an unconfirmed concession and report the overdue loan.

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

iii) Measurement of expected credit losses

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

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

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

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

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

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

Consideration of forward-looking estimation

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

ii. Debt instrument investments

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

The securities held by the Group recognize the expected credit losses 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:

<u>Quantitative indicators</u>

- 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.

<u>Qualitative indicators</u>

- 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.

<u>Quantitative indicators</u>

- 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.

<u>Qualitative indicators</u>

- 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. Collaterals

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 collaterals. To enforce the rights to collaterals, the Group manages and assesses the collaterals according to the procedures adopted in determining the scope of collateralization and valuation of collaterals.

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 collaterals 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 collaterals when option contracts are under resale agreement.

iii) Performance bond (loss on investment position): Asking for collaterals 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:

March 31, 2023

	Total Carrying Amount	Allowance for Impairment Loss	Total Value of Exposure	Fair Value of Collateral
Financial assets that were impaired				
Notes discounted and loans	$ 7,928,737	$ (1,884,877)	$ 6,043,860	$ 6,043,860
Receivables	820,756	(215,528)	605,228	590,284
Guarantees and letters of credit	97,110	(35,770)	61,340	42,517
Debt instruments	8,310	(8,310)	-	-
Others	69,894	(11,239)	58,655	-
Total financial assets that were impaired	$ 8,924,807	$ (2,155,724)	$ 6,769,083	$ 6,676,661

December 31, 2022

	Total Carrying Amount	Allowance for Impairment Loss	Total Value of Exposure	Fair Value of Collateral
Financial assets that were impaired				
Notes discounted and loans	$ 7,187,918	$ (1,634,126)	$ 5,553,792	$ 5,553,792
Receivables	778,507	(196,536)	581,971	568,506
Guarantees and letters of credit	90,196	(34,996)	55,200	37,864
Debt instruments	8,380	(8,380)	-	-
Others	79,019	(11,897)	67,122	-
Total financial assets that were impaired	$ 8,144,020	$ (1,885,935)	$ 6,258,085	$ 6,160,162

March 31, 2022

	Total Carrying Amount	Allowance for Impairment Loss	Total Value of Exposure	Fair Value of Collateral
Financial assets that were impaired				
Notes discounted and loans	$ 8,868,478	$ (1,840,040)	$ 7,028,438	$ 7,028,438
Receivables	883,924	(234,447)	649,477	649,477
Guarantees and letters of credit	89,284	(33,844)	55,440	37,864
Debt instruments	7,812	(7,812)	-	-
Others	85,019	(11,917)	73,102	-
Total financial assets that were impaired	$ 9,934,517	$ (2,128,060)	$ 7,806,457	$ 7,715,779

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:

	March 31, 2023	December 31, 2022	March 31, 2022
Irrevocable loan commitments	$ 12,515,900	$ 11,709,253	$ 7,796,851
Credit card commitments	14,673,958	14,958,648	14,273,289
Guarantee receivables	26,253,131	27,269,501	27,664,939
Letters of credit	4,201,141	3,350,494	4,542,216

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 were as follows:

Counterparty	March 31, 2023	December 31, 2022	March 31, 2022
Private enterprise	$ 281,956,923	$ 285,611,571	$ 275,563,984
Natural person	267,945,175	271,000,752	257,148,019
Government agencies	2,296,272	1,262,000	-
Others	2,792,691	2,605,667	2,186,348
	$ 554,991,061	$ 560,479,990	$ 534,898,351

Credit Risk Profile by Group or Industry	March 31, 2023	December 31, 2022	March 31, 2022
Natural person	$ 267,945,175	$ 271,000,752	$ 257,148,019
Manufacturing	80,629,166	83,555,861	82,721,172
Commercial	49,203,529	51,870,453	54,723,754
Real estate and leasing	75,422,599	73,337,914	69,429,688
Construction industry	27,282,305	25,904,700	23,153,599
Servicing	11,572,778	12,033,816	10,937,887
Finance and insurance	22,943,235	23,922,705	21,005,149
Transportation warehousing and information communication	8,688,753	8,691,538	8,491,849
Others	11,303,521	10,162,251	7,287,234
	$ 554,991,061	$ 560,479,990	$ 534,898,351

Credit Risk Profile by Region	March 31, 2023	December 31, 2022	March 31, 2022
Domestic	$ 519,522,273	$ 525,300,491	$ 501,265,369
Asia	23,411,888	23,083,178	21,029,167
North America	8,930,376	9,297,320	9,533,668
Others	3,126,524	2,799,001	3,070,147
	$ 554,991,061	$ 560,479,990	$ 534,898,351

Credit Risk Profile by Collateral	March 31, 2023	December 31, 2022	March 31, 2022
Unsecured	$ 89,341,847	$ 92,060,824	$ 86,087,590
Secured			
Real estate	408,322,467	410,025,605	394,674,254
Letter of bank guarantee	16,751,634	17,280,784	17,936,982
Chattel	8,146,403	7,661,747	6,658,783
Debenture	17,453,815	18,955,531	17,130,097
Notes receivable	1,480,076	1,664,987	1,723,033
Shares	7,569,492	7,499,794	5,907,474
Others	5,925,327	5,330,718	4,780,138
	$ 554,991,061	$ 560,479,990	$ 534,898,351

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

March 31, 2023

	Notes Discounted and Loans				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 240,396,161	$ 2,871,057	$ 4,989,890	$ -	$ 248,257,108
Consumer loans	254,375,763	9,914,546	2,938,757	-	267,229,066
Others	20,523	817	90	-	21,430
Total carrying amount	494,792,447	12,786,420	7,928,737	-	515,507,604
Allowance for doubtful accounts	(1,988,815)	(904,782)	(1,884,877)	-	(4,778,474)
Difference of impairment loss under regulations	-	-	-	(1,957,505)	(1,957,505)
	$ 492,803,632	$ 11,881,638	$ 6,043,860	$ (1,957,505)	$ 508,771,625

	Receivables				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 13,889,848	$ 365,417	$ 754,153	$ -	$ 15,009,418
Consumer loans	2,004,193	26,011	38,860	-	2,069,064
Others	69,998,033	10,974	27,743	-	70,036,750
Total carrying amount	85,892,074	402,402	820,756	-	87,115,232
Allowance for doubtful accounts	(132,206)	(8,264)	(215,528)	-	(355,998)
Difference of impairment loss under regulations	-	-	-	(108,208)	(108,208)
	$ 85,759,868	$ 394,138	$ 605,228	$ (108,208)	$ 86,651,026

	Irrevocable Loan Commitments				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 10,637,121	$ 239,780	$ 69,894	$ -	$ 10,946,795
Consumer loans	1,569,105	-	-	-	1,569,105
Total carrying amount	12,206,226	239,780	69,894	-	12,515,900
Allowance for doubtful accounts	(72,340)	(26,851)	(11,239)	-	(110,430)
Difference of impairment loss under regulations	-	-	-	(2,360)	(2,360)
	$ 12,133,886	$ 212,929	$ 58,655	$ (2,360)	$ 12,403,110

	Credit Card Commitments				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Consumer loans	$ 14,622,626	$ 51,332	$ -	$ -	$ 14,673,958
Total carrying amount	14,622,626	51,332	-	-	14,673,958
Allowance for doubtful accounts	(4,820)	(1,115)	-	-	(5,935)
Difference of impairment loss under regulations	-	-	-	(1,447)	(1,447)
	$ 14,617,806	$ 50,217	$ -	$ (1,447)	$ 14,666,576

	Guarantee Receivables				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 25,828,402	$ 327,619	$ 97,110	$ -	$ 26,253,131
Total carrying amount	25,828,402	327,619	97,110	-	26,253,131
Allowance for doubtful accounts	(174,991)	(64,924)	(35,770)	-	(275,685)
Difference of impairment loss under regulations	-	-	-	(3,578)	(3,578)
	$ 25,653,411	$ 262,695	$ 61,340	$ (3,578)	$ 25,973,868

	Letters of Credit				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 4,201,141	$ -	$ -	$ -	$ 4,201,141
Total carrying amount	4,201,141	-	-	-	4,201,141
Allowance for doubtful accounts	(10,951)	-	-	-	(10,951)
Difference of impairment loss under regulations	-	-	-	(12,056)	(12,056)
	$ 4,190,190	$ -	$ -	$ (12,056)	$ 4,178,134

December 31, 2022

	Notes Discounted and Loans				
	Stage 1 **12-month ECLs**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Difference of Impairment Loss under Regulations**	**Total**
Product category					
Corporate loans	$ 242,007,307	$ 3,782,197	$ 4,754,053	$ -	$ 250,543,557
Consumer loans	257,505,411	10,261,354	2,433,710	-	270,200,475
Others	23,037	498	155	-	23,690
Total carrying amount	499,535,755	14,044,049	7,187,918	-	520,767,722
Allowance for doubtful accounts	(2,055,966)	(1,156,156)	(1,634,126)	-	(4,846,248)
Difference of impairment loss under regulations	-	-	-	(1,808,648)	(1,808,648)
	$ 497,479,789	$ 12,887,893	$ 5,553,792	$ (1,808,648)	$ 514,112,826

	Receivables				
	Stage 1 **12-month ECLs**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Difference of Impairment Loss under Regulations**	**Total**
Product category					
Corporate loans	$ 13,025,382	$ 367,145	$ 706,839	$ -	$ 14,099,366
Consumer loans	1,580,472	29,526	44,000	-	1,653,998
Others	68,144,932	4	27,668	-	68,172,604
Total carrying amount	82,750,786	396,675	778,507	-	83,925,968
Allowance for doubtful accounts	(127,490)	(9,604)	(196,536)	-	(333,630)
Difference of impairment loss under regulations	-	-	-	(152,676)	(152,676)
	$ 82,623,296	$ 387,071	$ 581,971	$ (152,676)	$ 83,439,662

	Irrevocable Loan Commitments				
	Stage 1 **12-month ECLs**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Difference of Impairment Loss under Regulations**	**Total**
Product category					
Corporate loans	$ 10,318,566	$ -	$ 79,019	$ -	$ 10,397,585
Consumer loans	1,311,668	-	-	-	1,311,668
Total carrying amount	11,630,234	-	79,019	-	11,709,253
Allowance for doubtful accounts	(72,492)	-	(11,897)	-	(84,389)
Difference of impairment loss under regulations	-	-	-	(1,617)	(1,617)
	$ 11,557,742	$ -	$ 67,122	$ (1,617)	$ 11,623,247

	Credit Card Commitments				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Consumer loans	$ 14,888,343	$ 70,305	$ -	$ -	$ 14,958,648
Total carrying amount	14,888,343	70,305	-	-	14,958,648
Allowance for doubtful accounts	(5,295)	(1,648)	-	-	(6,943)
Difference of impairment loss under regulations	-	-	-	(439)	(439)
	$ 14,883,048	$ 68,657	$ -	$ (439)	$ 14,951,266

	Guarantee Receivables				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 27,052,806	$ 126,499	$ 90,196	$ -	$ 27,269,501
Total carrying amount	27,052,806	126,499	90,196	-	27,269,501
Allowance for doubtful accounts	(193,788)	(20,588)	(34,996)	-	(249,372)
Difference of impairment loss under regulations	-	-	-	(26,591)	(26,591)
	$ 26,859,018	$ 105,911	$ 55,200	$ (26,591)	$ 26,993,538

	Letters of Credit				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 3,150,494	$ 200,000	$ -	$ -	$ 3,350,494
Total carrying amount	3,150,494	200,000	-	-	3,350,494
Allowance for doubtful accounts	(8,267)	(9,214)	-	-	(17,481)
Difference of impairment loss under regulations	-	-	-	(343)	(343)
	$ 3,142,227	$ 190,786	$ -	$ (343)	$ 3,332,670

March 31, 2022

	Notes Discounted and Loans				
	Stage 1 **12-month ECLs**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Difference of Impairment Loss under Regulations**	**Total**
Product category					
Corporate loans	$ 229,869,782	$ 2,286,057	$ 6,292,100	$ -	$ 238,447,939
Consumer loans	244,698,641	9,152,635	2,576,265	-	256,427,541
Others	22,116	569	113	-	22,798
Total carrying amount	474,590,539	11,439,261	8,868,478	-	494,898,278
Allowance for doubtful accounts	(1,463,600)	(624,495)	(1,840,040)	-	(3,928,135)
Difference of impairment loss under regulations	-	-	-	(3,062,207)	(3,062,207)
	$ 473,126,939	$ 10,814,766	$ 7,028,438	$ (3,062,207)	$ 487,907,936

	Receivables				
	Stage 1 **12-month ECLs**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Difference of Impairment Loss under Regulations**	**Total**
Product category					
Corporate loans	$ 12,181,736	$ 356,211	$ 795,657	$ -	$ 13,333,604
Consumer loans	2,079,843	22,714	35,703	-	2,138,260
Others	64,507,463	18	52,564	-	64,560,045
Total carrying amount	78,769,042	378,943	883,924	-	80,031,909
Allowance for doubtful accounts	(107,391)	(6,930)	(234,447)	-	(348,768)
Difference of impairment loss under regulations	-	-	-	(148,599)	(148,599)
	$ 78,661,651	$ 372,013	$ 649,477	$ (148,599)	$ 79,534,542

	Irrevocable Loan Commitments				
	Stage 1 **12-month ECLs**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Difference of Impairment Loss under Regulations**	**Total**
Product category					
Corporate loans	$ 6,098,878	$ 33,250	$ 85,019	$ -	$ 6,217,147
Consumer loans	1,579,704	-	-	-	1,579,704
Total carrying amount	7,678,582	33,250	85,019	-	7,796,851
Allowance for doubtful accounts	(35,333)	(629)	(11,917)	-	(47,879)
Difference of impairment loss under regulations	-	-	-	(5,604)	(5,604)
	$ 7,643,249	$ 32,621	$ 73,102	$ (5,604)	$ 7,743,368

	Credit Card Commitments				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Consumer loans	$ 14,207,914	$ 65,375	$ -	$ -	$ 14,273,289
Total carrying amount	14,207,914	65,375	-	-	14,273,289
Allowance for doubtful accounts	(5,068)	(1,480)	-	-	(6,548)
Difference of impairment loss under regulations	-	-	-	(834)	(834)
	$ 14,202,846	$ 63,895	$ -	$ (834)	$ 14,265,907

	Guarantee Receivables				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 27,376,926	$ 198,729	$ 89,284	$ -	$ 27,664,939
Total carrying amount	27,376,926	198,729	89,284	-	27,664,939
Allowance for doubtful accounts	(168,231)	(12,678)	(33,844)	-	(214,753)
Difference of impairment loss under regulations	-	-	-	(71,210)	(71,210)
	$ 27,208,695	$ 186,051	$ 55,440	$ (71,210)	$ 27,378,976

	Letters of Credit				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 4,542,216	$ -	$ -	$ -	$ 4,542,216
Total carrying amount	4,542,216	-	-	-	4,542,216
Allowance for doubtful accounts	(9,817)	-	-	-	(9,817)
Difference of impairment loss under regulations	-	-	-	(3,089)	(3,089)
	$ 4,532,399	$ -	$ -	$ (3,089)	$ 4,529,310

ii. Debt instrument investments

March 31, 2023

	Financial Assets at FVTOCI			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Product category (Note)				
Investment grade bond	$ 41,012,298	$ -	$ -	$ 40,012,298
Non-investment grade bond	-	-	-	-
Total carrying amount	41,012,298	-	-	40,012,298
Allowance for impairment	(26,575)	-	-	(26,575)
Difference of impairment loss under regulations	-	-	-	-
	$ 40,985,723	$ -	$ -	$ 40,985,723

	Financial Assets at Amortized Cost			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Product category (Note)				
Investment grade bond	$ 58,649,540	$ 1,131,772	$ -	$ 59,781,312
Non-investment grade bond	-	-	8,310	8,310
Others (NCDs issued by the CBC)	47,098,280	-	-	47,098,280
Total carrying amount	105,747,820	1,131,772	8,310	106,887,902
Allowance for impairment	(24,333)	(11,297)	(8,310)	(43,940)
Difference of impairment loss under regulations	-	-	-	-
	$ 105,723,487	$ 1,120,475	$ -	$ 106,843,962

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:

March 31, 2023

	Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Total carrying amount	$ 41,866,443	$ 106,887,902
Loss allowance	(26,575)	(43,940)
Amortized cost	41,839,868	106,843,962
Fair value adjustment	(854,145)	-
	$ 40,985,723	$ 106,843,962

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 at March 31, 2023	
				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%	$ 41,866,443	$ 105,747,820
Abnormal (Stage 2)	Credit risk has increased significantly since the initial recognition.	Lifetime expected credit losses (no credit impaired)	0.70%-1.21%	-	1,131,772
Default (Stage 3)	There is evidence that the credit is impaired.	Lifetime expected credit losses (credit impaired)	100%	-	8,310
Write offs	There is evidence that the debtor is facing serious financial difficulties and the Bank cannot reasonably expect to recover the debt.	Write-off	-	-	-

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

	Credit Rating		
	Normal (12-month Expected Credit Losses)	**Abnormal (Lifetime ECL and Not Credit Impaired)**	**Default (Lifetime ECL with Credit Impaired)**
Financial assets at FVTOCI			
Balance at January 1, 2023	$ 27,120	$ -	$ -
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	-	-	-
Disposal	(537)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	(8)	-	-
Loss allowance at March 31, 2023	$ 26,575	$ -	$ -
Financial assets at amortized cost			
Balance at January 1, 2023	$ 22,742	$ 15,100	$ 8,380
Change in credit rating			
Normal turned to abnormal	4,549	(4,549)	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	4,560	-	-
Disposal	(2,067)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	(5,451)	746	(70)
Loss allowance at March 31, 2023	$ 24,333	$ 11,297	$ 8,310

December 31, 2022

	Financial Assets at FVTOCI			
	Stage 1 12-month ECLs	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Product category (Note)				
Investment grade bond	$ 40,103,103	$ -	$ -	$ 40,103,103
Non-investment grade bond	-	-	-	-
Total carrying amount	40,103,103	-	-	40,103,103
Allowance for impairment	(27,120)	-	-	(27,120)
Difference of impairment loss under regulations	-	-	-	-
	$ 40,075,983	$ -	$ -	$ 40,075,983

	Financial Assets at Amortized Cost			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECLs	**Lifetime ECL**	**Lifetime ECL**	**Total**
Product category (Note)				
Investment grade bond	$ 54,515,788	$ 1,402,240	$ -	$ 55,918,028
Non-investment grade bond	-	-	8,380	8,380
Others (NCDs issued by the CBC)	49,498,280	-	-	49,498,280
Total carrying amount	104,014,068	1,402,240	8,380	105,424,688
Allowance for impairment	(22,742)	(15,100)	(8,380)	(46,222)
Difference of impairment loss under regulations	-	-	-	-
	$ 103,991,326	$ 1,387,140	$ -	$ 105,378,466

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, 2022

	Financial Assets at FVTOCI	**Financial Assets at Amortized Cost**
Total carrying amount	$ 41,327,887	$ 105,424,688
Loss allowance	(27,120)	(46,222)
Amortized cost	41,300,767	105,378,466
Fair value adjustment	(1,224,784)	-
	$ 40,075,983	$ 105,378,466

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

Credit Rating	**Definition**	**Recognition Basis**	**Expected Credit Loss**	**Total Carrying Amount at December 31, 2022**	
				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%-0.06%	$ 41,327,887	$ 104,014,068
Abnormal (Stage 2)	Credit risk has increased significantly since the initial recognition.	Lifetime expected credit losses (no credit impaired)	0.83%-1.32%	-	1,402,240
Default (Stage 3)	There is evidence that the credit is impaired.	Lifetime expected credit losses (credit impaired)	100%	-	8,380
Write offs	There is evidence that the debtor is facing serious financial difficulties and the Bank cannot reasonably expect to recover the debt.	Write-off	-	-	-

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

	Credit Rating		
	Normal (12-month Expected Credit Losses)	**Abnormal (Lifetime ECL and Not Credit Impaired)**	**Default (Lifetime ECL with Credit Impaired)**
Financial assets at FVTOCI			
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	(1,657)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	(1,753)	-	-
Loss allowance at December 31, 2022	$ 27,120	$ -	$ -
Financial assets at amortized cost			
Balance at January 1, 2022	$ 23,109	$ -	$ 7,554
Change in credit rating			
Normal turned to abnormal	(15,100)	15,100	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	7,336	-	-
Disposal	(7,078)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	14,475	-	826
Loss allowance at December 31, 2022	$ 22,742	$ 15,100	$ 8,380

March 31, 2022

	Financial Assets at FVTOCI			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECLs	**Lifetime ECL**	**Lifetime ECL**	**Total**
Product category (Note)				
Investment grade bond	$ 44,837,629	$ -	$ -	$ 44,837,629
Non-investment grade bond	-	-	-	-
Total carrying amount	44,837,629	-	-	44,837,629
Allowance for impairment	(30,388)	-	-	(30,388)
Difference of impairment loss under regulations	-	-	-	-
	$ 44,807,241	$ -	$ -	$ 44,807,241

	Financial Assets at Amortized Cost			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Product category (Note)				
Investment grade bond	$ 47,944,778	$ -	$ -	$ 47,944,778
Non-investment grade bond	-	-	7,812	7,812
Others (NCDs issued by the CBC)	62,290,000	-	-	62,290,000
Total carrying amount	110,234,778	-	7,812	110,242,590
Allowance for impairment	(23,890)	-	(7,812)	(31,702)
Difference of impairment loss under regulations	-	-	-	-
	$ 110,210,888	$ -	$ -	$ 110,210,888

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:

March 31, 2022

	Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Total carrying amount	$ 45,115,330	$ 110,242,590
Loss allowance	(30,388)	(31,702)
Amortized cost	45,084,942	110,210,888
Fair value adjustment	277,701	-
	$ 44,807,241	$ 110,210,888

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

Credit Rating	Definition	Recognition Basis	Expected Credit Loss	Total Carrying Amount at March 31, 2022	
				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%	$ 45,115,330	$ 110,234,778
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%	-	7,812
Write offs	There is evidence that the debtor is facing serious financial difficulties and the Bank cannot reasonably expect to recover the debt.	Write-off	-	-	-

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

	Credit Rating		
	Normal (12-month Expected Credit Losses)	**Abnormal (Lifetime ECL and Not Credit Impaired)**	**Default (Lifetime ECL with Credit Impaired)**
Financial assets at FVTOCI			
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	(169)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	27	-	-
Loss allowance at March 31, 2022	$ 30,388	$ -	$ -
Financial assets at amortized cost			
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	1,597	-	-
Disposal	(1,102)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	286	-	258
Loss allowance at March 31, 2022	$ 23,890	$ -	$ 7,812

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.

March 31, 2023	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	$ 8,300,053	$ 730	$ 737	$ 52,220	$ -	$ 8,353,740
Funds borrowed from the Central Bank and other banks	1,938,341	3,002,864	1,035,390	1,945,477	1,712,897	9,634,969
Payables	7,376,411	865,073	244,750	954,112	415,547	9,855,893
Deposits and remittances	53,628,764	90,617,333	101,984,538	153,024,188	285,303,968	684,558,791
Bank debentures	-	-	92,661	119,401	16,500,000	16,712,062
Lease liabilities	14,867	29,804	44,373	87,177	761,611	937,832
Other items of cash outflow on maturity	1,621,406	1,679,158	126,673	164,845	3,766,913	7,358,995

December 31, 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	$ 8,702,273	$ -	$ 730	$ 737	$ -	$ 8,703,740
Funds borrowed from the Central Bank and other banks	595,482	3,010,784	2,408,823	1,129,083	1,753,930	8,898,102
Payables	9,156,221	713,207	582,054	343,950	260,582	11,056,014
Deposits and remittances	57,407,306	93,823,189	122,763,117	124,054,389	285,517,592	683,565,593
Bank debentures	-	-	-	71,967	16,500,000	16,571,967
Lease liabilities	15,329	30,804	43,779	85,883	776,242	952,037
Other items of cash outflow on maturity	1,723,635	943,549	818,529	196,423	3,608,645	7,290,781

March 31, 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	$ 3,400,013	$ 730	$ 737	$ 52,220	$ -	$ 3,453,700
Funds borrowed from the Central Bank and other banks	1,747,067	2,513,301	2,182,429	1,052,497	3,456,970	10,952,264
Securities sold under repurchase agreements	805,139	401,297	-	-	-	1,206,436
Payables	5,138,658	687,166	263,618	588,922	354,165	7,032,529
Deposits and remittances	56,966,071	92,108,396	83,092,537	156,327,741	283,219,756	671,714,501
Bank debentures	-	-	84,514	105,960	16,500,000	16,690,474
Lease liabilities	14,750	29,187	43,032	83,925	801,180	972,074
Other items of cash outflow on maturity	1,167,231	1,390,035	101,485	127,919	1,554,133	4,340,803

Maturity analysis of derivative financial liabilities

a) Derivative instruments settled at net amounts

Derivative instruments settled at net amounts include:

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

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

March 31, 2023	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	$ 46,825	$ 79,127	$ 123,539	$ 88,810	$ -	$ 338,301
Total	$ 46,825	$ 79,127	$ 123,539	$ 88,810	$ -	$ 338,301

December 31, 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	$ 58,272	$ 125,454	$ 116,544	$ 85,040	$ -	$ 385,310
Total	$ 58,272	$ 125,454	$ 116,544	$ 85,040	$ -	$ 385,310

March 31, 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	$ 33,228	$ 49,079	$ 86,189	$ 93,659	$ -	$ 262,155
Total	$ 33,228	$ 49,079	$ 86,189	$ 93,659	$ -	$ 262,155

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:

March 31, 2023	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	$ 17,331,706	$ 7,510,821	$ 5,744,393	$ 2,591,062	$ -	$ 33,177,982
Inflows	17,265,767	7,399,707	5,678,582	2,545,877	-	32,889,933
Total outflows	17,331,706	7,510,821	5,744,393	2,591,062	-	33,177,982
Total inflows	17,265,767	7,399,707	5,678,582	2,545,877	-	32,889,933
Net flows	$ (65,939)	$ (111,114)	$ (65,811)	$ (45,185)	$ -	$ (288,049)

December 31, 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	$ 17,935,625	$ 7,870,492	$ 2,694,326	$ 910,033	$ -	$ 29,410,476
Inflows	17,720,731	7,598,820	2,595,045	863,855	-	28,778,451
Total outflows	17,935,625	7,870,492	2,694,326	910,033	-	29,410,476
Total inflows	17,720,731	7,598,820	2,595,045	863,855	-	28,778,451
Net flows	$ (214,894)	$ (271,672)	$ (99,281)	$ (46,178)	$ -	$ (632,025)

March 31, 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	$ 2,992,254	$ 2,846,700	$ 8,747,008	$ 6,392,540	$ 579,362	$ 21,557,864
Inflows	2,952,232	2,791,802	8,516,736	6,285,612	575,319	21,121,701
Total outflows	2,992,254	2,846,700	8,747,008	6,392,540	579,362	21,557,864
Total inflows	2,952,232	2,791,802	8,516,736	6,285,612	575,319	21,121,701
Net flows	$ (40,022)	$ (54,898)	$ (230,272)	$ (106,928)	$ (4,043)	$ (436,163)

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.

March 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitments	$ 8,725,115	$ 23,084,407	$ 35,089,136	$ 69,869,305	$ 58,408,734	$ 195,176,697
Letters of credit	1,360,617	2,490,666	339,742	10,116	-	4,201,141
Guarantee receivables	3,360,609	6,261,894	1,512,906	3,586,255	11,531,467	26,253,131
Lease contract commitment	3,001,742	188,397	235,995	316,913	-	3,743,047
Total	$ 16,448,083	$ 32,025,364	$ 37,177,779	$ 73,782,589	$ 69,940,201	$ 229,374,016

December 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitments	$ 9,837,095	$ 19,810,438	$ 31,619,264	$ 70,681,639	$ 54,419,920	$ 186,368,356
Letters of credit	966,386	2,083,566	288,243	12,299	-	3,350,494
Guarantee receivables	4,810,563	6,111,423	1,167,508	3,306,319	11,873,688	27,269,501
Lease contract commitment	2,814,549	246,797	161,104	254,735	-	3,477,185
Total	$ 18,428,593	$ 28,252,224	$ 33,236,119	$ 74,254,992	$ 66,293,608	$ 220,465,536

March 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitments	$ 10,152,388	$ 16,233,124	$ 30,619,613	$ 66,967,061	$ 46,794,537	$ 170,766,723
Letters of credit	1,174,477	2,502,842	799,937	64,960	-	4,542,216
Guarantee receivables	4,235,226	8,337,867	2,582,190	3,223,576	9,286,080	27,664,939
Lease contract commitment	2,041,710	118,755	65,118	50,958	-	2,276,541
Total	$ 17,603,801	$ 27,192,588	$ 34,066,858	$ 70,306,555	$ 56,080,617	$ 205,250,419

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

The 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:

March 31, 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**
Financial assets at amortized cost					
Securities sold under repurchase agreements	$ 1,198,363	$ 1,206,045	$ 1,204,414	$ 1,206,045	$ (1,631)

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:

March 31, 2023

				Related Amounts Not Offset in the Balance Sheets		
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**	**Financial Instruments**	**Cash Collateral Received**	**Net Amount**
Securities purchased under resale agreements	$ 10,911,716	$ -	$ 10,911,716	$ 10,911,716	$ -	$ -

December 31, 2022

				Related Amounts Not Offset in the Balance Sheets		
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**	**Financial Instruments**	**Cash Collateral Received**	**Net Amount**
Securities purchased under resale agreements	$ 11,643,340	$ -	$ 11,643,340	$ 11,643,340	$ -	$ -

March 31, 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	$ 11,392,750	$ -	$ 11,392,750	$ 11,392,750	$ -	$ -

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	$ 1,206,045	$ -	$ 1,206,045	$ 1,206,045	$ -	$ -

42. INFORMATION ABOUT THE BANK

a. Asset quality

Category (Items)			March 31, 2023 Non-performing Loan (Note 1)	March 31, 2023 Total Loan	March 31, 2023 NPL Ratio (Note 2)	March 31, 2023 Allowance For Loan Losses	March 31, 2023 Coverage Ratio (Note 3)	March 31, 2022 Non-performing Loan (Note 1)	March 31, 2022 Total Loan	March 31, 2022 NPL Ratio (Note 2)	March 31, 2022 Allowance For Loan Losses	March 31, 2022 Coverage Ratio (Note 3)
Corporate loans	Secured		$ 485,013	$ 150,354,297	0.32%	$ 1,722,104	355.06%	$ 388,476	$ 151,954,018	0.26%	$ 2,521,372	649.04%
	Unsecured		80,788	97,887,146	0.08%	1,731,715	2,143.53%	59,761	86,466,563	0.07%	1,399,833	2,342.39%
Consumer loans	Mortgage (Note 4)		136,135	73,187,047	0.19%	1,100,586	808.45%	82,264	68,299,778	0.12%	1,021,600	1,241.86%
	Cash card		-	-	-	-	-	-	2	-	1	-
	Microcredit (Note 5)		1,833	897,987	0.20%	11,909	649.70%	1,463	954,353	0.15%	13,289	908.34%
	Other (Note 6)	Secured	242,080	158,108,693	0.15%	1,672,737	690.99%	254,886	155,602,018	0.16%	1,652,267	648.24%
		Unsecured	44,750	33,775,113	0.13%	496,341	1,109.14%	27,774	30,169,491	0.09%	381,393	1,373.20%
Loans			990,599	514,210,283	0.19%	6,735,392	679.93%	814,624	493,446,223	0.17%	6,989,755	858.03%

Category (Items)	March 31, 2023 Overdue Receivable	March 31, 2023 Accounts Receivable	March 31, 2023 Delinquency Ratio	March 31, 2023 Allowance for Credit Losses	March 31, 2023 Coverage Ratio	March 31, 2022 Overdue Receivable	March 31, 2022 Accounts Receivable	March 31, 2022 Delinquency Ratio	March 31, 2022 Allowance for Credit Losses	March 31, 2022 Coverage Ratio
Credit card	$ 1,027	$ 766,141	0.13%	$ 27,105	2,639.24%	$ 2,236	$ 712,485	0.31%	$ 28,260	1,263.86%
Accounts receivable without recourse (Note 7)	-	116,658	-	7,884	-	-	309,000	-	4,726	-

Non-reportable overdue loans and receivables

	March 31, 2023		March 31, 2022	
	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)	$ 624	$ 466	$ 1,039	$ 584
Amount received from performance of debt negotiation program (Note 9)	9,932	13,836	11,167	15,253
Total	10,556	14,302	12,206	15,837

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), the FSC pronouncement dated September 20, 2016 (Ref No. 10500134790).

b. Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Year	March 31, 2023		
Top 10 Rank (Note 1)	**Group (Note 2)**	**Total Credit (Note 3)**	**Percentage of Net Worth (%)**
1	Group A 016700 real estate development activities	$ 4,999,267	7.01
2	Group B 016700 real estate development activities	3,780,377	5.30
3	Group C 016700 real estate development activities	2,549,658	3.57
4	Group D 014290 civil engineering construction	2,147,145	3.01
5	Group E 016700 real estate development activities	1,800,263	2.52
6	Group F 015010 ocean transportation	1,757,034	2.46
7	Group G 010892 manufacture of macaroni, noodles, couscous and similar farinaceous products	1,749,810	2.45
8	Group H 014100 construction industry	1,733,122	2.43
9	Group I 012411 smelting and refining of iron and steel	1,714,663	2.40
10	Group J 012630 manufacture of bare printed circuit boards	1,665,082	2.33

Year	March 31, 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	$ 4,718,508	7.31
2	Group B 016700 real estate development activities	2,745,477	4.25
3	Group K 016700 real estate development activities	2,613,314	4.05
4	Group L 016700 real estate development activities	2,171,767	3.36
5	Group D 014290 civil engineering constructions	2,039,593	3.16
6	Group I 012411 smelting and refining of iron and steel	2,005,010	3.11
7	Group G 010892 manufacture of macaroni, noodles, couscous and similar farinaceous products	1,911,565	2.96
8	Group M 17010 activities of head offices	1,761,221	2.73
9	Group J 012630 manufacture of bare printed circuit boards	1,706,494	2.64
10	Group E 016700 real estate development activities	1,611,088	2.50

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
March 31, 2023

(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	$ 537,274,085	$ 12,399,935	$ 13,122,812	$ 99,267,200	$ 662,064,032
Interest-sensitive liabilities	184,166,607	364,599,070	64,762,547	9,494,780	623,023,004
Interest sensitivity gap	353,107,478	(352,199,135)	(51,639,735)	89,772,420	39,041,028
Net equity					71,323,523
Ratio of interest-sensitive assets to liabilities					106.27%
Ratio of interest sensitivity gap to net equity					54.74%

March 31, 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	$ 524,208,397	$ 6,908,885	$ 12,156,139	$ 99,885,247	$ 643,158,668
Interest-sensitive liabilities	145,820,016	364,898,470	90,592,295	12,403,746	613,714,527
Interest sensitivity gap	378,388,381	(357,989,585)	(78,436,156)	87,481,501	29,444,141
Net equity					64,567,750
Ratio of interest-sensitive assets to liabilities					104.80%
Ratio of interest sensitivity gap to net equity					45.60%

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
March 31, 2023

(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	$ 1,233,470	$ 197,116	$ 41,643	$ 518,580	$ 1,990,809
Interest-sensitive liabilities	1,004,237	1,079,191	295,022	9,390	2,387,840
Interest sensitivity gap	229,233	(882,075)	(253,379)	509,190	(397,031)
Net equity					2,342,162
Ratio of interest-sensitive assets to liabilities					83.37%
Ratio of interest sensitivity gap to net equity					(16.95%)

March 31, 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	$ 1,428,611	$ 320,150	$ 154,660	$ 259,331	$ 2,162,752
Interest-sensitive liabilities	919,714	1,262,551	218,743	-	2,401,008
Interest sensitivity gap	508,897	(942,401)	(64,083)	259,331	(238,256)
Net equity					2,255,642
Ratio of interest-sensitive assets to liabilities					90.08%
Ratio of interest sensitivity gap to net equity					(10.56%)

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		March 31, 2023	March 31, 2022
Return on total assets	Pretax	0.22	0.20
	After tax	0.18	0.17
Return on net equity	Pretax	2.47	2.39
	After tax	2.10	1.99
Profit margin		37.86	39.99

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 three months ended March 31, 2023 and 2022.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
March 31, 2023

(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	$ 719,465,909	$ 68,033,105	$ 57,254,090	$ 50,694,420	$ 64,062,332	$ 115,673,272	$ 363,748,690
Major capital outflow on maturity	880,062,588	27,008,473	42,681,344	106,615,474	140,693,651	196,564,528	366,499,118
Gap	(160,596,679)	41,024,632	14,572,746	(55,921,054)	(76,631,319)	(80,891,256)	(2,750,428)

March 31, 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	$ 698,106,813	$ 86,261,236	$ 54,468,358	$ 39,816,704	$ 56,488,042	$ 112,307,025	$ 348,765,448
Major capital outflow on maturity	834,974,662	28,059,328	37,197,791	95,707,518	119,582,891	194,032,324	360,394,810
Gap	(136,867,849)	58,201,908	17,270,567	(55,890,814)	(63,094,849)	(81,725,299)	(11,629,362)

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
March 31, 2023

(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	$ 3,199,288	$ 702,115	$ 495,918	$ 329,175	$ 209,250	$ 1,462,830
Major capital outflow on maturity	3,801,162	834,089	1,060,596	623,425	901,718	381,334
Gap	(601,874)	(131,974)	(564,678)	(294,250)	(692,468)	1,081,496

March 31, 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	$ 2,982,025	$ 541,512	$ 353,849	$ 487,184	$ 551,699	$ 1,047,781
Major capital outflow on maturity	3,583,306	625,268	1,084,062	578,894	941,313	353,769
Gap	(601,281)	(83,756)	(730,213)	(91,710)	(389,614)	694,012

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) The 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

      The 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:

	March 31, 2023						
	USD	CNY	JPY	AUD	EUR	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 4,815,147	$ 2,987,876	$ 1,032,472	$ 137,538	$ 177,265	$ 391,738	$ 9,542,036
Due from the Central Bank and call loans to other banks	855,701	88,620	-	-	-	1,111,912	2,056,233
Financial assets at fair value through profit or loss	1,639,140	-	-	-	36	108,512	1,747,688
Financial assets at fair value through other comprehensive income	3,185,330	1,674,689	-	112,994	-	-	4,973,013
Notes discounted and loans	29,354,875	1,018,079	1,548,007	76,640	1,163,463	467,045	33,628,109
Receivables	905,045	4,221,740	433,900	21,717	17,856	121,689	5,721,947
Financial assets at amortized cost	21,461,664	4,075,166	-	1,877,879	-	989,143	28,403,852
Other assets	828,869	-	-	-	-	-	828,869
Financial liabilities in foreign currencies							
Funds borrowed from the Central Bank and other banks	-	3,937,595	-	-	-	-	3,937,595
Deposits and remittances	69,679,585	4,949,042	1,804,489	1,620,826	655,966	1,600,197	80,310,105
Financial liabilities at fair value through profit or loss	686,661	-	-	-	52	108,511	795,224
Other financial liabilities	3,042,764	-	-	-	-	1,106,680	4,149,444
Payables	685,771	89,320	431,975	3,019	8,852	31,248	1,250,185
Lease liabilities	-	31,587	-	-	-	6,002	37,589
Provisions	27,497	-	-	-	-	-	27,497
Other liabilities	147,095	46,881	7,384	-	54,699	-	256,059
New Taiwan dollars exchange rate	30.45	4.43	0.23	20.33	33.13		

	December 31, 2022						
	USD	CNY	JPY	AUD	EUR	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 9,527,681	$ 1,128,203	$ 803,424	$ 197,957	$ 486,572	$ 546,630	$ 12,690,467
Due from the Central Bank and call loans to other banks	832,241	88,160	-	-	-	1,126,794	2,047,195
Financial assets at fair value through profit or loss	1,792,730	4,478	-	-	-	138,956	1,936,164
Financial assets at fair value through other comprehensive income	1,927,861	1,648,980	-	113,502	-	-	3,690,343
Notes discounted and loans	30,917,527	1,024,811	1,474,882	78,487	1,234,882	599,686	35,330,275
Receivables	829,905	4,012,178	241,772	17,466	10,231	103,348	5,214,900
Financial assets at amortized cost	22,068,806	4,053,954	-	1,419,170	-	868,909	28,410,839
Other assets	968,486	-	-	-	-	-	968,486
Financial liabilities in foreign currencies							
Funds borrowed from the Central Bank and other banks	-	3,652,448	-	-	-	-	3,652,448
Deposits and remittances	71,102,367	3,121,409	1,775,057	1,784,323	681,192	1,707,104	80,171,452
Financial liabilities at fair value through profit or loss	828,637	-	-	-	-	138,956	967,593
Other financial liabilities	2,844,053	-	-	-	-	1,145,435	3,989,488
Payables	469,660	75,895	239,674	1,014	3,756	21,489	811,488
Lease liabilities	-	32,365	-	-	-	7,039	39,404
Provisions	27,730	-	-	-	-	-	27,730
Other liabilities	135,641	46,773	2,439	-	55,379	-	240,232
New Taiwan dollars exchange rate	30.71	4.41	0.23	20.82	32.71		

	March 31, 2022						
	USD	CNY	JPY	AUD	EUR	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 6,270,309	$ 878,985	$ 320,174	$ 167,854	$ 51,042	$ 590,650	$ 8,279,014
Due from the Central Bank and call loans to other banks	257,625	360,640	-	-	-	1,022,606	1,640,871
Financial assets at fair value through profit or loss	1,417,827	-	-	-	1,496	103,612	1,522,935
Financial assets at fair value through other comprehensive income	1,373,799	1,996,623	-	119,143	-	-	3,489,565
Notes discounted and loans	34,001,696	855,336	1,275,842	80,213	1,300,811	783,854	38,297,752
Receivables	656,532	3,374,750	359,347	11,841	19,601	59,325	4,481,396
Financial assets at amortized cost	19,548,930	3,875,243	-	1,646,024	-	892,948	25,963,145
Other assets	378,858	-	-	-	-	2	378,860
Financial liabilities in foreign currencies							
Funds borrowed from the Central Bank and other banks	-	2,801,091	-	-	-	-	2,801,091
Deposits and remittances	68,277,263	3,646,230	1,055,779	1,981,940	698,008	1,866,057	77,525,277
Financial liabilities at fair value through profit or loss	389,457	20,302	-	-	1,674	103,612	515,045
Other financial liabilities	482,618	-	-	-	-	791,657	1,274,275
Payables	439,498	105,593	355,746	1,431	14,472	7,022	923,762
Lease liabilities	-	35,744	-	-	-	3,884	39,628
Provisions	23,288	-	-	-	-	-	23,288
Other liabilities	264,748	30,249	4,977	-	14,489	-	314,463
New Taiwan dollars exchange rate	28.63	4.51	0.24	21.39	31.93		

45. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the three months ended March 31, 2023

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes: New Leases	Non-cash Changes: End of Lease Term	Closing Balance
Funds borrowed from the Central Bank and other banks	$ 8,898,102	$ 736,867	$ -	$ -	$ 9,634,969
Commercial papers	2,681,022	(80,169)	-	-	2,600,853
Guarantee deposits received	620,271	(11,573)	-	-	608,698
Bank debentures	16,500,000	-	-	-	16,500,000
Lease liabilities	852,915	(39,684)	53,693	(21,400)	845,524
	$ 29,552,310	$ 605,441	$ 53,693	$ (21,400)	$ 30,190,044

For the three months ended March 31, 2022

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes: New Leases	Non-cash Changes: End of Lease Term	Closing Balance
Funds borrowed from the Central Bank and other banks	$ 10,459,156	$ 493,108	$ -	$ -	$ 10,952,264
Commercial papers	2,063,676	223,094	-	-	2,286,770
Guarantee deposits received	641,997	137,761	-	-	779,758
Bank debentures	16,500,000	-	-	-	16,500,000
Lease liabilities	853,218	(36,540)	34,534	(660)	850,552
	$ 30,518,047	$ 817,423	$ 34,534	$ (660)	$ 31,369,344

46. OTHER SIGNIFICANT EVENT

Due to the impact of the COVID-19 pandemic in 2022, future economic and financial developments 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.

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.

47. OPERATING SEGMENT FINANCIAL INFORMATION

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

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

a. Segment revenues and results

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

	Northern Area	Central Area	Southern Area	OBU	Overseas Branch	Head Office and Others	Adjustment and Write-off	Total
For the three months ended March 31, 2023								
Interest revenue	$ 1,150,264	$ 1,762,292	$ 1,048,138	$ 824,180	$ 59,959	$ 1,155,484	$ (1,138,705)	$ 4,861,612
Interest expense	(611,268)	(737,555)	(474,314)	(735,103)	(35,790)	(649,260)	1,138,705	(2,104,585)
Net revenue	538,996	1,024,737	573,824	89,077	24,169	506,224	-	2,757,027
Net income and loss other than interest								
Service fee income	203,553	301,062	169,031	22,118	10,026	187,010	-	892,800
Gain on financial instruments	-	-	-	8,212	-	399,590	-	407,802
Others	4,442	6,356	5,740	34,806	(495)	59,610	(18,702)	91,757
Provision for bad debts expense, commitments and guarantee liabilities	838	(297,900)	(27,801)	(3,533)	(11,992)	(98,055)	-	(438,443)
Operating expenses	(229,873)	(394,923)	(254,492)	-	(10,509)	(1,070,951)	18,702	(1,942,046)
Income (loss) before income tax	$ 517,956	$ 639,332	$ 466,302	$ 150,680	$ 11,199	$ (16,572)	$ -	$ 1,768,897

(Continued)

	Northern Area	Central Area	Southern Area	OBU	Overseas Branch	Head Office and Others	Adjustment and Write-off	Total
For the three months ended March 31, 2022								
Interest revenue	$ 743,773	$ 1,123,885	$ 620,882	$ 320,735	$ 22,002	$ 939,432	$ (608,300)	$ 3,162,409
Interest expense	(311,695)	(347,732)	(205,811)	(198,236)	(5,331)	(284,288)	608,300	(744,793)
Net revenue	432,078	776,153	415,071	122,499	16,671	655,144	-	2,417,616
Net income and loss other than interest								
Service fee income	195,042	290,947	175,720	33,924	4,312	162,594	-	862,539
Gain on financial instruments	-	-	-	10,512	-	83,131	-	93,643
Others	3,196	5,733	4,211	1,208	(1,272)	69,235	(18,615)	63,696
Provision for bad debts expense, commitments and guarantee liabilities	12,064	(92,587)	(29,647)	5,072	(1,841)	(110,930)	-	(217,869)
Operating expenses	(211,229)	(376,885)	(252,443)	-	(9,512)	(825,678)	18,615	(1,657,132)
Income (loss) before income tax	$ 431,151	$ 603,361	$ 312,912	$ 173,215	$ 8,358	$ 33,496	$ -	$ 1,562,493

(Concluded)

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

b. Segment assets

Segment Assets	March 31, 2023	December 31, 2022	March 31, 2022
Northern area	$ 161,970,353	$ 160,603,482	$ 145,168,915
Central area	205,184,934	215,134,508	204,325,412
Southern area	85,303,873	86,083,892	85,623,585
OBU	62,396,405	65,078,723	58,854,138
Overseas branch	5,110,311	3,697,399	3,315,841
Head office and others	289,366,419	277,364,824	285,212,608
	$ 809,332,295	$ 807,962,828	$ 782,500,499

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

	For the Three Months Ended March 31	
Location	2023	2022
Taiwan	$ 4,052,309	$ 3,359,659
Asia	96,645	77,599
America	432	236
	$ 4,149,386	$ 3,437,494

e. Information about major customers

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

48. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

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

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

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

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

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

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

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

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

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statements Accounts (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	Qiyi Integrated Marketing Co., Ltd.	Other receivables	Not related	$ 117,528	$ 113,766	$ 113,766	4-10	Necessary for short-term financing	$ -	Business turnover	$ 1,138	Real estate	$ 357,451	$ 222,490	$ 889,961	Note 9
		Shilian Real Estate Development Co., Ltd.	Other receivables	Not related	100,000	100,000	100,000	4-10	Necessary for short-term financing	-	Business turnover	1,000	None	-	222,490	889,961	Note 9
		TCCBL Co., Ltd. (B.V.I.)	Other receivables	Related	10,263	10,176	10,176	-	Necessary for short-term financing	-	Business turnover	102	None	-	222,490	889,961	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 THREE MONTHS ENDED MARCH 31, 2023
(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 Borrowing Amount	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	$ 13,349,418	$ 92,130	$ 91,356	$ -	$ -	4.11	$ 22,249,030	-	-	-
		Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Indirect shareholding of 100% of subsidiary	13,349,418	4,493,150	4,178,197	2,644,835	-	187.79	22,249,030	-	-	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
MARCH 31, 2023
(In Thousands of New Taiwan Dollars or Shares)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	March 31, 2023				Note
				Number of Shares	Carrying Amount (Note)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note)	
Taichung Commercial Bank Co., Ltd.	Domestic unlisted shares							
	Taichung Bank Leasing Corporation Limited	Subsidiary	Investment accounted for using the equity method	207,983	$ 2,224,903	100	$ 2,224,903	
	Taichung Bank Insurance Brokers Co., Ltd.	Subsidiary	Investment accounted for using the equity method	128,600	2,085,150	100	2,085,150	
	Taichung Bank Securities Co., Ltd.	Subsidiary	Investment accounted for using the equity method	162,450	1,797,053	100	1,797,053	
	Taichung Bank Securities Investment Trust Co., Ltd.	Associate	Investment accounted for using the equity method	12,000	172,257	38	172,257	
Taichung Bank Leasing Corporation Limited	Foreign unlisted shares							
	TCCBL Co., Ltd. (B.V.I.)	Sub-subsidiary	Investment accounted for using the equity method	30,000	917,309	100	917,309	
TCCBL Co., Ltd. (B.V.I.)	Foreign unlisted shares							
	Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Sub-subsidiary	Investment accounted for using the equity method	-	866,364	100	866,364	
Taichung Bank Securities Co., Ltd.	Domestic unlisted shares							
	Taichung Bank Venture Capital Co., Ltd.	Sub-subsidiary	Investment accounted for using the equity method	21,000	203,964	100	203,964	

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

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(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, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2023	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2023	Accumulated Inward Remittance of Earnings as of March 31, 2023
					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	$ 10,364 (CNY 2,337 thousand)	$ 866,364 (CNY 195,523 thousand)	$ -

Accumulated Investment in Mainland China as of March 31, 2023	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
$893,373	$893,373	$1,334,942

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$4.43, CNY1=NT$4.44).

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counterparty	Transaction Flow (Note 2)	Description of Transactions			
				Financial Statement Account	Amount (Note 3)	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%) (Note 4)
0	Taichung Commercial Bank Co., Ltd.	Taichung Insurance Brokers Co., Ltd.	a	Deposits and remittances	$ 1,609,681	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	30,081	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	10,027	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	19,394	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	369,935	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	78,904	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	14,460	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	14,759	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
2	Taichung Bank Leasing Corporation Limited	Taichung Commercial Bank Co., Ltd.	b	Right-of-use assets	11,876	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	12,061	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-

(Continued)

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

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

Note 2: Transaction flows are as follows:

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

Note 3: Have been eliminated on consolidation.

Note 4: Percentage to the consolidated total assets is calculated by dividing the amount of a particular asset or liability account by the consolidated total assets as of March 31, 2023. 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 three months ended March 31, 2023.

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

(Concluded)

TABLE 6

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
MARCH 31, 2023

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Man-Made Fiber Corporation	1,077,785,513	21.49
Pan Asia Chemical Corporation	276,386,634	5.51

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.