



彰化銀行

SINCE 1905

CHANG HWA BANK

ANNUAL REPORT 2022

# 2022

ANNUAL REPORT



NOTICE TO READERS

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

Published date: March, 2023

Website: <https://www.bankchb.com>

MOPS: <https://mops.twse.com.tw>

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### Stock Transfer Agency

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### Credit Rating Agency

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Address: 2F., No. 167, Dunhua N. Rd., Songshan Dist., Taipei City 10512, Taiwan (R.O.C.)  
Tel: (886) 2-2175-6800
- Standard & Poor's Hong Kong Limited  
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- Moody's Investors Service Hong Kong Limited  
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### CPA-Auditor of the Financial Report

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### Name of Any Exchanges Where the Company's Securities are Traded Offshore and Inquiry Method:

None.

### Website:

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# 2022 Sustainability Performance

## Overall Performance

- Selected as Sustainability Yearbook Member in S&P Global Sustainability Yearbook 2023 (Top 15%)
- Selected as the constituent stock of the TIP Customized Taiwan Smart Factor 50 Index
- Selected as the constituent stock of the FTSE4Good TIP Taiwan ESG Index for 9 consecutive terms
- Selected as the constituent stock of Taiwan High Compensation 100 Index for 9 consecutive years
- Selected as the constituent stock of FTSE4Good Emerging Index for 6 consecutive years
- Selected as the constituent stock of Taiwan Employment Creation Index 99 for the 6 consecutive years
- Awarded the Banking for Woman Initiative of the Year-Taiwan for 2 consecutive years by Asian Banking & Finance Magazine
- Selected into the finalist of the 6<sup>th</sup> Better Business Awards - Best Leader of the year- Highly Commended by the British Chamber of Commerce in Taipei in 2022
- Awarded the 2022 TCSA Taiwan Corporate Sustainability Awards for Corporate Sustainability Report Awards (Gold) by the Taiwan Institute for Sustainable Energy
- Awarded the Sustainability Resilience Pilot Award by the British Standards Institution (BSI) for 3 consecutive years
- Awarded the Best CSR Bank-Taiwan by the International Finance Magazine for 2 straight years
- Selected as the Global Top 500 Banking Brands for 13 times
- Awarded the "Achiever" award in the Greater China Business Sustainability Index (GCBSI) for 2 straight years

## Environmental Sustainability

- Awarded Management B score from Carbon Disclosure Project for Actions against Climate Change for 4 consecutive years
- Awarded the Outstanding Green Procurement Corporation by the Environmental Protection Department of the Taipei City Government for 5 consecutive years
- Awarded the 2022 Outstanding Green Procurement Corporation by the Environmental Protection Department of the New Taipei City Government
- Verified through the British Standard Institute (BSI) PAS 2060 carbon neutrality standard, the Changhwa Branch has become the Bank's first carbon-neutral branch.
- The TCFD report has once again passed the verification of the British Standards Institution (BSI) and has been awarded the highest level of certification, "Level 5+: Excellence"

## Corporate Governance

- Awarded the top 5% of TWSE-Listed Companies of the 8<sup>th</sup> and 9<sup>th</sup> term of Corporate Governance Evaluation and Top 4 in the Financial and Insurance Industry
- Certified "Excellence" by the Taiwan Corporate Governance Association in its CG6013(2021) Corporate Governance System Evaluation
- Awarded the Taiwan Intellectual Property Management System (TIPS) Level A Verification for 2 straight years

## Social Inclusion

- Awarded the "Excellent Banks that Organize Loans in Target Countries under the New Southbound Policy - Agricultural Credit Special Awards" and the "Excellent Banks that Organize Loans for Key Industries of Startups - Financial Guarantee Special Awards" by The Financial Supervisory Commission
- Awarded the Excellent Performance Awards for Financing SMEs by the Central Bank of the Republic of China
- Awarded the Golden Award for Credit Guarantee and Excellent Performance Award for Collection of Credit Guarantee Cases by the SME Credit Guarantee Fund of Taiwan in 2022
- Awarded the 2022 Corporate Finance Banking Awards - Taiwan by the International Finance Magazine
- Awarded the 2<sup>nd</sup> Taiwan Sustainable Investment Award - Individual Influence Silver Award by the Taiwan Institute for Sustainable Energy in 2022
- Awarded the 11<sup>th</sup> Financial Inclusion Promotion Award by the Taiwan Academy of Banking and Finance
- Awarded the Best Green Finance Achievement Award and the Best Digital Finance Service Award in the 2022 Excellent Banking Evaluation-Non-Financial Holding Banks held by The Excellence Magazine
- Awarded the 2022 Digital Finance Award - Digital Financial Inclusion Award by the Commercial Times
- Awarded the 2022 Golden Award - Credit Card Information Category by the Joint Credit Information Center
- Awarded the Best Reliable Interbank System Award by the Financial Information Service Co., Ltd.
- Awarded the USD Clearing MT103 Elite Quality Recognition Award, the USD Clearing MT 202 Elite Quality Recognition Award, and the EUR Clearing MT 103 Quality Recognition Award by J.P Morgan
- Awarded the 2022 Sports Promoter Award - Bronze Award for Sponsorship by the Sports Administration, Ministry of Education
- Awarded the Bronze Award in the Banking Sector of the 1<sup>st</sup> Taiwan Best Customer Center Award by Commercial Times in 2022
- Awarded the 2022 Happiness Enterprise Gold Award (Financial and Management Consulting) by 1111 Job Bank
- Awarded the 2022 Sports Enterprise Certification by the Sports Administration, Ministry of Education
- Extended the Healthy Workplace Certification by the Health Promotion Administration, Ministry of Health and Welfare
- Awarded the 2021 eFCS Write-off Processing Promotion Award by the Taiwan Clearing House
- Signed to join the Equator Principles (EP) Association and become one of the Equator Principles Financial Institutions (EPFIs) that participate in the voluntary initiative of the Equator Principles
- Awarded the 2022 Best Growth Award of the Year by Mastercard

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Chairperson *Joanne Ling*

## I | Letter to Shareholders

### A. 2022 Results of Operations

#### a. The domestic and overseas financial environments

In 2022, global economic and trade activities gradually recovered from the haze of the epidemic. However, affected by the imbalance in the worldwide supply chain and inflationary pressure, the central banks of major countries such as Europe, America, and Asia have launched tightening monetary policies to fight inflation, which resulted in issues such as financial market turbulence, declining demand in terminal markets, and destocking, which bringing the tightening of the global economic environment and added uncertainty to the outlook for the global economy.



Domestically, as the epidemic prevention measures are moving towards coexisting with the virus, the negative impact of the epidemic has gradually eased, and the performance of domestic consumption has also slowly recovered. However, the slowdown in global trade momentum in the second half of the year, coupled with the tightening of market funds, not only impacted the exports and private investment but also slowed the overall economic recovery and posed a considerable challenge to the bank's capital layout. In response to the trend of global supply chain restructuring and energy transformation, banks not only have the responsibility of providing financing funds but also make efforts to assist the industry in upgrading and transforming, thereby driving the increase in the bank's lending balance. Coupled with the expansion of bank deposit interest spreads as the central bank raises interest rates, the bank's interest income has greatly increased.

b. Bank organization and change

1. Following the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries", the Bank approved the 22<sup>nd</sup> Meeting of the 26<sup>th</sup> Board of Directors on January 24, 2022, and adjusted the name of the Bank's "Information Security Center" to "Information Security Division".

2. To enhance consumer protection and establish a corporate culture with "Fair Treatment of Customers", in the 23<sup>rd</sup> Meeting of the 26<sup>th</sup> Board of Directors, the Directors approved the establishment of the "Chang Hwa Bank Treat Customers Fairly Facilitating Committee" on February 22, 2022. Led by the President, members are the Executive Vice President and the EVP & Chief Compliance Officer to promote and implement the principle of fair hospitality.

c. Operational planning and implementation results of management strategies

1. In profit performance, driven by the Bank's internal operational strategies and coupled with the external economic environment, the Bank achieved outstanding performance in 2022, with a net income after tax of NT\$ 10.971 billion, a growth of 24.62% from the previous year, and EPS of NT\$ 1.04, with ROE of 6.44%. The Bank's credit asset quality also showed significant improvement, with a non-performing loan ratio of 0.20% and a coverage ratio of 638.07%.

2. Business development:

(1) Deposit/Loan business: The Bank is committed to developing and strengthening the credit extension of the existing SME customer base, optimizing the deposit and loan structure, and expanding the spread of deposits. The SMEs loan balance has increased by more than NT\$ 25 billion compared with the end of 2021. In addition, to support youth entrepreneurship and small and micro enterprises, the Bank provided a wide range of loan products, and supported over 10,000 young entrepreneurs, ranking third among banks in Taiwan. In addition, to cooperate with the government's efforts in improving housing market policies, we assist financially disadvantaged individuals and promote financial inclusion by focusing on self-use residential loans, expanding the foundation of the Bank's housing loan business, and market share ranks in the top 10 again. In 2022, the Bank's deposit/loan volume witnessed steady growth, increasing the average balance of total deposits by 11.27% and 8.30% in the average balance of total loans compared to the previous year.

(2) Digital finance business: The epidemic has accelerated the development of contactless financial services. In 2022, the Bank continued to enhance digital financial services, including launching an exclusive payment mechanism for the meat market and a working capital loan project for its demanders, online financing services for the Taiwan Power Company supply chain to respond to ESG, and enhancing customer protection and promoting financial-friendly services by adding an online banking login result notification to prevent fraud and improve accessibility for people with disabilities.

(3) Wealth management business: In response to the trend of sustainable development, the Bank introduced three exclusive "ESG Sustainability" and "Green Trends" investment-linked products and four funds with ESG themes and fundamental infrastructure. The Bank also provided a "Wealth Management VIP Customer Exclusive Service" to offer exceptional, top-notch services. At the same time, the Bank launched the "Mobile Financial Advisor APP" to respond to the paperless policy and provide real-time customized wealth management consulting and investment planning services that combine wealth management systems and big data analysis results for precise marketing.



President *Chao-Chung Chou*

### 3. Sustainable development:

The Bank has been paying attention to the international trend in sustainable finance. To implement the sustainable development policy, the Bank has incorporated ESG factors into its core business and operational activities and reviewed its sustainable development plan every year to implement the policy. In 2022, the Bank has achieved important goals in environmental, social and governance aspects.

- (1) Environmental: In 2022, the "Climate-related Financial Disclosure (TCFD) Report" issued by the Bank obtained the highest level (Level 5+: Excellence) certification from the British Standards Institution (BSI), and the result has been elevated compared to last year. This demonstrates the Bank's commitment to mitigating the impacts of climate risks, seizing opportunities for transformation, and taking concrete actions to achieve the goal of net zero emissions.
- (2) Social: To implement friendly financial services and enhance sustainable competitiveness, the Bank has established 80 bilingual branches, providing a bilingual and consultation services in Mandarin and English, leading many competitors in the industry. The Bank also partnered with the "Taiwanese Association of Sign Language Interpreters" to introduce Sign Language Video services. In addition, all of the Bank's automatic teller machines (ATMs) meet barrier-free models, and 120 of them also have barrier-free voice functions.
- (3) Governance: The Bank is committed to promoting sound corporate governance systems and awarded



the top 5% of TWSE-listed companies in the 8<sup>th</sup> Corporate Governance Evaluation and the top 4 in the financial and insurance industry. We also participated in the "CG6013 (2021) Corporate Governance System Evaluation" conducted by the Taiwan Corporate Governance Association and received the highest level of "Excellent" certification, demonstrating the Bank's active efforts to improve corporate governance mechanisms. In addition, to continuously improve our intellectual property management, the Bank's intellectual property (trademark) management system has once again obtained the Taiwan Intellectual Property Management Standard (TIPS) Grade A certification.

d. Budget execution

1. The total deposit volume was NT\$ 2,259,026,904 thousand, or 104.27% of the budget target.
2. The total loan volume was NT\$ 1,670,186,318 thousand, or 100.67% of the budget target.
3. The total investment business (securities) average volume was NT\$ 677,909,718 thousand, or 106.33% of the budget target.
4. The foreign exchange transactions were US\$ 160,628,338 thousand, or 100.94% of the budget target.
5. The securities brokerage transactions were NT\$ 174,227,066 thousand or 65.60% of the budget target.
6. Trust fund subscription was NT\$ 32,246,094 thousand or 58.64% of the budget target.
7. The assets under custody was NT\$ 294,408,231 thousand or 97.97% of the budget target.
8. The insurance agency transactions were NT\$ 12,409,744 thousand or 62.46% of the budget target.
9. Card business (Volume of transactions) was NT\$ 21,701,812 thousand or 110.72% of the budget target.

e. Financial highlights

1. Net interest income: NT\$ 24,645,303 thousand.
2. Net non-interest income: NT\$ 9,493,287 thousand.
3. Net revenue and gains: NT\$ 34,138,590 thousand.
4. Bad debts expense, commitment and guarantee liability provision: NT\$ 3,319,215 thousand.
5. Operating expenses: NT\$ 17,768,647 thousand.
6. Income before income tax: NT\$ 13,050,728 thousand.
7. Income tax expense: NT\$ 2,079,577 thousand.
8. Net income: NT\$ 10,971,151 thousand.
9. Other comprehensive income: (NT\$ 8,151,103) thousand. (Note)
10. Total comprehensive income: NT\$ 2,820,048 thousand.
11. EPS after tax: NT\$ 1.04.
12. Return on Assets (ROA): 0.42%.
13. Return on Equity (ROE): 6.44%.

Note: The interest hike of all central banks worldwide has resulted in an increase in the yield rate in the bond market and an intensifying stock market fluctuation. This resulted in a revaluation loss of NT\$7.113 billion in OCI-debt instruments and NT\$4.666 billion in OCI-equity instruments. In addition, the remeasurement amount of the defined benefit plan was NT\$1.371 billion, the exchange difference from translation of the financial

statements of foreign operations was NT\$2.565 billion, and the OCI-income tax was NT\$307 million.

f. Research and development

1. Innovative financial services

Regarding R&D patents, the Bank continued to accumulated innovation in FinTech and applying for related patents. In 2022, the Bank obtained 27 utility model patents and 12 invention patents; 3 utility model patents and 10 invention patents are currently under review.

2. Business research

To keep abreast of the latest industry and economic development trends, the Bank has set up a dedicated unit to collect and analyze the economic, industry, and market-related information and prepare overall economic and industry outlooks and research reports as a reference for business promotion and marketing interviews of all units in the Bank. Additionally, to promote business innovation and development, all employees are encouraged to research current business development trends and financial-related issues, and 20 business research reports were issued in 2022.

3. Big data application and development

The Bank created an electronic platform for real estate registration resumes by utilizing big data technology and real estate registration data from the Ministry of the Interior to provide filtered cases and to conduct differentiated pricing ratios for competitive and transit-oriented properties to bring appraisal values closer to market prices. At the same time, by combining external real estate registration data with internal data, the Bank can activate existing real estate collateral and increase the Bank's capacity to take on more mortgage business and net capital gains.

4. Introducing Robotic Process Automation (RPA) technology

The Bank launched 7 RPA projects in 2022 and is continuing to broaden the RPA technology's application areas to reduce the burden on human resources, increase operational efficiency, and decrease operational risks.



## B. 2023 Highlights of Business Plans

### a. Business directions and operational policies

In 2023, the Bank will uphold the main strategies of "Customer-Orientation, Sustainability, and Integrity" and the 4Cs sustainability targets, such as Carbon Reduction (Carbon), Sustainable Capital (Capital), Responsible Credit (Credit), and Financial Inclusion of Customers (Customer) to construct five major business principles as follow:

1. Expand core business and increase operating profit.
2. Customer oriented and focus on digital business opportunities.
3. Be diligent and fair in treating customers, and adhere to information security laws and regulations.
4. Stable asset quality and implement internal control and risk management.
5. Practice green finance and strengthen sustainable resilience.

Important operating policies are as follows:

#### ➤ Operation:

1. Optimize deposit/lending structure and improve deposit/lending interest rate spread to enhance profitability.
2. Seize green business opportunities and focus on sustainable products.
3. Develop diversified financial products and cultivate high-asset customers to increase the revenue of the wealth management business.
4. Widen the range of the acquirer business and improve digital financial services to create a financial ecosystem.
5. Expand overseas operating bases to increase business and profits and improve operating performance.

#### ➤ Management:

1. Strengthen climate risk management and cultivate sustainable finance talents.
2. Enhance corporate governance, regulatory compliance, and the effectiveness of ethical management.
3. Adopt a customer-oriented approach, implement the protection of the interests of financial consumers, and expand the service of inclusive finance.
4. Optimize operation process, improve operational efficiency, and reduce operational risk.
5. Strengthen information security measures, monitoring and management, and improve the information security governance.

### b. Business operational targets

1. Deposits Volume: NT\$ 2,460,748,423 thousand.
2. Loans Volume: NT\$ 1,768,591,029 thousand.
3. Investment Business (Securities): NT\$ 809,925,239 thousand.
4. Foreign Exchange Transactions: US\$ 179,831,993 thousand.
5. Securities Brokerage Transactions: NT\$ 204,600,000 thousand.
6. Trust Fund Subscription: NT\$ 37,292,919 thousand.
7. Assets under Custody: NT\$ 324,454,509 thousand.
8. Insurance Agency Transactions: NT\$ 15,449,320 thousand.
9. Card business (Volume of transaction): NT\$ 23,541,083 thousand.

## C. Future Development Strategy

Looking ahead to 2023, in order to achieve the vision of becoming "the most trustworthy financial service provider," the Bank will focus on deepening the diversification of financial products and improving the service quality of each operational location, and adding more diversified sustainable financial products to support customer needs for zero-net transition and growth and continue to expand the credit foundation. Along with actively accelerating the financial ecosystem's expansion, the Bank will also concentrate on enhancing business applications and precision marketing through cross-industry collaboration. The Bank will also focus on providing high-asset clients with a comprehensive selection of financial products and services to meet their needs, enhancing the synergy of wealth management, and accelerating sales momentum. Furthermore, the Bank will prudently evaluate expanding its overseas financial landscape to improve customer service, attract global talent, and strengthen its competitive advantage.

The Bank will focus on developing its core businesses and actively pursuing a variety of revenue streams while embracing the trend and opportunities of contactless financial services driven by digital technology. Furthermore, we are committed to promoting positive change in corporate governance, responsible finance, employee care, social inclusion, and environmental sustainability and implementing sustainable development goals. The Bank will move forward with steady and solid steps, keeping its promise to customers and working together to create a better future.

#### **D. The Impact of the External Competitive Environment, Regulatory Environment and Macroeconomic Environment**

##### a. The impact of external competitive environment

1. The demand for products against inflation has received more attention because of the interest rate hikes. The Bank will keep developing wealth management products such as insurance and funds with market competitiveness and value-added over time, continue to seize business opportunities and boost sales momentum.
2. The Bank will implement a strategy of dynamically adjusting the allocation of short-term funds in response to trends in the global economy. The objective is to maintain flexibility and prudent operational methods while ensuring liquidity, increase interest income by increasing the interest rate spread, and enhance the overall yield of available funds.
3. The Bank will continue to improve the network and information security, grasp changes in the digital environment and the digital needs of financial consumers, more effectively utilize big data, adjust pricing and related management mechanisms promptly, provide digital goods and services more cost-effectively and innovatively to enhance customers' trust in the Bank.

##### b. The impact of regulatory environment

1. In order to enhance the protection of financial consumers, the Financial Supervisory Commission (FSC) revised the "Principle for Financial Service Industries to Treat Clients Fairly" in May 2022 with reference to the current practice and the development trend of international financial consumer protection. In promoting a culture of fair treatment and integrity in business, the Bank will keep improving the specific measures of treating customers fairly and review the implementation to strengthen the protection of the rights and interests of financial consumers.
2. Virtual currency has developed rapidly in recent years. Its related regulatory mechanisms have also attracted the attention of the Financial Action Task Force (FATF) and regulatory agencies in various countries. Following the FSC's "Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises Handling Virtual Currency Platform or Transaction" and "Regulations Governing Anti-Money Laundering of Financial Institutions," the Bank will continue to monitor and strengthen control over cryptocurrency platform operators. The Bank will submit suspicious transaction reports in accordance with the rules to implement anti-money laundering and counterterrorism measures if there are any anomalies.

c. The impact of macroeconomic environment

In 2022, with the rapid increase of global inflationary pressure, the central banks of major countries took proactive measures to combat inflation by raising interest rates. The tight financial environment has led to the risk of an assets bubble, and some countries are even facing sovereign debt crises, which have brought uncertainties to the prospects for global recovery. Despite a recent slight ease in global inflation, there are still many uncertainties in the world economy due to the persistent tight labor markets, the ongoing conflict between Russia and Ukraine, and unfavorable energy and food supplies. In addition, mutant viruses still pose potential threats and geopolitical risks, and the US-China trade disputes also impact the layout of the global supply chain.

In general, the uncertainty of the overall economic environment is still high, and the central banks of major countries continue to raise interest rates, causing the global economy to slow down. The domestic manufacturing industry is expected to face the pressure of destocking in the first half of 2023, while the operating is expected to usher in recovery with the inventory back to normal. In addition, with the loosening of border control measures and the gradual recovery of domestic demand and consumption, the performance of the domestic service industry is expected to grow steadily. Even with the numerous risks of an economic downturn in 2023, it is still expected to remain positive. The Bank will adhere to prudence, practicality, and integrity and strive to perform excellently to achieve a triple-win for our shareholders, customers, and employees.

**E. Latest Credit Ratings**

Credit Rating Agency	Release Date	International Rating		Domestic Rating		Outlook
		Long term	Short term	Long term	Short term	
Taiwan Ratings	2022/11	-	-	twAA+	twA-1+	Stable
S&P	2022/11	A	A-1	-	-	Stable
Moody's	2023/3	A2	P-1	-	-	Stable

Chairperson *Joanne Ling*

President *Alan Chiu*



## II | Bank Profile

### A. Date of Incorporation

Date of Registration: July 1950

ID: 51811609

### B. The Bank's Profile and History

The origin of the Chang Hwa Bank (the Bank) dates back to the colonial period under Japan's governance when Mr. Wu Ju-Hsiang founded the Kabushiki Kaisha Shoka Ginko in Chang Hwa on June 5, 1905, with initial capital of 220,000 Japanese yen raised from local businessmen and landlords.

Kabushiki Kaisha Shoka Ginko relocated its head office to Taichung in 1910 to better coordinate its expansion efforts of setting up branches and offices in all major and prosperous cities in Taiwan. In 2022, the Bank celebrated its 117<sup>th</sup> anniversary for its firmness.

On October 25, 1945, Taiwan was retroceded and on October 16, 1946, the Bank established the Chang Hwa Commercial Bank Preparatory Office with Mr. Lin Hsien-Tang as the Director and the government took over the shares from the Japanese shareholders. In February 1947, the founding shareholders' meeting was held and the Board of Directors elected Mr. Lin Hsien-Tang as the Chairman. On March 1 of the same year, Chang Hwa Commercial Bank was formally reorganized and established with capital of 15 million old Taiwan dollars and was issued a license to register as a company limited by shares by the Ministry of Economic Affairs in July 1950.

In December 1950, the Bank's capital was adjusted to NT\$2.4 million and in December 1997, the Taiwan Provincial Government made its shareholdings public for the Bank's common stock in order to implement the policy of privatizing the public sector. On January 1, 1998, it was formally restructured into private enterprise.

In response to the trend of cross-industry operation in the financial industry to enhance competitiveness, by the resolutions of the 2<sup>nd</sup> meeting of the 19<sup>th</sup> Board of Directors on January 12, 2001, and the 80<sup>th</sup> meeting of the 19<sup>th</sup> Board of Managing Directors on November 14, 2022, the Bank reinvested to establish "CHB Life Insurance Agency Co., Ltd." and "CHB Insurance Brokerage Co., Ltd." In order to meet the market demand for "consumer finance, complex products, and comprehensive wealth management" and to build a "one-stop-shopping" environment, the Bank provides customers with complete financial, insurance consulting and sales services; however, in order to reduce the business tax burden, comply with government policies and enhance consumer protection, the former companies were merged into the Bank on April 1, 2016, by way of a simple merger to establish an Insurance Agency Division, with the Bank assuming all rights and obligations, and at the same time operated the insurance agency business including life and non-life.

In 2005, the Bank issued 1.4 billion registered series B preferred stock in a private placement for domestic cash capital increase, which was awarded to Taishin Financial Holding Co., Ltd., with the record date for the cash subscription set for October 3, 2005. After the capital increase, the Bank's paid-in capital amounted to NT\$63,594,756,000. On October 3, 2008, the shares were fully converted to common stocks at the expiry of 3 years after the issue date in accordance with the Bank's Articles of Incorporation, and the public offering procedure for listing was completed on March 31, 2020.

In order to expand the Bank's financial services in China, the Bank was approved by the China Banking and Insurance Regulatory Commission to establish the subsidiary "Chang Hua Commercial Bank, Ltd." The subsidiary is headquartered in Nanjing City, Jiangsu Province, China, with the existing branch offices of Kunshan Branch, Kunshan Huaqiao Sub-Branch, Dongguan Branch, and Fuzhou Branch, Nanjing Branch was additionally set up. The Nanjing subsidiary was officially opened on December 11, 2018.

In order to actively assist domestic small and medium-sized enterprises to obtain the necessary funds for their development and to support the development of emerging industries and to expand the added value of the industry, the Bank reinvested in a wholly-owned subsidiary, CHB Venture Capital Co., Ltd. and it was officially opened on May 16, 2019, with paid-in capital of NT\$1,042,686,470 now. Its main business is to directly provide funds to the invested enterprise and provide enterprise operation, management, and consulting services.

As of the end of 2022, the Bank's authorized capital was NT\$120 billion and its paid-in capital was NT\$105,934,565,500. The Bank is one of the leading banks in Taiwan with strong capital and a solid foundation.

# III | Corporate Governance Report

## A. Organization

### a. Organization Chart



Note 1: Equivalent position as Executive Vice President.

Note 2: Quorum will be decided by the Board of Directors depends on business necessity.

## Management Team of CHB



A Chairperson | Jong-Yuan Ling

B President | Chao-Chung Chou

C Executive Vice President | Bin Chen

D Executive Vice President | Ya-Ling Lin

E Executive Vice President | Hsiu-Chuan Teng

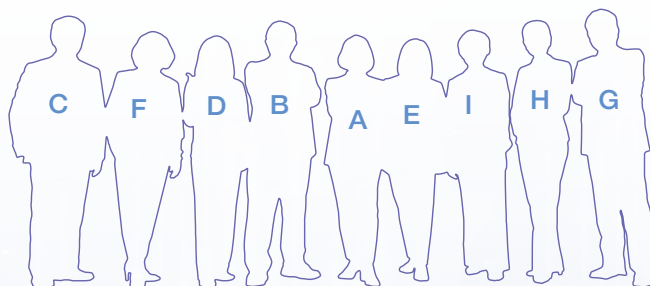
F Executive Vice President | Shwu-Fang Wang

G Executive Vice President | Chih-Chen Hsu

H EVP & Compliance Officer | Hsiang-Chun Wu

(assuming office on 2023/4/26)

I EVP & Chief Auditor | Mei-Fang Wu





## b. Functions of key divisions

Division	Functions
Internal Auditing Division	Managing internal control system and its implementation, audit and evaluation.
Compliance Division	Responsible for the management and execution of compliance system, anti-money laundering and counter financing of terrorism (AML/CFT) matters.
Secretariat Division	In charge of corporate governance development, legal affairs, paperwork, trademark management, related matters of Board of Directors, Audit Committee, and Sustainable Development Committee, public relations, and investor relations.
Human Resources Division	Responsible for human resources policies, human resources administration, employee training programs, performance appraisal standards, and compensation and benefits systems.
Product Management Division	Managing the operation planning of financial products such as credit, deposit and foreign exchange, including market study, product development and marketing strategy development.
Treasury Division	Managing capital deployment, financial instruments trading operations, client trading services, allocation, and management of long-term equity investments.
Trust Division	In charge of the management of trust business and its subsidiary business.
Domestic Banking Division	Responsible for the operation and management of domestic business units and securities brokers, syndicated loan business, and the evaluation of setting up business operation units and business development.
International Banking Division	In charge of the development strategies and business planning of overseas branches, the management of deposit/correspondent relationships, and the management and operation of foreign exchange backend control panel.
Digital Banking Division	Responsible for planning and development of digital finance and card business, marketing, management and assessment, credit investigation and risk assessment of online consumer loan, client service center operation and management, and social media management.
Credit Management Division	Supervise, support and control the risk assessment and loan review of all credit cases and formulate credit-related regulations and matters.
Risk Management Division	Responsible for the formulation and revision of risk management policies, the planning and monitoring of risk management mechanisms, and the formulation and integration of risk management rules and regulations.
Loan Asset Management Division	Overseeing the planning, execution, and management of overdue loans, collections, and bad debt collection.
Financial Management Division	Administering issues including financial accounting, tax planning and management, MIS performance management and analysis, asset and liability planning and management, and account auditing.
IT Division	In charge of the research, analysis, planning and execution of information business, development, construction and maintenance of information systems.
Operations Division	Responsible for the management of NTD deposit and remittance business planning and management; centralized operations related to bills, remittances, collections, automated clearing house (ACH) on the counter, and off-bank ATM outsourcing.
General Affairs Division	Managing general affairs, cashier, procurement of goods, building maintenance, real estate revitalization management, leasing, security maintenance and occupational safety and health, etc.
Insurance Agency Division	Planning, promotion and execution of insurance agency business.
Wealth Management Division	Planning, promotion and execution of wealth management business.
Information Security Division	In charge of planning, monitoring, and execution of information security management; to establish information security protection mechanisms; and to compile information security notifications and evaluate and track subsequent improvements.
Regional Center	Supervise, assist, and support the operation and centralized operation of business units within the region.
Business Units	Handle business operations as defined by the Bank's business projects or the business stipulated in the Articles of Incorporation.

## B. Information on Directors, Senior Managers and Consultants

### a. Director information

#### 1. Director information (1):

Title	Nationality or Place of Registration	Name	Gender Age	Elected Date	Term	Date of First Elected Representative of Institution / Institution	Shareholding when elected		Current Shares		Current shareholding of principal, spouse, and minor children	
							Shares	%	Shares	%	Shares	%
Chairperson	The Republic of China (R.O.C.)	Jong-Yuan Ling (Delegate of Ministry of Finance (MOF))	Female 61-70 years old	2020/6	3 years	2019/4 1947/2	1,217,507,539	12.19	1,291,658,617	12.19	0	0
Managing Director	The Republic of China (R.O.C.)	Chao-Chung Chou (Delegate of MOF)	Male 51-60 years old	2021/3	3 years	2021/3 1947/2	1,217,507,539	12.19	1,291,658,617	12.19	102,010	0
Managing Director (Independent Director)	The Republic of China (R.O.C.)	Jung-Chun Pan	Male 71-80 years old	2020/6	3 years	2014/12	0	0	0	0	0	0
Director	The Republic of China (R.O.C.)	Shiu-Yen Lin (Delegate of Chunghwa Post Co., Ltd.)	Female 51-60 years old	2022/11	3 years	2022/11 2020/6	599,161,144	6.00	794,554,300	7.50	0	0
Director	The Republic of China (R.O.C.)	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan)	Male 51-60 years old	2020/6	3 years	2018/6 2008/11 (Note)	274,555,117	2.75	574,468,579	5.42	0	0
Director	The Republic of China (R.O.C.)	Wen-Siung Lee	Male 61-70 years old	2020/6	3 years	2020/6	0	0	0	0	0	0
Director	The Republic of China (R.O.C.)	Hwai-Chou Chen	Male 81-90 years old	2020/6	3 years	2006/3	160,804	0	170,597	0	170,597	0

December 31, 2022

	Shareholding under other's name		Education and Experience	Other Current Positions within the company or other companies	Executives, Directors or Supervisors who are spouses or within the second degree of kinship			Chairperson and President or personnel of an equivalent post (the highest-level manager) of a company are the same person, spouses, or relatives within the first degree of kinship.
	Shares	%			Title	Name	Relationship	
	0	0	Master of Public Finance, National Chengchi University Chairperson, Land Bank of Taiwan Chairperson, The Export-Import Bank of the Republic of China Supervisor, BankTaiwan Insurance Brokers Co., Ltd. Director, Mega Financial Holding Co., Ltd. Director-General, National Treasury Administration, MOF Supervisor, Mega Financial Holding Co., Ltd. Director-General, National Taxation Bureau of Taipei, MOF Director-General, National Taxation Bureau of the Northern Area, MOF Director, Land Bank of Taiwan Chief Secretary, MOF Director, Taxation Administration, MOF Deputy-Director, Taxation Administration, MOF	Managing Supervisor, The Bankers Association of the Republic of China Supervisor, Taiwan Stock Exchange Corporation Director, Chung-Hua Institution for Economic Research Director, CDIB & Partners Investment Holding Corp.	None	None	None	None
	0	0	Master of Business Administration, Da-Yeh University Chairperson, First Financial AMC EVP, Risk Management Center of First Commercial Bank SVP & Division Head, Risk Management Division of First Financial Holding Co., Ltd. Spokesperson, First Commercial Bank EVP, General Administration Center of First Commercial Bank VP & GM, Phnom Penh Branch of First Commercial Bank VP & GM, Hsin-Wei Branch of First Commercial Bank VP & GM, Hsi-Chih Branch of First Commercial Bank	President, Chang Hwa Bank Director, Taiwan Urban Regeneration & Financial Services Co., Ltd. Director, Chang Hua Commercial Bank, Ltd. Director, Taiwan Asset Management Corporation Director, Taiwan SMECF	None	None	None	None
	0	0	Bachelor of Bank & Insurance, Feng Chia University Supervisor, Key Ware Electronics Co., Ltd. Director & President, Mega Asset Management Corp. Director & COO, Concord ASIA Finance Ltd. Assistant Vice President, Taishin International Bank Assistant Vice President, Da An Bank Deputy General Manager, Savings Department of Bank of Communications	Independent Director, TAIWAN MICROLOOPS CORP.	None	None	None	None
	0	0	Master of Economics, National Taiwan University Director, Taiwan Business Bank Chief Secretary, National Treasury Administration, MOF Director, National Treasury Administration, MOF	Deputy Director-General, National Treasury Administration, MOF	None	None	None	None
	0	0	Ph.D., Economics, National Taipei University Director, Research Division II, Taiwan Institute of Economic Research Deputy Director, Research Division II, Taiwan Institute of Economic Research Assistant Professor, Department of Economics, Ming Chuan University Associate Research Fellow, Taiwan Institute of Economic Research	President, Taiwan Institute of Economic Research Director, Taipei Exchange Director, Central Bank of the Republic of China (Taiwan) Independent Director, United Renewable Energy Co., Ltd. Director, Yang Ming Marine Transport Corp. Director, Asia Pacific Emerging Industry Venture Capital Co., Ltd. Member, Wholesale and Retail Committee, Taiwan Coalition of Service Industries Research Fellow, Taiwan Institute of Economic Research	None	None	None	None
	0	0	Ph.D., Business Administration, University of Houston Chairperson, Land Bank Insurance Brokerage Co., Ltd. Adjunct Associate Professor, Finance Department, National Central University Managing Director, Land Bank of Taiwan Associate Professor, Finance Department, Chien Hsin University of Science and Technology Director, Securities and Futures Bureau, FSC Director, Banking Bureau, FSC	Adjunct Associate Professor, Finance Department, Chien Hsin University of Science and Technology	None	None	None	None
	0	0	Executive MS in Finance, Zicklin School of Business, Baruch College, The City University of New York Chairman, Managing Director, and President, Chang Hwa Bank President, Taishin Financial Holding Co., Ltd. Vice Chairman, Taishin International Bank Chairman, Taishin Bills Finance Co., Ltd. CFO, Taiwan High Speed Rail Corporation President, Taishin International Bank General Manager, Bank of America Shun San Br.	None	None	None	None	None



Title	Nationality or Place of Registration	Name	Gender Age	Elected Date	Term	Date of First Elected Representative of Institution / Institution	Shareholding when elected		Current Shares		Current shareholding of principal, spouse, and minor children	
							Shares	%	Shares	%	Shares	%
Director (Independent Director)	The Republic of China (R.O.C.)	Jong-Horng Lin	Male 51-60 years old	2020/6	3 years	2020/6	0	0	0	0	0	0
Director (Independent Director)	The Republic of China (R.O.C.)	Chih-Jong Suen	Male 71-80 years old	2020/6	3 years	2020/6	0	0	0	0	0	0

Note: The previous term of representative of the National Development Fund of Executive Yuan served as the supervisor of the Bank from November 2008 to December 2014.

2. Major shareholders of institutional shareholders:

April 18, 2023

Name of institutional shareholder	Major shareholders of institutional shareholder
Ministry of Finance	Government institution
National Development Fund, Executive Yuan	Government owned (100%)
Chungwa Post Co., Ltd.	Ministry of Transportation and Communications (100%)

December 31, 2022

	Shareholding under other's name		Education and Experience	Other Current Positions within the company or other companies	Executives, Directors or Supervisors who are spouses or within the second degree of kinship			Chairperson and President or personnel of an equivalent post (the highest-level manager) of a company are the same person, spouses, or relatives within the first degree of kinship.
	Shares	%			Title	Name	Relationship	
	0	0	Law School of Soochow University Attorney-at-Law, KO & LIN Law Office President, Keelung branch, Legal Aid Foundation Municipal consultant, legal affairs group, Taipei City Government Legal advisor, Keelung City Government Council Member, Advisory Committee of Soochow law foundation Member of the mediation committee, MLMPF President, Keelung Bar Association Director, the 9 <sup>th</sup> term board of directors, Taiwan Bar Association 1 <sup>st</sup> Secretary-General, the 8 <sup>th</sup> term of Taiwan bar association Director, the 24 <sup>th</sup> & 29 <sup>th</sup> term board of directors, Taipei Bar Association 2 <sup>nd</sup> Secretary-General, the 23 <sup>rd</sup> term of Taipei Bar Association Coordinator, Securities and Futures Investors Protection Center Committee Member, labor dispute arbitration committee, Taipei County Government Attorney, Evergreen International Law Firm Attorney, LIEN Law Office	Partner, LIEN & PARTNERS LAW OFFICES	None	None	None	None
	0	0	MBA, Youngstown State University, Ohio Chairman, Pharma Engine, Inc. General Manager, EVP and SVP, China Development Industrial Bank Chief Auditor, VP and SVP, Taishin International Bank Senior Auditor, Section Head and Deputy Section Head, Central Deposit Insurance Corporation	None	None	None	None	None

3. Main shareholders of the institutional shareholders that are listed as main shareholders in the preceding table:

April 18, 2023

Name of institutional shareholder	Main shareholders of institutional shareholder
N.A.	N.A.

4. Director information (2):

(1) Disclosure of Professional Qualifications of Directors and Independence Status of Independent Directors:

Name	Criteria	Professional Qualifications and Experience / Independence Status	Number of other public companies in which the individual is concurrently serving as an Independent Director
Jong-Yuan Ling (Chairperson)	Professional Qualifications and Experience	<p>Ms. Jong-Yuan Ling has served in the Ministry of Finance (MOF) for more than 20 years, and as Director of the Taxation Administration, Chief Secretary of the MOF, Director-General of National Taxation Bureau of the Northern Area, Director-General of National Taxation Bureau of Taipei, and Director-General of the National Treasury Administration of the MOF. During this period, she also served as the Supervisor and Director of Mega Financial Holding Co., Ltd. and the Supervisor of BankTaiwan Insurance Brokers Co., Ltd. After leaving the Ministry of Finance, she served as the Chairperson of the Export-Import Bank of R.O.C. in 2015, the Chairperson of the Land Bank of Taiwan in 2016, and the Chairperson of the Bank since 2019, and currently serving as Supervisor of Taiwan Stock Exchange Corporation and Director of CDIB &amp; Partners Investment Holding Corp.</p> <p>Ms. Jong-Yuan Ling has a rich work experience as required by the bank's business, the ability to carry out taxation, administration, leadership and corporate management, meets the qualification requirements of Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks and complies with Article 30 of the Company Act, so as to improve the decision quality of our Bank's Board of Directors, corporate governance, and sustainable development. She also serves as Chairperson of Board of Directors and Board of Managing Directors, and convener of Sustainable Development Committee.</p> <p><b>【Industrial experience and professional competence】</b> Banking, Insurance, Securities, Venture Capital, Administration, Taxation, Risk Management.</p>	0
	Independence Status	<p>All matters are compliant with Article 26-3, Paragraph 3, of the Securities and Exchange Act; the Chairman and President are not the same person; he / she, his / her spouse, and relatives within the second degree of kinship (or under any other person's name) do not hold shares in a total of more than one percent of the total issued shares of the Bank or rank among the top ten natural shareholders, thus meeting the requirements for independence.</p>	
	Professional Qualifications and Experience	<p>Mr. Chao-Chung Chou has worked for the First Bank for more than 20 years, and successively served as VP &amp; GM of Phnom Penh Branch of First Commercial Bank, SVP &amp; Division Head, Risk Management Division of First Financial Holding Co., Ltd. and EVP, General Administration Center of First Commercial Bank. From 2017 to 2021, he served as the Chairman of First Financial AMC. He has rich experience in banking practice and risk management and is familiar with the international financial market. Since 2021, he has served as the Managing Director and President of the Bank.</p> <p>Mr. Chao-Chung Chou possesses working experience required for banking business, serves as Managing Director and President of the Bank and adheres to the resolutions of the Board of Directors to comprehensively manage the Bank's business. He serves as member of Sustainable Development Committee, Chairman of Asset and Liability Management Committee, Risk Management Committee and Information Technology Project Committee. He meets the qualification requirements of Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks and complies with Article 30 of the Company Act.</p> <p><b>【Industrial experience and professional competence】</b> Banking, Asset Management, Administration, Risk Management, Business.</p>	
Independence Status	<p>All matters are compliant with Article 26-3, Paragraph 3, of the Securities and Exchange Act; the Chairman and President are not the same person; he / she, his / her spouse, and relatives within the second degree of kinship (or under any other person's name) do not hold shares in a total of more than one percent of the total issued shares of the Bank or rank among the top ten natural shareholders, thus meeting the requirements for independence.</p>		
Professional Qualifications and Experience	<p>Mr. Jung-Chun Pan worked at the Bank of Communications for 18 years. From 1991 to 2002 he served as an Assistant Vice President of Da-An Bank, in 2002 as an Assistant Vice President of Taishin International Bank, from 2002 to 2003 as Chairman and COO of Concord Asia Finance Ltd., and from 2003 to 2013 as the Director and President of Mega Asset Management Corp. At present, in addition to serving as an Independent Director of the Bank, he has also served as an Independent Director of Taiwan Microloops Corp. since 2021. Mr. Pan's major was banking and insurance and served as senior managers in commercial banking, finance and asset management successively, he possesses expertise in finance, asset management and accounting.</p> <p>Mr. Jung-Chun Pan has served as an Independent Director of the Bank since 2014, as the convener of the Audit Committee and the Remuneration Committee since 2020 and as the Bank's Managing Director and member of Sustainable Development Committee, he possesses working experience required for banking business. Mr. Jung-Chun Pan meets the qualification requirements of Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks and complies with Article 30 of the Company Act.</p> <p><b>【Industrial experience and professional competence】</b> Banking, Technology, Asset Management, Finance, Accounting, Risk Management.</p>	1	
Independence Status	<p>He / she, his / her spouse, or a relative within the second degree of kinship does not hold a position as Director, Supervisor or employee of the Bank or its affiliated enterprises; he / she, his / her spouse, and relatives within the second degree of kinship (or under any other person's name) do not hold shares in a total of more than one percent of the total issued shares of the Bank or rank among the top ten natural shareholders; there are no matters specified in Article 3, Paragraph 1, Subparagraphs 5 to 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", thus meeting the requirements for independence.</p>		



Name	Criteria	Professional Qualifications and Experience / Independence Status	Number of other public companies in which the individual is concurrently serving as an Independent Director
Shiu-Yen Lin (Director)	Professional Qualifications and Experience	<p>Ms. Shiu-Yen Lin served as the Director and Chief Secretary of National Treasury Administration, MOF, and has been serving as the Deputy Director-General of National Treasury Administration since 2018 until present. She also served as Director of Taiwan Business Bank from 2015 to 2021. She is experienced with administrative management roles at state-owned enterprise and state-owned banks, and serves as the Director of the Bank since 2022. She specializes in economics and taxation, and her expertise is in finance, thus having the required work experience for duties at a bank. She meets the qualification requirements of Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks and complies with Article 30 of the Company Act.</p> <p><b>【Industrial experience and professional competence】</b> Banking, Administration, Taxation, Economics.</p>	0
	Independence Status	<p>All matters are compliant with Article 26-3, Paragraph 3, of the Securities and Exchange Act; he / she, his / her spouse, and relatives within the second degree of kinship (or under any other person's name) do not hold more than one percent of the total issued shares of the Bank or rank among the top ten natural shareholders, thus meeting the requirements for independence.</p>	
	Professional Qualifications and Experience	<p>Mr. Chien-Yi Chang is a Ph.D. in economics. After entering the Taiwan Institute of Economic Research, he has served as Research Fellow, Associate Research Fellow and Director of Research Division II, Taiwan Institute of Economic Research. He has been served as the President of the Taiwan Institute of Economic Research since 2019, and Director of Central Bank of the Republic of China (Taiwan) since 2020. He has been served as a Director of the Bank since 2018, and currently serving as Director of Yang Ming Marine Transport Corp., Director of Asia Pacific Emerging Industry Venture Capital Co., Ltd. and Independent Director, United Renewable Energy Co., Ltd. He specializes in emerging market venture capital, monetary policy, macroeconomics and microeconomic research, manufacturing and service industry issues, industrial development and policy planning, with industrial experiences of energy technology and venture capital. He meets the qualification requirements of Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks and complies with Article 30 of the Company Act.</p> <p><b>【Industrial experience and professional competence】</b> Banking, Technology, Venture Capital, Economics, Monetary Policy.</p>	
Independence Status	<p>All matters are compliant with Article 26-3, Paragraph 3, of the Securities and Exchange Act; he / she, his / her spouse, and relatives within the second degree of kinship (or under any other person's name) do not hold more than one percent of the total issued shares of the Bank or rank among the top ten natural shareholders, thus meeting the requirements for independence.</p>		
Professional Qualifications and Experience	<p>Mr. Wen-Siung Lee has a Ph.D. in business administration. He has served as Director of Banking Bureau and Director of Securities and Futures Bureau of FSC, Chairman of Land Bank Insurance Brokerage Co., Ltd. Mr. Wen-Siung Lee has been served as a Director of the Bank since 2020 and is also an adjunct associate professor of Finance Department of Chien Hsin University of Science and Technology with his supervision and management experiences of banking, insurance and securities, and expertise in administration and business. Mr. Wen-Siung Lee meets the qualification requirements of Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks and complies with Article 30 of the Company Act.</p> <p><b>【Industrial experience and professional competence】</b> Banking, Insurance, Securities, Administration, Business.</p>	0	
Independence Status	<p>All matters are compliant with Article 26-3, Paragraph 3, of the Securities and Exchange Act; he / she, his / her spouse, and relatives within the second degree of kinship (or under any other person's name) do not hold more than one percent of the total issued shares of the Bank or rank among the top ten natural shareholders, thus meeting the requirements for independence.</p>		
Professional Qualifications and Experience	<p>Mr. Hwai-Chou Chen served as the General Manager of Bank of America Shun San Branch in 1992, the General Manager of Taishin International Bank in 1995, the CFO of Taiwan High Speed Rail Corporation in 2000, and the President of Taishin Financial Holding Co., Ltd in 2003. He served as the President of the Bank in 2007, during which he was also the chairman of the Risk Management Committee of the Bank, and served as the Chairman of the Bank from 2008 to 2014, and is currently a Director of the Bank. Mr. Hwai-Chou Chen has served as a senior manager of financial institutions, is familiar with banking business, and has expertise and experience in financial and risk management. He meets the qualification requirements of Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks and complies with Article 30 of the Company Act.</p> <p><b>【Industrial experience and professional competence】</b> Banking, Finance, Risk Management, Business.</p>		0
Independence Status	<p>All matters are compliant with Article 26-3, Paragraph 3, of the Securities and Exchange Act; he / she, his / her spouse, and relatives within the second degree of kinship (or under any other person's name) do not hold more than one percent of the total issued shares of the Bank or rank among the top ten natural shareholders, thus meeting the requirements for independence.</p>		

Name	Criteria	Professional Qualifications and Experience / Independence Status	Number of other public companies in which the individual is concurrently serving as an Independent Director
Jong-Hong Lin (Independent Director)	Professional Qualifications and Experience	Mr. Jong-Hong Lin is qualified as a professional lawyer. He was an Attorney-at-Law of KO & LIN Law Office from 2005 to 2020. He is currently a Partner of LIEN & PARTNERS Law Offices, Attorneys-at-Law and has legal professional and practical experience. He has been served as an Independent Director and a member of the Audit Committee of the Bank since 2020. When performing the functions of the Independent Director and the Audit Committee, he provides advice on legal strategies and compliance with laws, and serves as a member of Sustainable Development Committee. He meets the qualification requirements of Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks and complies with Article 30 of the Company Act. <b>【Industrial experience and professional competence】</b> Banking, Law.	0
	Independence Status	He/she, his/her spouse, or a relative within the second degree does not hold a position as Director, Supervisor or employee of the Bank or its affiliated enterprises; he/she, his/her spouse, and relatives within the second degree of kinship (or under any other person's name) do not hold shares in a total of more than one percent of the total issued shares of the Bank or rank among the top ten natural shareholders; there are no matters specified in Article 3, Paragraph 1, Subparagraphs 5 to 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", thus meeting the requirements for independence.	
Chih-Jong Suen (Independent Director)	Professional Qualifications and Experience	Mr. Chih-Jong Suen worked for the Central Deposit Insurance Corporation from 1985 to 1992; he served as Chief Auditor, VP and SVP of Taishin International Bank from 1991 to 2000, as the General Manager, EVP and SVP of China Development Industrial Bank from 2001 to 2006, as the Chairman of Pharma Engine, Inc. from 2016 to 2020, and as Independent Director, member of the Audit Committee and the Remuneration Committee of the Bank since 2020. Mr. Chih-Jong Suen has served as senior managers in financial institutions and with working experiences in Central Deposit Insurance Corporation, familiar with various risks faced by banks. He meets the qualification requirements of Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks and complies with Article 30 of the Company Act. <b>【Industrial experience and professional competence】</b> Banking, Technology, Administration, Risk Management, Business.	0
	Independence Status	He/she, his/her spouse, or a relative within the second degree does not hold a position as Director, supervisor or employee of the Bank or its affiliated enterprises; he/she, his/her spouse, and relatives within the second degree of kinship (or under any other person's name) do not hold shares in a total of more than one percent of the total issued shares of the Bank or rank among the top ten natural shareholders; there are no matters specified in Article 3, Paragraph 1, Subparagraphs 5 to 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", thus meeting the requirements for independence.	

(2) The Board of Directors' Diversity and Independence

① Board of Directors' diversification policy and its implementation

- I Diversification Policy: The election of Directors of the Bank adopts a diversified composition policy, including the following two general standards, namely, basic requirements and values (including gender, age, nationality, race, and culture, etc.), professional knowledge and skills (including professional background, skills, and industry experience, etc.), which are stipulated according to Article 29, Paragraph 2 of the Corporate Governance Best Practice Principles of the Bank.
- II The Bank's Board of Directors is composed of 9 Directors, among which are 3 Independent Directors (33.3%). Only Mr. Chao-Chung Chou (11.1%) holds the positions of Director and President of the Bank, and no other Directors hold managerial positions or serve as an employee at the Bank concurrently. The Directors have professional backgrounds in accounting, finance, business, banking, insurance and law, and based on their background and experience, they are equipped with the competencies - operating judgment, accounting and financial analysis, business management, risk management, crisis management, knowledge of the industry, international market perspective, leadership and decision-making - as stipulated in Article 29 of the Bank's Corporate Governance Best Practice Principles. Among them, 6 directors have the qualifications of persons in charge of commercial banks, industrial banks, and the export-import bank, 1 is a Director of the Central Bank, 1 has served in the FSC, and 1 Director has the qualifications of practicing lawyers, demonstrating a complementary result. The member, gender and expertise composition of the Board are in compliance with the Bank's goal of board diversity. The 26<sup>th</sup> Board of Directors has 2 female directors (22.2% of all directors), moving toward the goal of having more than 1/3 of the Board per gender. There are 2 new independent directors, and 2 natural directors. All Directors are nationals of the Republic of China, aged between 51-60 (four persons), 61-70 (two persons), 71-80 (two persons), and 81-90 (one person). All Directors are equipped with the required knowledge,

skills and competencies for their duties, and are compliant with the “Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks”.

Name	Criteria	Basic Composition							
		Nationality	Gender	Age				Tenure of Independent Director	
				51-60 years old	61-70 years old	71-80 years old	81-90 years old	Less than 3 years	6 years - 9 years
Jong-Yuan Ling	R.O.C.	Female		✓					
Chao-Chung Chou	R.O.C.	Male	✓						
Jung-Chun Pan	R.O.C.	Male			✓				✓
Shiu-Yen Lin	R.O.C.	Female	✓						
Chien-Yi Chang	R.O.C.	Male	✓						
Wen-Siung Lee	R.O.C.	Male		✓					
Hwai-Chou Chen	R.O.C.	Male					✓		
Jong-Horng Lin	R.O.C.	Male	✓					✓	
Chih-Jong Suen	R.O.C.	Male			✓			✓	

### III The implementation status of the Bank's diversity policy and specific management goals:

Specific management goals: Having more than 1/3 of the Board per gender, and having diverse professional background.

Current implementation status: The Directors' background covers an array of fields including banking, insurance, securities, technology, asset management, venture capital, monetary policy, administration, finance, taxation, accounting, law, economics, business, risk management and are in line with the operational development of the Bank. Now, the Bank has two female Directors and aims to target three female Directors, continuing to strengthen the Board's diversity.

#### ② Independence Status of the Board of Directors:

##### I Structure of the Board of Directors:

The Board of Directors consists of 9 Directors with 3 Independent Directors; the proportion of Independent Directors is 33.3%.

##### II Independence of the Board of Directors:

In accordance with the provisions on Securities and Exchange Act, Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks, the Bank confirms the independence of each Director according to the information provided and disclosed by each Director or public information.

After checking the above regulations and information:

- i None of the members of the Board of Directors of the Bank is related to each other as a spouse or relative within the second degree of kinship. There is no circumstance specified in Paragraph 3 of Article 26-3 of the Securities and Exchange Act.
- ii Apart from Mr. Chao-Chung Chou, serving as Managing Director and President, and Mr. Hwai-Chou Chen, serving as Director, other Directors do not hold shares of the Bank, while Mr. Chao-Chung Chou, serving as Managing Director and President, and Mr. Hwai-Chou Chen, serving as Director, each holds less than 1% of the total issued shares of the Bank.
- iii Apart from Mr. Jung-Chun Pan, serving as the Managing Independent Director of the Bank and Independent Director of Taiwan Microloops Corp., and Mr. Chien-Yi Chang, serving as the Director of the Bank, Director of Yang Ming Marine Transport Corp. and Independent Director of United Renewable Energy Co., Ltd., none of the Directors are concurrently Directors or Independent



Directors of other public companies.

- iv In accordance with the regulations of the Taiwan Stock Exchange Corporation, the Bank reviewed the eligibility of the current Independent Directors (Mr. Jung-Chun Pan, Mr. Jong-Horng Lin and Mr. Chih-Jong Suen), and the Bank and the current Independent Directors all issued the "Statement of Independent Directors (during the term of office)" in 2022.

In summary, all Directors of the Bank have the independence required to exercise their duties.

b. Information on President, EVPs, SVPs, VPs, and Heads of Divisions and Business Units

As of December 31, 2022

Name of Unit	Title	Name	Gender	Nationality	Assignment Date (yyyy/mm/dd)	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Other's Title		Education and Experience	Concurrent Positions at Other Companies	Managers who are spouses or within the second degree of kinship			Remark (Note 1)
						Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding			Title	Name	Relationship	
Head Office	President	Chao-Chung Chou	M	R.O.C.	2021/03/23	102,010	0	0	0	0	0	MBA, Da-Yeh University	1. Director, Taiwan Asset Management Corporation 2. Director, Chang Hua Commercial Bank, Ltd. 3. Director, Taiwan Urban Regeneration & Financial Services Co. Ltd. 4. Director, Taiwan SMECF	None	None	None	None
Head Office	Executive Vice President	Bin Chen	M	R.O.C.	2017/03/01	150,000	0	0	0	0	0	Master of Computer Science and Information Engineering, National Chiao Tung University Master of Information Management, National Central University	1. Director, Chang Hua Commercial Bank, Ltd. 2. Director, Taiwan Mobile Payment Co., Ltd. 3. Supervisor, Financial eSolution Co., Ltd.	None	None	None	None
Head Office	Executive Vice President	Ya-Ling Lin	F	R.O.C.	2021/01/18	1,502	0	0	0	0	0	EMBA, National Chengchi University	Director, Taipei Forex Inc.	None	None	None	None
Head Office	Executive Vice President	Hsiu-Chuan Teng	F	R.O.C.	2021/01/18	728	0	0	0	0	0	EMBA, National Chengchi University	1. Director, Trust Association of R.O.C. 2. Supervisor, Chang Hwa Bank Venture Capital Co., Ltd.	None	None	None	None
Head Office	Executive Vice President	Shwu-Fang Wang	F	R.O.C.	2022/01/01	189,518	0	0	0	0	0	Department of Business Administration, Soochow University	Director of Lan An Service Corp.	None	None	None	None
Head Office	EVP & Chief Auditor	Mei-Fang Wu	F	R.O.C.	2021/01/18	0	0	0	0	0	0	Department of Law, Fu Jen Catholic University	Supervisor, Taiwan Financial Asset Service Corporation	None	None	None	None
Compliance Division	EVP & Chief Compliance Officer	Hsiang-Chun Wu	F	R.O.C.	2022/05/23	0	0	0	0	0	0	Department of Law, National Chengchi University	None	None	None	None	None
Internal Auditing Division	SVP & Division Head	Shu-Ming Lin	F	R.O.C.	2022/04/01	710	0	4,876	0	0	0	Department of Business Administration, Tamkang University	None	None	None	None	None
Secretariat Division	SVP & Division Head	Hsueh-Ni Hsieh	F	R.O.C.	2018/10/04	43,189	0	0	0	0	0	LLM, National Chengchi University	Director, Chang Hua Commercial Bank, Ltd.	None	None	None	None
Human Resources Division	SVP & Division Head	Yu-Hsueh Liu	F	R.O.C.	2018/03/01	28,354	0	0	0	0	0	MBA, National Sun Yat-sen University	None	None	None	None	None
Product Management Division	SVP & Division Head	Cheng-Chi Chuang	M	R.O.C.	2022/03/01	758	0	0	0	0	0	Institute of Economics, Feng Chia University	None	None	None	None	None
Treasury Division	SVP & Division Head	Chih-Chen Hsu	M	R.O.C.	2015/04/16	0	0	0	0	0	0	Department of Economics, National Taiwan University	Director, Chang Hwa Bank Venture Capital Co., Ltd.	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Assignment Date (yyyy/mm/dd)	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Other's Title		Education and Experience	Concurrent Positions at Other Companies	Managers who are spouses or within the second degree of kinship			Remark (Note 1)
						Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding			Title	Name	Relationship	
Trust Division	SVP & Division Head	Ruei-Jan Chen	F	R.O.C.	2022/09/01	80,759	0	0	0	0	0	Master of Finance and Banking, Fu Jen Catholic University	None	None	None	None	None
Domestic Banking Division	SVP & Division Head	Yu-Chin Fan	F	R.O.C.	2021/01/18	15,201	0	0	0	0	0	Institute of Management, National Taiwan University of Science and Technology	None	None	None	None	None
International Banking Division	SVP & Division Head	Rueih-Hwa Cheng	F	R.O.C.	2019/05/01	228,976	0	0	0	0	0	Master of Computer Science, PACE University	Director, Chang Hua Commercial Bank, Ltd.	None	None	None	None
Digital Banking Division	SVP & Division Head	Hsiu-Hsia Tsai	F	R.O.C.	2018/10/01	15,187	0	2,024	0	0	0	Master of Banking and Finance, Tamkang University	None	VP&GM	Yi-Ming Wang	Spouse	None
Credit Management Division	SVP & Division Head	Yu-Yeh Lin	F	R.O.C.	2021/08/01	264	0	0	0	0	0	Department of Economics, National Chengchi University	None	None	None	None	None
Risk Management Division	SVP & Division Head	Jung-Chien Hu	M	R.O.C.	2022/04/01	1,964	0	0	0	0	0	EMBA, National Chengchi University	None	None	None	None	None
Loan Asset Management Division	SVP & Division Head	Hsueh-Wen Wang	M	R.O.C.	2022/03/01	1,510	0	0	0	0	0	Master of Financial and Economic Law, Chung Yuan Christian University	None	None	None	None	None
Financial Management Division	SVP & Division Head	Fu-Jinn Chiou	M	R.O.C.	2020/03/01	483	0	0	0	0	0	Department of Business Administration, Chinese Culture University	Director, Chang Hwa Bank Venture Capital Co., Ltd.	None	None	None	None
IT Division	SVP & Division Head	Lung-Chun Wang	M	R.O.C.	2021/09/01	30	0	3,407	0	0	0	Mechanical Engineering Division, National Kaohsiung Institute of Technology	None	None	None	None	None
Operations Division	SVP & Division Head	Kuei-Mei Hsu	F	R.O.C.	2020/08/01	16,536	0	0	0	0	0	Department of Accounting, Fu Jen Catholic University	None	None	None	None	None
General Affairs Division	SVP & Division Head	Shu-Hsuan Lin	F	R.O.C.	2022/05/23	1,363	0	0	0	0	0	Department of Economics, National Chung Hsing University	None	None	None	None	None
Insurance Agency Division	SVP & Division Head	Hui-Jen Wu	F	R.O.C.	2019/09/09	61,334	0	0	0	0	0	Department of International Business, Soochow University	None	None	None	None	None
Wealth Management Division	SVP & Division Head	Hui-Yu Chen	F	R.O.C.	2016/04/01	0	0	0	0	0	0	MBA, Tulane University	None	None	None	None	None
Information Security Division	SVP & Division Head	Yao-Ju Lu	F	R.O.C.	2022/01/01	8,128	0	0	0	0	0	Graduate Institute of Computer Science, National Chengchi University	None	None	None	None	None
Regional Center Northern Area 1	SVP & Center Head	Shu-Ju Tsai	F	R.O.C.	2022/09/01	43,809	0	0	0	0	0	Master of Business Management, Yuan Ze University	None	None	None	None	None
Regional Center Northern Area 2	SVP & Center Head	Chi-Min Chung	M	R.O.C.	2021/08/01	5,626	0	0	0	0	0	Department of Business and Applied Commerce, Open Junior College of Continuing Education Affiliated to National Taipei College of Business	None	None	None	None	None
Regional Center Central Area	SVP & Center Head	Jin-Yu Yeh	F	R.O.C.	2020/03/01	132,752	0	22,194	0	0	0	EMBA, Feng Chia University	None	None	None	None	None
Regional Center Southern Area	SVP & Center Head	Mei-Hui Wu	F	R.O.C.	2022/03/01	11,651	0	0	0	0	0	EMBA, National Chiayi University	None	None	None	None	None
Offshore Banking Branch	VP & GM	Li-Min Cheng	F	R.O.C.	2021/04/15	3,847	0	0	0	0	0	Master of Science in Finance, Ming Chuan University	None	None	None	None	None
Business Department	VP & GM	Li-Fen Tzeng	F	R.O.C.	2020/05/01	27,297	0	0	0	0	0	Department of Public Finance, National Chung Hsing University	None	None	None	None	None
Central Branch	VP & GM	Fang-Yuan Wu	F	R.O.C.	2018/03/01	46,261	0	0	0	0	0	Department of Cooperative Economics, Tamkang University	None	None	None	None	None
Taipei Securities Broker	VP & GM	Jui-Mei Ho	F	R.O.C.	2021/07/01	814	0	0	0	0	0	Master of Business Administration, Soochow University	None	None	None	None	None
Taichung Securities Broker	VP & GM	Shuo-Hung Huang	M	R.O.C.	2016/05/01	45,837	0	0	0	0	0	Department of Food and Nutrition, Chinese Culture University	None	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Assignment Date (yyyy/mm/dd)	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Other's Title		Education and Experience	Concurrent Positions at Other Companies	Managers who are spouses or within the second degree of kinship			Remark (Note 1)
						Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding			Title	Name	Relationship	
Chi-Hsien Securities Broker	VP & GM	Chuen-Lan Fu	F	R.O.C.	2020/08/01	0	0	0	0	0	0	Department of Finance, National Kaohsiung First University of Science and Technology	None	None	None	None	None
Taichung Branch	VP & GM	Rong-Hong Way	M	R.O.C.	2019/03/11	19,942	0	0	0	0	0	Institute of Business and Management, Asia University	None	None	None	None	None
Pei-Taichung Branch	VP & GM	Tung-Sheng Huang	M	R.O.C.	2022/12/01	4,043	0	0	0	0	0	Master of Finance, National Chung Cheng University	None	None	None	None	None
Nan-Taichung Branch	VP & GM	You-Chen Lee	M	R.O.C.	2019/03/11	22,259	0	0	0	0	0	IMBA, National Changhua University of Education	None	None	None	None	None
Peitun Branch	VP & GM	Shiu-Hwa Chang	F	R.O.C.	2018/12/01	3,486	0	0	0	0	0	Department of Applied Business, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None	None
Chung-Kang Branch	VP & GM	Chiung-Hsiao Hung	F	R.O.C.	2020/03/01	75,717	0	0	0	0	0	Department of International Business, National Taichung College of Business	None	None	None	None	None
Shuinan Branch	VP & GM	Mei-Ling Chiu	F	R.O.C.	2020/03/01	12,811	0	0	0	0	0	EMBA, Feng Chia University	None	None	None	None	None
Nantun Branch	VP & GM	Jiunn-Hong Lin	M	R.O.C.	2020/03/01	38,522	0	0	0	0	0	Department of Banking and Insurance, National Taichung College of Business	None	None	None	None	None
Hsitun Branch	VP & GM	Su-Min Hsin	F	R.O.C.	2018/07/09	13,041	0	25,052	0	0	0	EMBA, Tunghai University	None	None	None	None	None
Keelung Branch	VP & GM	Ai-Ling Wang	F	R.O.C.	2020/05/01	35,728	0	0	0	0	0	Department of International Business, National Taipei University of Business	None	None	None	None	None
Jenai Branch	VP & GM	Yi-Ming Wang	M	R.O.C.	2021/03/08	2,024	0	15,187	0	0	0	Master of Science in Finance, Ming Chuan University	None	SVP & Division Head	Hsiu-Hsia Tsai	Spouse	None
Tung-Keelung Branch	VP & GM	Shinn-Guang Duh	M	R.O.C.	2019/09/09	8,341	0	0	0	0	0	Master of Business Administration, Tamkang University	None	None	None	None	None
Ilan Branch	VP & GM	Kao-Jung Hsu	M	R.O.C.	2021/02/04	10,949	0	1,045	0	0	0	Master of Institute of Law, Chinese Culture University	None	None	None	None	None
Lotung Branch	VP & GM	Hsi-Peng Hsu	M	R.O.C.	2022/03/01	19	0	5,088	0	0	0	Department of Business Administration, Fu Jen Catholic University	None	None	None	None	None
Suao Branch	VP & GM	Zih-Chang Lin	M	R.O.C.	2020/08/01	13,036	0	70,099	0	0	0	Master of Finance and International Business, Fu Jen Catholic University	None	None	None	None	None
Taipei Branch	VP & GM	Chi-Hsiang Chen	M	R.O.C.	2021/03/08	1,120	0	906	0	0	0	Master of Management and Sciences, Aletheia University	None	None	None	None	None
Chengnei Branch	VP & GM	Chih-Hong Chiang	M	R.O.C.	2022/03/01	0	0	0	0	0	0	Department of Finance, National Taipei College of Business	None	None	None	None	None
Tunhua Branch	VP & GM	Cheng-Tong Chien	M	R.O.C.	2022/09/01	794	0	0	0	0	0	Department of Accounting, Tamkang University	None	None	None	None	None
Wanhua Branch	VP & GM	Yi-Chieh Hou	M	R.O.C.	2022/03/01	21,960	0	5,176	0	0	0	Department of Business Administration, Fu Jen Catholic University	None	None	None	None	None
Shuangyuan Branch	VP & GM	Tsung-Ming Lai	M	R.O.C.	2022/03/01	0	0	0	0	0	0	Department of Banking Management, Tamsui Institute of Business Administration	None	None	None	None	None
Hsimen Branch	VP & GM	Hui-Lan Yang	F	R.O.C.	2021/05/21	28	0	0	0	0	0	Department of English, Tamkang University	None	None	None	None	None
Peimen Branch	VP & GM	Li-Feng Shen	F	R.O.C.	2019/03/11	25,583	0	0	0	0	0	Department of Shipping and Transportation Management, National Taiwan College of Marine Science and Technology	None	None	None	None	None
Yunglo Branch	VP & GM	Shih-Maw Wang	M	R.O.C.	2020/09/01	12,632	0	0	0	0	0	Department of Business and Applied Commerce, Open Junior College of Continuing Education Affiliated to National Taipei College of Business	None	None	None	None	None
Chiencheng Branch	VP & GM	Jui-Hui Hsu	F	R.O.C.	2021/03/08	13,564	0	8,006	0	0	0	Department of Public Finance, China University of Technology	None	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Assignment Date (yyyy/mm/dd)	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Other's Title		Education and Experience	Concurrent Positions at Other Companies	Managers who are spouses or within the second degree of kinship			Remark (Note 1)
						Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding			Title	Name	Relationship	
Tatung Branch	VP & GM	Ai-Fen Hu	F	R.O.C.	2022/09/05	12,051	0	0	0	0	0	EMBA, Tamkang University	None	None	None	None	None
Min-Sheng Branch	VP & GM	Lin-Ling Chen	F	R.O.C.	2021/04/01	20,909	0	0	0	0	0	Master of Science in Finance, Ming Chuan University	None	None	None	None	None
Chungshan North Rd. Branch	VP & GM	Chang-Cheng Chu	M	R.O.C.	2019/05/06	106,072	0	0	0	0	0	Department of International Trade, Chinese Culture University	None	None	None	None	None
Ching-Kuang Branch	VP & GM	Hueih-Rur Shy	F	R.O.C.	2019/05/06	2	0	0	0	0	0	Department of Economics, Chinese Culture University	None	None	None	None	None
Chien-Kuo Branch	VP & GM	Shu-Lin Liu	F	R.O.C.	2022/03/01	46,584	0	0	0	0	0	EMBA, National Changhua University of Education	None	None	None	None	None
Chilin Branch	VP & GM	Kui-Fang Tsai	M	R.O.C.	2020/08/01	10,044	0	13,642	0	0	0	Department of Business Administration, Chung Yuan Christian University	None	None	None	None	None
Chang-An E. Rd. Branch	VP & GM	Hung-Chieh Chou	M	R.O.C.	2022/03/01	0	0	0	0	0	0	Master of Banking and Finance, Fu Jen Catholic University	None	None	None	None	None
Tungmen Branch	VP & GM	Chin-Li Lin	F	R.O.C.	2021/03/08	296	0	0	0	0	0	Master of Science in Finance, Ming Chuan University	None	None	None	None	None
Chung-Cheng Branch	VP & GM	Jung Chen	F	R.O.C.	2021/03/08	851	0	0	0	0	0	Department of Economics, Feng Chia University	None	None	None	None	None
Kuting Branch	VP & GM	Ching-Hsing Chao	M	R.O.C.	2022/09/01	4,312	0	0	0	0	0	Finance and Taxation, Tamsui Institute of Business Administration	None	None	None	None	None
Chung-Hsiao Tung Lu Branch	VP & GM	Hui-Ling Lee	F	R.O.C.	2020/09/01	3,060	0	460	0	0	0	Master of Business Administration, Tamkang University	None	None	None	None	None
Yung-Chun Branch	VP & GM	Yun-Ping Lin	F	R.O.C.	2019/11/18	17,794	0	0	0	0	0	Master of Banking and Finance, Tamkang University	None	None	None	None	None
Wufenpu Branch	VP & GM	Ya-Cheng Chang	F	R.O.C.	2021/02/04	0	0	0	0	0	0	EMBA, Department of Risk Management and Insurance, Ming Chuan University	None	None	None	None	None
Taan Branch	VP & GM	Hsi-Lung Wu	M	R.O.C.	2021/02/04	469	0	0	0	0	0	EMBA, National Ilan University	None	None	None	None	None
Hsin-Yi Branch	VP & GM	Chiu-Min Shen	F	R.O.C.	2022/05/23	2,068	0	0	0	0	0	Master of Business Administration, Providence University	None	None	None	None	None
Jen-Ho Branch	VP & GM	Yi-Cheng Chu	M	R.O.C.	2022/09/05	0	0	0	0	0	0	MS in Finance, University of Maryland, College Park	None	None	None	None	None
Taipei World Trade Center Branch	VP & GM	Chiu-Ling Chen	F	R.O.C.	2022/12/01	0	0	0	0	0	0	Master of Banking and Finance, Tamkang University	None	None	None	None	None
Guanglong Branch	VP & GM	Chu-Nu Yeh	F	R.O.C.	2022/05/23	1,040	0	0	0	0	0	Department of Finance, China Institute of Technology	None	None	None	None	None
Chengtung Branch	VP & GM	Ming-Hua Huang	M	R.O.C.	2022/03/01	62	0	24,731	0	0	0	Department of Business and Applied Commerce, Open Junior College of Continuing Education Affiliated to National Taipei College of Business	None	VP&GM	Lin-Li Ku	Spouse	None
Chunglun Branch	VP & GM	Chi-Hsin Chao	F	R.O.C.	2019/09/24	2	0	0	0	0	0	Department of Business Administration, Tung Hai University	None	None	None	None	None
Fu-Hsing Branch	VP & GM	Chih-Hao Lo	M	R.O.C.	2022/12/01	1,007	0	0	0	0	0	EMBA, Feng Chia University	None	VP&GM	Yu-Fang Chang	Spouse	None
Sung-Chiang Branch	VP & GM	Ting-Feng Cho	F	R.O.C.	2020/02/01	24,301	0	0	0	0	0	Department of International Trade, Chihlee Institute of Technology	None	None	None	None	None
Chengde Branch	VP & GM	Chih-Huang Huang	M	R.O.C.	2021/04/01	20,200	0	31,595	0	0	0	Graduate Institute of Finance, National Taiwan University of Science and Technology	None	None	None	None	None
Shihlin Branch	VP & GM	Szu-Yen Lin	F	R.O.C.	2019/10/07	111,222	0	2,157	0	0	0	Department of Accounting Information, Tamkang University of Science and Technology	None	None	None	None	None
Beitou Branch	VP & GM	Ying-Chin Chang	F	R.O.C.	2021/03/08	0	0	0	0	0	0	Department of History, Chinese Culture University	None	None	None	None	None
Tienmu Branch	VP & GM	Chia-Chen Shen	F	R.O.C.	2022/09/01	12,377	0	0	0	0	0	Department of Banking and Finance, Tamkang University	None	None	None	None	None



Name of Unit	Title	Name	Gender	Nationality	Assignment Date (yyyy/mm/dd)	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Other's Title		Education and Experience	Concurrent Positions at Other Companies	Managers who are spouses or within the second degree of kinship			Remark (Note 1)
						Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding			Title	Name	Relationship	
Sungshan Branch	VP & GM	Su-Man Hsueh	F	R.O.C.	2021/03/08	14,842	0	0	0	0	0	Department of Applied Business, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None	None
Hsi-Sung Branch	VP & GM	Kuo-Hsien Chien	M	R.O.C.	2022/04/01	3,100	0	5,860	0	0	0	Department of Law, National Chengchi University	None	None	None	None	None
Tung-Taipei Branch	VP & GM	Chien-Mei Yu	F	R.O.C.	2021/05/12	17,690	0	0	0	0	0	EMBA in International Business, Tamkang University	None	None	None	None	None
Dongxing Branch	VP & GM	Yu-Cheng Chang	F	R.O.C.	2021/05/01	572	0	0	0	0	0	Department of Economics, Soochow University	None	None	None	None	None
Hsi-Neihu Branch	VP & GM	Mei-Fen Shieh	F	R.O.C.	2020/08/01	981	0	8,031	0	0	0	IEMBA, National Taipei University	None	None	None	None	None
Tachih Branch	VP & GM	Su-Hwa Tsai	F	R.O.C.	2021/01/18	52,885	0	0	0	0	0	Department of Cooperative Economics, Feng Chia University	None	None	None	None	None
Nei-Hu Branch	VP & GM	Shu-Fen Liu	F	R.O.C.	2019/09/09	13,642	0	0	0	0	0	Department of Business Administration, College of Management, National Taipei University of Business	None	None	None	None	None
Tung-Hu Branch	VP & GM	Shen-Hui Lu	M	R.O.C.	2021/04/01	36,622	0	0	0	0	0	Department of Economics, Chinese Culture University	None	None	None	None	None
Sinhu Branch	VP & GM	Jinn-Sheng Wu	M	R.O.C.	2019/03/11	597	0	30	0	0	0	Department of Business, National Open University	None	None	None	None	None
Nankang Branch	VP & GM	Ying-Hui Hung	F	R.O.C.	2022/09/01	65,389	0	0	0	0	0	Department of International Trade, Tamkang University	None	None	None	None	None
Mucha Branch	VP & GM	Chin-Shiang Ding	F	R.O.C.	2021/06/01	0	0	0	0	0	0	Department of Statistics, Tamkang University	None	None	None	None	None
Heping Branch	VP & GM	Tsung-Jen Wang	M	R.O.C.	2020/08/01	502	0	0	0	0	0	Department of Public Administration, Tamkang University	None	None	None	None	None
Hsi-Chih Branch	VP & GM	Shu-Fen Cheng	F	R.O.C.	2019/05/06	5	0	0	0	0	0	Master of Science in Finance, Ming Chuan University	None	None	None	None	None
Xike Branch	VP & GM	Ho-Hsiung Huang	M	R.O.C.	2020/05/01	28,780	0	0	0	0	0	EMBA, National Taipei University	None	None	None	None	None
Tanshui Branch	VP & GM	Feng-Chiou Lai	M	R.O.C.	2022/06/02	2,706	0	0	0	0	0	Department of Risk Management and Insurance, Tamkang University	None	None	None	None	None
Juifang Branch	VP & GM	Chun-Yuan Chen	M	R.O.C.	2017/09/01	817	0	0	0	0	0	Department of Business Administration, Fu Jen Catholic University	None	None	None	None	None
Sanchungpu Branch	VP & GM	Ya-Fang Lee	F	R.O.C.	2021/04/01	13,079	0	0	0	0	0	EMBA Science in Technology Management, Fu Jen Catholic University	None	None	None	None	None
Pei-Sanchungpu Branch	VP & GM	Yao-Sheng Hsieh	M	R.O.C.	2020/05/01	0	0	0	0	0	0	Department of Print And Photography, Shih Hsin University	None	None	None	None	None
Hsi-Sanchung Branch	VP & GM	Tzu-Yun Chen	F	R.O.C.	2016/04/01	454	0	0	0	0	0	Department of Banking, Tamkang University	None	None	None	None	None
Nan-Sanchung Branch	VP & GM	Ya-Huei Hung	F	R.O.C.	2021/12/01	9,541	0	0	0	0	0	Department of Law, Tunghai University	None	None	None	None	None
San Ho Rd. Branch	VP & GM	Kun-Lin Lee	M	R.O.C.	2022/04/01	32,495	0	0	0	0	0	EMBA, National Sun Yat-sen University	None	None	None	None	None
Luchou Branch	VP & GM	Yi-Huei Chiu	F	R.O.C.	2020/05/01	16,559	0	0	0	0	0	Department of International Business Administration, Finance Management Section/Master of Business Administration, Chinese Culture University	None	None	None	None	None
Hsintien Branch	VP & GM	Cheng Hua Yin	M	R.O.C.	2020/05/01	0	0	0	0	0	0	Master of Business Administration in Finance, National Taiwan University	None	None	None	None	None
Pei Hsin Branch	VP & GM	Shu-Chen Yang	F	R.O.C.	2019/05/06	1,473	0	0	0	0	0	EMBA, Tamkang University	None	None	None	None	None
ChiCheng Branch	VP & GM	Quei-Ying Ho	F	R.O.C.	2020/05/01	73,282	0	0	0	0	0	Department of Banking, Tamkang University	None	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Assignment Date (yyyy/mm/dd)	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Other's Title		Education and Experience	Concurrent Positions at Other Companies	Managers who are spouses or within the second degree of kinship			Remark (Note 1)
						Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding			Title	Name	Relationship	
Yungbo Branch	VP & GM	Cheng-I Huang	M	R.O.C.	2022/03/01	0	0	0	0	0	0	Ph.D of Electronic and Computer Engineering, National Taiwan University of Science and Technology	None	None	None	None	None
Fuho Branch	VP & GM	Yin-Chao Liao	M	R.O.C.	2019/07/01	588	0	52,912	0	0	0	Department of Management, Fo Guang University	None	None	None	None	None
Chungbo Branch	VP & GM	Hsiao-Hsia Lu	F	R.O.C.	2021/05/01	105,352	0	0	0	0	0	EMBA, National Sun Yat-sen University	None	None	None	None	None
Shuangbo Branch	VP & GM	Kui-Min Hsiao	F	R.O.C.	2021/03/08	1,194	0	0	0	0	0	Department of Business and Applied Commerce, Open Junior College of Continuing Education Affiliated to National Taipei College of Business	None	None	None	None	None
Lide Branch	VP & GM	Feng-Pin Lu	M	R.O.C.	2020/08/01	1,807	0	0	0	0	0	Master of Science in Finance, Ming Chuan University	None	None	None	None	None
Hsinchuang Branch	VP & GM	Wen-Chieh Chang	M	R.O.C.	2021/01/18	394	0	0	0	0	0	EMBA, Tamkang University	None	None	None	None	None
Sinshu Branch	VP & GM	Meng-Chen Chiang	F	R.O.C.	2019/07/01	54,239	0	0	0	0	0	Master of Information Management, College of Management, Fu Jen Catholic University	None	None	None	None	None
Wugu Industrial Park Branch	VP & GM	Chih-Feng Teng	M	R.O.C.	2020/05/01	7,379	0	0	0	0	0	Department of International Business, Feng Chia University	None	None	None	None	None
Nan-Hsinchuang Branch	VP & GM	Mei-Hsing Lin	F	R.O.C.	2018/10/08	17,321	0	0	0	0	0	Institute of Finance, National Taiwan University of Science and Technology	None	None	None	None	None
SyYuan Branch	VP & GM	Huey-Wen Chang	F	R.O.C.	2021/04/01	0	0	0	0	0	0	Master of Business Administration, National Taipei University	None	None	None	None	None
Taishan Branch	VP & GM	Mei-Lan Kuan	F	R.O.C.	2020/05/01	20,810	0	0	0	0	0	Master of Information Management, Fu Jen Catholic University	None	None	None	None	None
Linkou Branch	VP & GM	Ming-Thur Cheng	M	R.O.C.	2021/05/01	30,278	0	17,688	0	0	0	Master of Business Administration, Lughwa University of Science and Technology	None	None	None	None	None
New Linkou Branch	VP & GM	Yu-Ching Huang	F	R.O.C.	2021/12/01	618	0	0	0	0	0	Advanced Master of Business Administration, National Chengchi University	None	None	None	None	None
Shulin Branch	VP & GM	Li-Lan Yang	F	R.O.C.	2022/04/01	192	0	1,510	0	0	0	Department of Business and Applied Commerce, Open Junior College of Continuing Education Affiliated to National Taipei College of Business	None	None	None	None	None
Panchiao Branch	VP & GM	Lin-Li Ku	F	R.O.C.	2019/09/09	24,731	0	62	0	0	0	Master of Science in Finance, Ming Chuan University	None	VP&GM	Ming-Hua Huang	Spouse	None
Kuang-Fu Branch	VP & GM	Shr-Jan Tzeng	M	R.O.C.	2020/08/01	846	0	0	0	0	0	Department of International Business, Soochow University	None	None	None	None	None
Chiang Tsui Branch	VP & GM	Jiun-Uei Lin	M	R.O.C.	2019/11/18	54,019	0	1,150	0	0	0	Department of Risk Management & Insurance, EMBA, Tamkang University	None	None	None	None	None
Tucheng Branch	VP & GM	Wei-Shuo Luo	M	R.O.C.	2021/03/08	22,643	0	0	0	0	0	Department of International Business, Chung Yuan Christian University	None	None	None	None	None
Sanhsia Branch	VP & GM	Te-Cheng Pan	M	R.O.C.	2021/08/01	0	0	0	0	0	0	Institute of the Law of the Sea, National Taiwan Ocean University	None	None	None	None	None
Taoyuan Branch	VP & GM	Yueh-Chiu Lai	F	R.O.C.	2019/09/09	43,877	0	0	0	0	0	Department of Accounting, Tunghai University	None	None	None	None	None
Pei-Taoyuan Branch	VP & GM	Su-Jane Lin	F	R.O.C.	2021/05/01	0	0	0	0	0	0	Master of Business and Management, Lughwa University of Science and Technology	None	None	None	None	None
Ba de Branch	VP & GM	Cheng-Chu Wang	M	R.O.C.	2020/02/01	135	0	1,060	0	0	0	Department of Accounting, Chung Yuan Christian University	None	None	None	None	None
Longtan Branch	VP & GM	Yuan-Kuang Pan	M	R.O.C.	2019/05/06	1,142	0	675	0	0	0	Department of Banking and Finance, Tamkang University	None	None	None	None	None
Nankan Branch	VP & GM	Pan-Der Chin	M	R.O.C.	2021/04/01	742	0	0	0	0	0	Department of Economics, Fu Jen Catholic University	None	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Assignment Date (yyyy/mm/dd)	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Other's Title		Education and Experience	Concurrent Positions at Other Companies	Managers who are spouses or within the second degree of kinship			Remark (Note 1)
						Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding			Title	Name	Relationship	
Tung-Linkou Branch	VP & GM	Li-Chiao Li	F	R.O.C.	2022/05/26	17,405	0	0	0	0	0	Master of Business Administration, Tamkang University	None	None	None	None	None
Chungli Branch	VP & GM	Su-Min Cheng	F	R.O.C.	2021/04/01	19,238	0	0	0	0	0	Master of Finance, Chang Gung University	None	None	None	None	None
Pei-Chungli Branch	VP & GM	Chih-Ning Chang	F	R.O.C.	2021/04/01	1	0	0	0	0	0	Master of Economics, Shih Hsin University	None	None	None	None	None
Qingpu Branch	VP & GM	Han-Bin Huang	M	R.O.C.	2022/03/01	68	0	23,041	0	0	0	Master of Business Administration, Chien Hsin University of Science and Technology	None	None	None	None	None
Hsin-Ming Branch	VP & GM	Hsiu-O Hsieh	F	R.O.C.	2021/05/01	588	0	11,814	0	0	0	Department of Economics, National Chung Hsing University	None	None	None	None	None
Yangmei Branch	VP & GM	Pei-Fen Shieh	F	R.O.C.	2021/03/08	181,110	0	1,020	0	0	0	Department of Business and Applied Commerce, Open Junior College of Continuing Education Affiliated to National Taipei College of Business	None	None	None	None	None
Puhsin Branch	VP & GM	Su-Chen Cheng	F	R.O.C.	2021/04/01	394	0	0	0	0	0	Department of Banking and Insurance, National Taichung College of Business	None	None	None	None	None
Hsinchu Branch	VP & GM	Jui-Yueh Wu	M	R.O.C.	2021/04/01	0	0	0	0	0	0	Department of Construction Management, Chung Hua University	None	None	None	None	None
Pei-Hsinchu Branch	VP & GM	Shiow-Ling Kao	F	R.O.C.	2020/02/01	1,200	0	0	0	0	0	Department of Banking, Tamkang University	None	None	None	None	None
Hsinchu Science-based Industrial Park Branch	VP & GM	Feng-Fu Jang	M	R.O.C.	2021/04/01	1,006	0	0	0	0	0	Department of Electronic Data Processing, National Taichung College of Business	None	None	None	None	None
Jhubei Branch	VP & GM	Chien-Tien Lee	M	R.O.C.	2022/04/01	0	0	0	0	0	0	Department of Information Management, Chaoyang University of Technology	None	None	None	None	None
Chutung Branch	VP & GM	Kuo-Lung Lin	M	R.O.C.	2021/02/04	340	0	0	0	0	0	School of Management, EMBA, Ming Chuan University	None	None	None	None	None
Zhunan Branch	VP & GM	Hui-Fang Chen	F	R.O.C.	2022/05/23	0	0	0	0	0	0	Department of Public Finance, Feng Chia University	None	None	None	None	None
Miaoli Branch	VP & GM	Man-Sui Liu	F	R.O.C.	2022/03/01	39,059	0	0	0	0	0	Master of Business Administration, National Taichung University of Science and Technology	None	None	None	None	None
Yuanli Branch	VP & GM	Yen-Chun Chen	F	R.O.C.	2022/12/01	16,420	0	0	0	0	0	Department of Foreign Languages and Literatures, Providence University	None	None	None	None	None
Tachia Branch	VP & GM	Pei-Chung Yang	M	R.O.C.	2017/11/01	49,251	0	0	0	0	0	EMBA (Senior Business Administration), Feng Chia University	None	None	None	None	None
Chingshui Branch	VP & GM	Chun-Hong Yeh	M	R.O.C.	2019/03/11	544	0	0	0	0	0	EMBA, National Changhua University of Education	None	None	None	None	None
Shalu Branch	VP & GM	Kuen-Shan Wang	M	R.O.C.	2019/03/11	3,561	0	0	0	0	0	Department of International Business, Tunghai University	None	None	None	None	None
Tatu Branch	VP & GM	Kuo-Heng Hsu	M	R.O.C.	2020/05/01	11,535	0	0	0	0	0	EMBA, Feng Chia University	None	None	None	None	None
Taipin Branch	VP & GM	Wen-Ching Chen	M	R.O.C.	2018/07/09	42,488	0	0	0	0	0	Master of Finance, National Yunlin University of Science & Technology	None	None	None	None	None
Fengyuan Branch	VP & GM	Chin-Ping Lai	F	R.O.C.	2022/03/01	48,919	0	0	0	0	0	IMBA, National Changhua University of Education	None	None	None	None	None
Daya Branch	VP & GM	Yu-Fang Chang	F	R.O.C.	2020/03/01	0	0	1,007	0	0	0	Bachelor's Program of Business, Feng Chia University	None	VP&GM	Chih-Hao Lo	Spouse	None
Tantzu Branch	VP & GM	Li-Mei Chang	F	R.O.C.	2020/03/01	25,149	0	0	0	0	0	Department of Business and Applied Commerce, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None	None
Tungshih Branch	VP & GM	Tain-Maw Chang	M	R.O.C.	2017/08/01	6,260	0	0	0	0	0	EMBA, National Chung Hsing University	None	None	None	None	None
Wufeng Branch	VP & GM	Yuan-Fen Chen	F	R.O.C.	2018/12/01	14,314	0	0	0	0	0	Master of Finance, Chaoyang University of Technology	None	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Assignment Date (yyyy/mm/dd)	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Other's Title		Education and Experience	Concurrent Positions at Other Companies	Managers who are spouses or within the second degree of kinship			Remark (Note 1)
						Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding			Title	Name	Relationship	
Dali Branch	VP & GM	Yi-Chen Wang	F	R.O.C.	2019/03/11	108,026	0	0	0	0	0	Department of International Business, Chung Yuan Christian University	None	None	None	None	None
Tsaotun Branch	VP & GM	Shao-Mao Wang	M	R.O.C.	2022/03/01	100,957	0	59,557	0	0	0	EMBA Business Management Group, National Chung Hsing University	None	None	None	None	None
Nantou Branch	VP & GM	Kung-Ming Chang	M	R.O.C.	2022/03/01	61,258	0	0	0	0	0	Department of Business Administration, Chaoyang University of Technology	None	None	None	None	None
Puli Branch	VP & GM	Wen-Liang Wang	M	R.O.C.	2021/07/01	4	0	0	0	0	0	Department of Banking and Finance, Tamkang University	None	None	None	None	None
Shuilikeng Branch	VP & GM	Ming Chuan Lin	F	R.O.C.	2017/08/01	102,460	0	5,742	0	0	0	Department of Business, National Open University	None	None	None	None	None
Changhwa Branch	VP & GM	A-R Liu	F	R.O.C.	2019/03/11	18,635	0	3,097	0	0	0	EMBA, National Changhua University of Education	None	None	None	None	None
Lukang Branch	VP & GM	Tsuey-Shya Jang	F	R.O.C.	2022/12/01	13,725	0	0	0	0	0	Master of Science in Technology Management, Chung Hua University	None	None	None	None	None
Hemei Branch	VP & GM	Wen-Chung Chen	M	R.O.C.	2020/05/01	52,675	0	0	0	0	0	EMBA, National Chung Hsing University	None	None	None	None	None
Yuanlin Branch	VP & GM	Yi-Tien Liao	M	R.O.C.	2021/07/01	2,374	0	25,606	0	0	0	Department of Business Administration, Fu Jen Catholic University	None	None	None	None	None
Hsihu Branch	VP & GM	Jui-Chen Chen	M	R.O.C.	2021/07/01	88,919	0	53,561	0	0	0	IMBA, National Changhua University of Education	None	None	None	None	None
Peitou Branch	VP & GM	Jui-Hung Weng	M	R.O.C.	2019/07/01	5,626	0	0	0	0	0	Department of Finance, Chaoyang University of Technology	None	None	None	None	None
Erlin Branch	VP & GM	Chiou-Shin Liang	M	R.O.C.	2020/05/01	0	0	0	0	0	0	Department of Accounting, Fu Jen Catholic University	None	None	None	None	None
Hsiluo Branch	VP & GM	Shinn-Huei Leu	M	R.O.C.	2022/03/01	13,317	0	0	0	0	0	Department of Finance, National Formosa University of Science and Technology	None	None	None	None	None
Touliu Branch	VP & GM	Ming-Jer Lin	M	R.O.C.	2021/02/04	4,964	0	0	0	0	0	Department of Applied Business, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None	None
Tounan Branch	VP & GM	Wen-Ling Tsai	M	R.O.C.	2022/03/01	2,098	0	1,879	0	0	0	Department of Business Management, Chinese Culture University	None	None	None	None	None
Huwei Branch	VP & GM	Er-Lang Kuo	M	R.O.C.	2022/03/01	0	0	14	0	0	0	Department of Economics, Soochow University	None	None	None	None	None
Tukoo Branch	VP & GM	Tsung-Min Hsieh	M	R.O.C.	2022/12/01	0	0	0	0	0	0	Institute of International Economics, National Chung Cheng University	None	None	None	None	None
Peikang Branch	VP & GM	Long-Chi Lin	M	R.O.C.	2022/03/01	234	0	7,309	0	0	0	Department of Applied Business, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None	None
Talin Branch	VP & GM	Pin-Shen Ho	M	R.O.C.	2020/05/01	0	0	0	0	0	0	EMBA, Feng Chia University	None	None	None	None	None
Chiayi Branch	VP & GM	Chung-Shing Her	M	R.O.C.	2019/09/09	0	0	0	0	0	0	Department of Public Finance, Feng Chia University	None	None	None	None	None
Tung-Chiayi Branch	VP & GM	Show-Fone Lu	F	R.O.C.	2019/09/09	40,681	0	0	0	0	0	Department of Business, National Open University	None	None	None	None	None
Pei-Chiayi Branch	VP & GM	Shu-Hui Ke	F	R.O.C.	2020/10/01	0	0	0	0	0	0	Master of Money and Banking, National Kaohsiung First University of Science and Technology	None	None	None	None	None
Hsiinying Branch	VP & GM	Lih-Lan Kuo	F	R.O.C.	2022/03/01	0	0	0	0	0	0	Department of Accounting, Chinese Culture University	None	None	None	None	None
Yungkang Branch	VP & GM	Chen-Ying Wu	F	R.O.C.	2018/11/26	3,931	0	0	0	0	0	EMBA, Southern Taiwan University of Science and Technology	None	None	None	None	None
Chung-Hua Road Branch	VP & GM	Shu-Chuan Lin	F	R.O.C.	2020/05/01	1,133	0	0	0	0	0	Department of Business Administration, National Cheng Kung University	None	None	None	None	None



## III. Corporate Governance Report

Name of Unit	Title	Name	Gender	Nationality	Assignment Date (yyyy/mm/dd)	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Other's Title		Education and Experience	Concurrent Positions at Other Companies	Managers who are spouses or within the second degree of kinship			Remark (Note 1)
						Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding			Title	Name	Relationship	
Tainan Branch	VP & GM	Fen-Lan Lu	F	R.O.C.	2022/03/01	38,817	0	23,461	0	0	0	Department of Business Administration, National Cheng Kung University	None	None	None	None	None
Yenping Branch	VP & GM	Shu-Hui Lin	F	R.O.C.	2019/05/06	0	0	0	0	0	0	Department of International Trade, Chinese Culture University	None	None	None	None	None
Hsi-Tainan Branch	VP & GM	Yen-Yu Liu	F	R.O.C.	2020/05/01	642	0	0	0	0	0	EMBA, National Chiayi University	None	None	None	None	None
Tung-Tainan Branch	VP & GM	Shu-Chin Hsui	F	R.O.C.	2022/03/01	0	0	0	0	0	0	Department of Economics, National Chung Hsing University	None	None	None	None	None
Nan-Tainan Branch	VP & GM	Lun-Jhang Lian	M	R.O.C.	2019/12/01	158,220	0	5,110	0	0	0	Industrial Management Section, Southern Taiwan University of Science and Technology	None	None	None	None	None
Pei-Tainan Branch	VP & GM	Li-Chu Hsu	F	R.O.C.	2020/05/01	0	0	0	0	0	0	Department of Business Administration, Fu Jen Catholic University	None	None	None	None	None
Guiren Branch	VP & GM	Yu-Tang Wu	M	R.O.C.	2020/08/01	0	0	0	0	0	0	Department of Business Administration, Tunghai University	None	None	None	None	None
AnNan Branch	VP & GM	Hsiu-Chih Huang	F	R.O.C.	2020/10/01	56,082	0	0	0	0	0	EMBA, Southern Taiwan University of Science and Technology	None	None	None	None	None
Chishan Branch	VP & GM	Su-Wei Liang	F	R.O.C.	2022/10/01	25,447	0	0	0	0	0	Department of Banking and Insurance, Feng Chia University	None	None	None	None	None
Kangshan Branch	VP & GM	Shu-Li Chang	F	R.O.C.	2019/12/01	15,346	0	54,774	0	0	0	Department of Applied Business, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None	None
Fengshan Branch	VP & GM	Hui-Ju Lee	F	R.O.C.	2019/10/07	50,504	0	0	0	0	0	Department of International Trade, National Taichung College of Business	None	None	None	None	None
Luchu Branch	VP & GM	Show-Ching Chen	F	R.O.C.	2020/02/01	42	0	0	0	0	0	Department of Applied Business, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None	None
TaFa Branch	VP & GM	Hsu-Lin Huang	F	R.O.C.	2019/11/18	197,723	0	0	0	0	0	Department of International Trade, International Business College	None	None	None	None	None
Kaohsiung Branch	VP & GM	Su-Chuan Wang	F	R.O.C.	2019/10/07	2,927	0	0	0	0	0	Master of Money and Banking, National Kaohsiung First University of Science and Technology	None	None	None	None	None
Chi-Hsien Branch	VP & GM	Shwu-Ruu Lee	F	R.O.C.	2018/11/26	59,706	0	0	0	0	0	Department of Applied Business, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None	None
Yencheng Branch	VP & GM	Shu-Mei Yeh	F	R.O.C.	2022/10/01	0	0	0	0	0	0	Department of International Business, National Chengchi University	None	None	None	None	None
Tung-Kaohsiung Branch	VP & GM	Yu-Tang Shen	M	R.O.C.	2022/03/01	0	0	0	0	0	0	EMBA, National Sun Yat-sen University	None	None	None	None	None
Nan-Kaohsiung Branch	VP & GM	Shu-Fen Wu	F	R.O.C.	2018/09/01	18,790	0	0	0	0	0	Department of International Business, National Chengchi University	None	None	None	None	None
Pei-Kaohsiung Branch	VP & GM	Chin-Hsien Shen	M	R.O.C.	2021/04/01	13,825	0	0	0	0	0	Master of Business Administration, Chaoyang University of Technology	None	None	None	None	None
Sanmin Branch	VP & GM	Shu-Fen Lee	F	R.O.C.	2020/09/01	80,148	0	0	0	0	0	Department of International Business, National Kaohsiung University of Science and Technology	None	None	None	None	None
Hsinhsing Branch	VP & GM	Che-Fang Hung	M	R.O.C.	2021/12/01	21,825	0	0	0	0	0	Master of Finance and Information, National Kaohsiung University of Science and Technology	None	None	None	None	None
Chanchen Branch	VP & GM	Chia-Hsiang Tsai	M	R.O.C.	2020/02/01	0	0	3,158	0	0	0	Department of Business Administration, National Chung Hsing University	None	None	None	None	None
Chiu-Ju Lu Branch	VP & GM	Ying-Dai Chen	F	R.O.C.	2020/09/01	1,140	0	0	0	0	0	Department of Business Administration, Southern Taiwan University of Science and Technology	None	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Assignment Date (yyyy/mm/dd)	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Other's Title		Education and Experience	Concurrent Positions at Other Companies	Managers who are spouses or within the second degree of kinship			Remark (Note 1)
						Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding			Title	Name	Relationship	
Chienhsing Branch	VP & GM	Huang-Chou Chio	M	R.O.C.	2022/10/01	0	0	55,281	0	0	0	Department of Industrial Management, National Chin-Yi University of Technology	None	None	None	None	None
Po-Ai Branch	VP & GM	Shu-Hei Chang	F	R.O.C.	2020/02/01	53,533	0	0	0	0	0	International Trade, Providence College of Arts and Sciences for Women	None	None	None	None	None
Lingya Branch	VP & GM	Wen-Ko Ho	M	R.O.C.	2020/05/01	0	0	0	0	0	0	Department of Cooperative Economics, National Chung Hsing University	None	None	None	None	None
Ta-Shun Branch	VP & GM	Chen-Huan Liu	F	R.O.C.	2022/10/01	0	0	5,410	0	0	0	Department of International Trade, Chinese Culture University	None	None	None	None	None
Zuoying Branch	VP & GM	Ching-Chung Chen	M	R.O.C.	2018/08/06	1,008	0	0	0	0	0	Institute of Human Resource Management, National Sun Yat-sen University	None	None	None	None	None
Pingtung Branch	VP & GM	Shu-Yun Hsu	F	R.O.C.	2019/10/07	3,768	0	0	0	0	0	Department of Business Administration, National Taiwan University of Science and Technology	None	None	None	None	None
Chaochou Branch	VP & GM	Hsiu-Yun Shih	F	R.O.C.	2020/09/01	1,080	0	0	0	0	0	Master of Finance, National Kaohsiung First University of Science and Technology	None	None	None	None	None
Tungkang Branch	VP & GM	Ming-Han Tsai	M	R.O.C.	2019/12/01	117	0	0	0	0	0	Master of Finance, National Kaohsiung First University of Science and Technology	None	None	None	None	None
Hengchun Branch	VP & GM	Lien-Chen Shih	F	R.O.C.	2021/02/04	572	0	0	0	0	0	Master of Money and Banking, National Kaohsiung University of Science and Technology	None	None	None	None	None
Hualien Branch	VP & GM	Wen-Ching Chang	M	R.O.C.	2017/05/02	3,865	0	0	0	0	0	Department of International Business, Soochow University	None	None	None	None	None
Taitung Branch	VP & GM	Chia-Hsiung Tung	M	R.O.C.	2021/12/01	0	0	0	0	0	0	Department of International Business, Chung Yuan Christian University	None	None	None	None	None
New York Branch	VP & GM	Chien-Shan Liu	M	R.O.C.	2018/03/01	0	0	0	0	0	0	Master of Business Administration, National Chung Cheng University	None	None	None	None	None
Los Angeles Branch	VP & GM	Wan-Chin Chang	F	R.O.C.	2016/12/01	200,554	0	0	0	0	0	MBA in Banking and Finance, Tamkang University	None	None	None	None	None
Tokyo Branch	VP & GM	Li-Fang Liu	F	R.O.C.	2019/03/11	0	0	0	0	0	0	Department of International Business, Tunghai University	None	None	None	None	None
London Branch	VP & GM	Hui-Chen Tai	F	R.O.C.	2022/12/30	56,768	0	0	0	0	0	Department of Agricultural Economics, National Chung Hsing University	None	None	None	None	None
Hong Kong Branch	VP & GM	Huei-Jin Lin	F	R.O.C.	2021/05/11	6,750	0	0	0	0	0	Master of Business Administration for Executive, National Taipei University	None	None	None	None	None
Singapore Branch	VP & GM	Chin-Lung Pan	M	R.O.C.	2017/01/13	6,393	0	0	0	0	0	Graduate Institute of Finance, National Taiwan University of Science and Technology	None	None	None	None	None
Manila Branch	VP & GM	Kwang-Wu Liu	M	R.O.C.	2018/07/09	0	0	0	0	0	0	Department of Information Management, Tamkang University	None	None	None	None	None

Note 1: Chairperson and President or personnel of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship.

Note 2: On August 25, 2022, at the 29<sup>th</sup> meeting of the 26<sup>th</sup> Board of Directors, it was resolved and approved that Mr. Chien-Shan Liu, the former VP & GM of New York Branch, would be transferred to the Nankang Science Industrial Park Branch for VP & GM position. From October 1, 2022, to January 2, 2023, Mr. Tung-Chia Lu, SVP & Deputy Division Head of the Domestic Banking Division, shall serve as the acting manager until the new VP & GM takes office at the Nankang Science Industrial Park Branch.

c. Information on retired Chairpersons and Presidents from the Bank or affiliates serving as consultants: None.

## C. Remuneration

### a. Remuneration of Directors and Independent Directors

Title	Name	Directors' Remuneration							
		Base compensation (A)		Severance pay and pension (B)		Remuneration (C) (Note 1, Note 2)		Business expense allowances (D)	
		The Bank	All companies in the financial statement	The Bank	All companies in the financial statement	The Bank	All companies in the financial statement	The Bank	All companies in the financial statement
Chairperson	Jong-Yuan Ling (Delegate of MOF)								
Managing Director	Chao-Chung Chou (Delegate of MOF)								
Director	Shiu-Yen Lin (Delegate of Chunghwa Post Co., Ltd.) effective on 2022/11/1								
Director	Chia-Chi Hsiao (Delegate of Chunghwa Post Co., Ltd.) effective before 2022/11/1	10,582,800	10,582,800	0	0	55,168,912	55,168,912	0	0
Director	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan)								
Director	Wen-Siung Lee								
Director	Hwai-Chou Chen								
	MOF								
	National Development Fund, Executive Yuan								
	Chunghwa Post Co., Ltd.								
Managing Director (Independent Director)	Jung-Chun Pan	2,520,000	2,520,000	0	0	0	0	0	0
Independent Director	Jong-Horng Lin								
Independent Director	Chih-Jong Suen								

1. Please describe the Independent Director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the considered factors such as their duties, risks, and invested time:

In accordance with Article 20, Subparagraph 13 of the Bank's Articles of Incorporation, remunerations for Independent Directors have been approved by the Board of Directors in line with other financial institutions of equivalent size and scope to the Bank. The procedure for determining remuneration is based on the Bank's "Rules of Performance Evaluation of the Board of Directors", in addition to referring to the company's overall operating performance, the quality of decision-making by the Board of Directors and various functional committees, and internal control, it also refers to the performance evaluation result of the Bank's Directors (There are eight major aspects to evaluate the performance of the Board of Director which are: "structure and process of the Board of Director", "composition of the Board of Director", "legal entity and group structure", "roles and responsibilities", "behavior and culture", "Director training and development", "supervision of risk control", and "supervision of declaration, disclosure and performance".) for giving reasonable remuneration, and the rationality of relevant remuneration is reviewed by the Remuneration Committee and the Board of Directors to achieve a balance between the company's sustainable operation and risk control.

2. In addition to the disclosure in the above table, the Directors of the Bank have received other remunerations for providing services in a non-employee capacity, such as an advisor to the parent company /any companies in the financial statement / investee enterprises within the current fiscal year: None.

Note 1: The Directors' remuneration for 2022 earnings appropriation is estimated by the proposed amount submitted to the Board of Directors for discussion before the Shareholders' Meeting multiplied by the actual allotment ratio last year.

Note 2: The scheme of non-salaried director remunerations for independent directors was approved by the 3<sup>rd</sup> meeting of the 26<sup>th</sup> Board of Directors of the Bank held on August 27, 2020.

Note 3: Appropriated amount of severance pay and pension expenses in 2022: NT\$108,000. (10% under the old pension system and 6% under the new pension system)

January 1, 2022 ~ December 31, 2022 Unit: NT\$, %

	Total remuneration (A+B+C+D) and the ratio of total remuneration to net income after tax (%)		Relevant remuneration received by Directors who are also employees								Total remuneration (A+B+C+D+E+F+G) and the ratio of total remuneration to net income after tax (%)		Remuneration from reinvested companies other than subsidiaries or the parent company
			Salary, bonus and allowances (E)		Severance pay and pension (F) (Note 3)		Remuneration to employees (G)						
	The Bank	All companies in the financial statement	The Bank	All companies in the financial statement	The Bank	All companies in the financial statement	The Bank		All companies in the financial statement		The Bank	All companies in the financial statement	
						Cash	Stock	Cash	Stock				
	65,751,712 (0.5993%)	65,751,712 (0.5993%)	6,080,000	6,080,000	108,000	108,000	0	0	0	0	71,939,712 (0.6557%)	71,939,712 (0.6557%)	461,200
	2,520,000 (0.0230%)	2,520,000 (0.0230%)	0	0	0	0	0	0	0	0	2,520,000 (0.0230%)	2,520,000 (0.0230%)	0



Remuneration Bracket

Remuneration bracket of the Bank's Directors	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Bank	All companies in the financial statement	The Bank	The parent company and reinvested companies
Under NT\$1,000,000	Chao-Chung Chou Chien-Yi Chang Chia-Chi Hsiao (effective before 2022/11/1) Shiu-Yen Lin (effective on 2022/11/1) Jong-Horng Lin Chih-Jong Suen	Chao-Chung Chou Chien-Yi Chang Chia-Chi Hsiao (effective before 2022/11/1) Shiu-Yen Lin (effective on 2022/11/1) Jong-Horng Lin Chih-Jong Suen	Chien-Yi Chang Chia-Chi Hsiao (effective before 2022/11/1) Shiu-Yen Lin (effective on 2022/11/1) Jong-Horng Lin Chih-Jong Suen	Chien-Yi Chang Chia-Chi Hsiao (effective before 2022/11/1) Shiu-Yen Lin (effective on 2022/11/1) Jong-Horng Lin Chih-Jong Suen
NT\$ 1,000,000 ~ NT\$ 2,000,000(exclusive)	Jung-Chun Pan	Jung-Chun Pan	Jung-Chun Pan	Jung-Chun Pan
NT\$ 2,000,000 ~ NT\$ 3,500,000(exclusive)				
NT\$ 3,500,000 ~ NT\$ 5,000,000(exclusive)				
NT\$ 5,000,000 ~ NT\$ 10,000,000(exclusive)	Jong-Yuan Ling Wen-Siung Lee Hwai-Chou Chen Chunghwa Post Co., Ltd. National Development Fund, Executive Yuan	Jong-Yuan Ling Wen-Siung Lee Hwai-Chou Chen Chunghwa Post Co., Ltd. National Development Fund, Executive Yuan	Jong-Yuan Ling Chao-Chung Chou Wen-Siung Lee Hwai-Chou Chen Chunghwa Post Co., Ltd. National Development Fund, Executive Yuan	Jong-Yuan Ling Chao-Chung Chou Wen-Siung Lee Hwai-Chou Chen Chunghwa Post Co., Ltd. National Development Fund, Executive Yuan
NT\$10,000,000 ~ NT\$ 15,000,000(exclusive)				
NT\$15,000,000 ~ NT\$ 30,000,000(exclusive)				
NT\$30,000,000 ~ NT\$ 50,000,000(exclusive)	MOF	MOF	MOF	MOF
NT\$50,000,000 ~ NT\$100,000,000(exclusive)				
NT\$100,000,000 (inclusive) or more				
Total (persons)	13	13	13	13

b. Remuneration of President and Executive Vice Presidents

January 1, 2022 ~ December 31, 2022 Unit: NT\$, %

Title	Name	Salary (A)		Severance pay and pension (B) (Note 1)		Bonus and allowances (C) (Note 2)		Remuneration to employees (D) (Note 2)				Total remuneration (A+B+C+D) and the ratio of total remuneration to net income after tax (%)		Remuneration from reinvested companies other than subsidiaries or the parent company
		The Bank	All companies in the financial statement	The Bank	All companies in the financial statement	The Bank	All companies in the financial statement	The Bank		All companies in the financial statement		The Bank	All companies in the financial statement	
								Cash	Stock	Cash	Stock			
President	Chao-Chung Chou													
Executive Vice President	Bin Chen													
Executive Vice President	Ya-Ling Lin													
Executive Vice President	Hsiu-Chuan Teng													
Executive Vice President	Shwu-Fang Wang	20,239,768	20,239,768	12,311,230	12,311,230	14,394,103	14,394,103	2,534,427	0	2,534,427	0	49,479,528 (0.45%)	49,479,528 (0.45%)	609,000
EVP & Chief Compliance Officer	Hsiang-Chun Wu (assigned on 2022/5/23)													
EVP & Chief Compliance Officer	Jih-Cheng Yang (retired on 2022/3/1)													
EVP & Chief Auditor	Mei-Fang Wu													

Note 1: The information of "severance pay and pension" is disclosed as the following notes:

(1) Actual paid amount of severance pay and pension in 2022: NT\$10,691,821

(2) Appropriated amount of severance pay and pension expense in 2022: NT\$1,619,409. (10% under the old pension system and 6% under the new pension system)

Note 2: In 2022, bonuses and employee remuneration for President and EVPs are estimated in accordance with the Bank's regulations.

Note 3: The remuneration for drivers of the head officers of the company: The Bank paid the 8 drivers of the head officers of the company in total of NT\$7,221,312 a year. They are not assigned for them only; the Bank can assign drivers for other business needs.

Remuneration Bracket

Remuneration bracket of the Bank's President and EVPs	Name of President and EVPs	
	The Bank	The parent company and reinvested companies
Under NT\$1,000,000		
NT\$ 1,000,000 ~ NT\$ 2,000,000(exclusive)		
NT\$ 2,000,000 ~ NT\$ 3,500,000(exclusive)		
NT\$ 3,500,000 ~ NT\$ 5,000,000(exclusive)	Hsiang-Chun Wu	Hsiang-Chun Wu

Remuneration bracket of the Bank's President and EVPs	Name of President and EVPs	
	The Bank	The parent company and reinvested companies
NT\$ 5,000,000 ~ NT\$ 10,000,000(exclusive)	Chao-Chung Chou Bin Chen Ya-Ling Lin Hsiu-Chuan Teng Shwu-Fang Wang Mei-Fang Wu	Chao-Chung Chou Bin Chen Ya-Ling Lin Hsiu-Chuan Teng Shwu-Fang Wang Mei-Fang Wu
NT\$10,000,000 ~ NT\$ 15,000,000(exclusive)	Jih-Cheng Yang (retired on 2022/3/1)	Jih-Cheng Yang (retired on 2022/3/1)
NT\$15,000,000 ~ NT\$ 30,000,000(exclusive)		
NT\$30,000,000 ~ NT\$ 50,000,000(exclusive)		
NT\$50,000,000 ~ NT\$100,000,000(exclusive)		
NT\$100,000,000 (inclusive) or more		
Total (persons)	8	8

## c. Name of the managerial officers and employee bonus amount paid to managerial officers:

December 31, 2022 Unit: NT\$: %

Title	Name	Stock	Cash	Total	Total amount to after-tax net income ratio (%)			
President	Chao-Chung Chou							
Executive Vice President	Bin Chen							
Executive Vice President	Ya-Ling Lin							
Executive Vice President	Hsiu-Chuan Teng							
Executive Vice President	Shwu-Fang Wang							
EVP & Chief Compliance Officer	Hsiang-Chun Wu							
EVP & Chief Auditor	Mei-Fang Wu							
Division Heads and General Managers	Shu-Ming Lin	Hsueh-Ni Hsieh	Yu-Hsueh Liu	Cheng-Chi Chuang				
	Chih-Chen Hsu	Ruei-Jan Chen	Yu-Chin Fan	Rueih-Hwa Cheng				
	Hsiu-Hsia Tsai	Yu-Yeh Lin	Jung-Chien Hu	Hsueh-Wen Wang				
	Fu-Jinn Chiou	Lung-Chun Wang	Kuei-Mei Hsu	Shu-Hsuan Lin				
	Hui-Jen Wu	Hui-Yu Chen	Yao-Ju Lu	Li-Min Cheng				
	Shu-Ju Tsai	Chi-Min Chung	Jin-Yu Yeh	Mei-Hui Wu				
	Li-Fen Tzeng	Fang-Yuan Wu	Jui-Mei Ho	Shuo-Hung Huang				
	Chuen-Lan Fu	Rong-Horng Way	Tung-Sheng Huang	You-Chen Lee				
	Shiu-Hwa Chang	Chiung-Hsiao Hung	Mei-Ling Chiu	Jiunn-Horng Lin				
	Su-Min Hsin	Ai-Ling Wang	Yi-Ming Wang	Shinn-Guang Duh				
	Kao-Jung Hsu	Hsi-Peng Hsu	Zih-Chang Lin	Chi-Hsiang Chen				
	Chih-Hong Chiang	Cheng-Tong Chien	Yi-Chieh Hou	Tsung-Ming Lai				
	Hui-Lan Yang	Li-Feng Shen	Shih-Maw Wang	Jui-Hui Hsu				
	Ai-Fen Hu	Lin-Ling Chen	Chang-Cheng Chu	Hueih-Rur Shy				
	Shu-Lin Liu	Kui-Fang Tsai	Hung-Chieh Chou	Chin-Li Lin	0	52,772,443	52,772,443	0.4810%
	Jung Chen	Ching-Hsing Chao	Hui-Ling Lee	Yun-Ping Lin				
	Ya-Cheng Chang	Hsi-Lung Wu	Chiu-Min Shen	Yi-Cheng Chu				
	Chiu-Ling Chen	Chu-Nu Yeh	Ming-Hua Huang	Chi-Hsin Chao				
	Chih-Hao Lo	Ting-Feng Cho	Chih-Huang Huang	Szu-Yen Lin				
	Ying-Chin Chang	Chia-Chen Shen	Su-Man Hsueh	Kuo-Hsien Chien				
	Chien-Mei Yu	Yu-Cheng Chang	Mei-Fen Shieh	Su-Hwa Tsai				
	Shu-Fen Liu	Shen-Hui Lu	Jinn-Sheng Wu	Ying-Hui Hung				
	Chin-Shiang Ding	Cheng-Yi Hsieh	Tsung-Jen Wang	Shu-Fen Cheng				
	Ho-Hsiung Huang	Feng-Chiou Lai	Chun-Yuan Chen	Ya-Fang Lee				
	Yao-Sheng Hsieh	Tzu-Yun Chen	Ya-Huei Hung	Kun-Lin Lee				
	Yi-Huei Chiu	Cheng Hua Yin	Shu-Chen Yang	Quei-Ying Ho				
	Cheng-I Huang	Yin-Chao Liao	Hsiao-Hsia Lu	Kui-Min Hsiao				
	Feng-Pin Lu	Wen-Chieh Chang	Meng-Chen Chiang	Chih-Feng Teng				
	Mei-Hsing Lin	Huey-Wen Chang	Mei-Lan Kuan	Ming-Thur Cheng				
	Yu-Ching Huang	Li-Lan Yang	Lin-Li Ku	Shr-Jan Tzeng				
	Jiun-Uei Lin	Wei-Shuo Luo	Te-Cheng Pan	Yueh-Chiu Lai				
	Su-Jane Lin	Cheng-Chu Wang	Yuan-Kuang Pan	Pan-Der Chin				
	Li-Chiao Li	Su-Min Cheng	Chih-Ning Chang	Han-Bin Huang				
	Hsiu-O Hsieh	Pei-Fen Shieh	Su-Chen Cheng	Jui-Yueh Wu				
	Shiow-Ling Kao	Feng-Fu Jang	Chien-Tien Lee	Kuo-Lung Lin				
	Hui-Fang Chen	Man-Sui Liu	Yen-Chun Chen	Pei-Chung Yang				
	Chun-Hong Yeh	Kuen-Shan Wang	Kuo-Heng Hsu	Wen-Ching Chen				
	Chin-Ping Lai	Yu-Fang Chang	Li-Mei Chang	Tain-Maw Chang				
	Yuan-Fen Chen	Yi-Chen Wang	Shao-Mao Wang	Kung-Ming Chang				
	Wen-Liang Wang	Ming Chuan Lin	A-R Liu	Tsuey-Shya Jang				

Title	Name				Stock	Cash	Total	Total amount to after-tax net income ratio (%)
	Wen-Chung Chen	Yi-Tien Liao	Jui-Chen Chen	Jui-Hung Weng				
	Chiou-Shin Liang	Shinn-Huei Leu	Ming-Jer Lin	Wen-Ling Tsai				
	Er-Lang Kuo	Tsung-Min Hsieh	Long-Chi Lin	Pin-Shen Ho				
	Chung-Shing Her	Show-Fone Lu	Shu-Hui Ke	Lih-Lan Kuo				
	Chen-Ying Wu	Shu-Chuan Lin	Fen-Lan Lu	Shu-Hui Lin				
	Yen-Yu Liu	Shu-Chin Hsui	Lun-Jhang Lian	Li-Chu Hsu				
	Yu-Tang Wu	Hsiu-Chih Huang	Su-Wei Liang	Shu-Li Chang				
	Hui-Ju Lee	Show-Ching Chen	Hsu-Lin Huang	Su-Chuan Wang				
	Shwu-Ruu Lee	Shu-Mei Yeh	Yu-Tang Shen	Shu-Fen Wu				
	Chin-Hsien Shen	Shu-Fen Lee	Che-Fang Hung	Chia-Hsiang Tsai				
	Ying-Dai Chen	Huang-Chou Chio	Shu-Hei Chang	Wen-Ko Ho				
	Chen-Huan Liu	Ching-Chung Chen	Shu-Yun Hsu	Hsiu-Yun Shih				
	Ming-Han Tsai	Lien-Chen Shih	Wen-Ching Chang	Chia-Hsiung Tung				
	Chien-Shan Liu	Wan-Chin Chang	Li-Fang Liu	Hui-Chen Tai				
	Huei-Jin Lin	Chin-Lung Pan	Kwang-Wu Liu					

Note: Employee bonus for managerial officers in 2022 is estimated in accordance with the Bank's regulation.

d. Analysis of the ratio of total remuneration paid to Directors, President, and EVPs in the last two years to the after-tax net income of the Bank and all companies in the financial statements, and remuneration policies, standards, packages, procedure for determining remuneration, and linkage thereof to business performance and future risk.

1. Analysis of the ratio of total remuneration paid to Directors, President, and EVPs in the last two years to the after-tax net income of the Bank and all companies in the financial statements:

Unit: NT\$ thousand; %

Item	2022				2021				Increase / decrease		Increase / decrease (%)	
	The Bank		All companies in the financial statements		The Bank		All companies in the financial statements		The Bank	All companies in the financial statements	The Bank	All companies in the financial statements
	Amount	Amount to after-tax net income ratio (%)	Amount	Amount to after-tax net income ratio (%)	Amount	Amount to after-tax net income ratio (%)	Amount	Amount to after-tax net income ratio (%)				
Remuneration of Directors	68,272	0.62	68,272	0.62	55,597	0.63	55,597	0.63	12,675	12,675	22.80	22.80
Remuneration of President and Executive Vice Presidents	49,480	0.45	49,480	0.45	45,087	0.51	45,087	0.51	4,393	4,393	9.74	9.74
Total	117,752	1.07	117,752	1.07	100,684	1.14	100,684	1.14	17,068	17,068	16.95	16.95

2. Remuneration policies, standards, packages, and procedure for determining remuneration:

(1) Remuneration of Directors:

Remuneration of Directors (including Chairperson and Independent Directors) is regulated by Article 20, Subparagraph 13 of the Bank's Articles of Incorporation. The remuneration of the Directors to be on par with the remuneration levels of Directors of financial institutions similar in size to the Bank. The Remuneration Committee and the Board of Directors will combine the performance evaluation results of the Board of Directors in 2021 in accordance with the provisions of Article 7, Paragraph 1, Subparagraph 2 of Rules of Performance Evaluation of the Board of Directors 【There are eight major aspects to evaluate the performance of the Board of Director which are: "structure and process of the Board of Director", "composition of the Board of Director", "legal entity and group structure", "roles and responsibilities", "behavior and culture", "director training and development", "supervision of risk control", and "supervision of declaration, disclosure and performance". The self-evaluation criteria of Board of Directors incorporate ESG implementation. (environmental protection, inclusive society, sustainable governance)】 , periodically evaluate the remuneration of Directors (including Chairperson and Independent Directors) annually, and were reported to the 20<sup>th</sup> Meeting of the 5<sup>th</sup> Remuneration Committee held on February 16, 2022 and the 23<sup>rd</sup> Meeting of the 26<sup>th</sup> Board of Directors held on February 22, 2022, respectively.

- (2) Remuneration of President is determined by the Board of Directors in accordance with Article 20, Subparagraph 14 of the Bank's Articles of Incorporation. To comply with the assignment of the President by the 1<sup>st</sup> Interim Meeting of the 26<sup>th</sup> Board of Directors on March 15, 2021, were reported to the 11<sup>th</sup> Meeting of the 5<sup>th</sup> Remuneration Committee held on April 7, 2021 and the 12<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors on April 20, 2021, respectively for approval; the President's salary is tied to the 2021 performance evaluation results, which evaluate both financial and non-financial indicators, and were reported to the 20<sup>th</sup> Meeting of the 5<sup>th</sup> Remuneration Committee held on February 16, 2022 and the 23<sup>rd</sup> Meeting of the 26<sup>th</sup> Board of Directors on February 22, 2022 for regular evaluation of President.
- (3) In accordance with Article 20, Subparagraph 14 of the Bank's Articles of Incorporation, remuneration of Executive Vice Presidents is determined by the Board of Directors within the scope of the Bank's "Salary Scales List for Personnel".
3. Correlations with Business Performance and Future Risks:
- (1) Remuneration of Directors:
- In accordance with Article 38 of the Bank's Articles of Incorporation, at the end of fiscal year, profit (profit refers to profit before tax and before the deduction of bonuses of employees and remuneration of Directors), if any, shall be distributed up to 0.8% as remuneration of Directors. Meanwhile, the Bank's operating results and the performance of the Directors' duties are considered, after deliberation by the Remuneration Committee and proposed to the Board of Directors for approval, Directors will be offered reasonable remuneration after reporting to the Shareholders' Meeting.
- (2) Remuneration of President and Executive Vice Presidents:
- In accordance with Article 38 of the Bank's Articles of Incorporation, at the end of fiscal year, profit (profit refers to profit before tax and before the deduction of bonuses of employees and remuneration of Directors), if any, shall be distributed with 1% to 6% of the profit as employees' bonuses, after deliberation by the Remuneration Committee and proposed to the Board of Directors for approval, President and Executive Vice Presidents will be offered remuneration after reporting to the Shareholders' Meeting.
- (3) Performance Bonus of President and Executive Vice Presidents:
- In accordance with the Bank's "Employee Bonus Payment Regulations", bonuses shall be paid to the President and Executive Vice Presidents based on their individual performance, after deliberation by the Remuneration Committee and submission to the Board of Directors for approval.
- (4) The amount of performance bonus is determined based on the Bank's business performance, indicators are as follows:
- The achievement rate of earnings targets, ROE, non-performing loan ratio, coverage ratio of allowances for non-performing loan, performance of innovation and research and specific performance of the reformation etc., after deliberation by the Remuneration Committee and submission to the Board of Directors for approval; if there are any policy or other significant factors beyond the control of the Bank, the Bank should provide a description of the specific facts.
- (5) In accordance with "Employee Bonus Payment Regulations", including the President, the Executive Vice Presidents, the EVP & Chief Auditor, the EVP & Chief Compliance Officer, heads of divisions at the head office, regional centers, and domestic and overseas business units, 80% of the performance bonus should be paid first, and the remaining 20% should be deferred and paid three months later. Provided, during the period, the Board of Directors does not resolve a decision to retain the performance bonus due to a risk of improper conduct, which may cause the Bank to suffer losses.
4. Performance Evaluation Criteria for Directors, Managers and Sales Staff:
- (1) Directors:
- The performance evaluation criteria of the Bank's directors are based on the Bank's "Rules of Performance Evaluation of the Board of Directors", the scope of the evaluation of the board of directors contains the board as a whole, individual director and functional committees. Evaluations include the operational performance evaluation of the board, self-evaluation made by individual board members, and evaluation made by appointed external evaluation units, or other appropriate methods. The indexes of performance evaluation of the board of directors shall be set based on the practical operation and necessity of the Bank



and suitable and appropriate for evaluations by the Bank, such as participation in the operation of the Bank, improvement of the quality of the boards of directors' decision making, composition and structure of the board of directors, election and continuing education of the directors, internal control, and action in respect to environmental, social, and governance (ESG). In the year in which the external evaluation unit conducts the external evaluation, it should determine the indexes. The results of performance evaluation of the board of directors of the Bank may be considered as a reference when determine or periodically review the remuneration of directors so as to improve the operation efficiency of the board of directors and application of evaluation results.

(2) Managers:

The performance evaluation criteria of the Bank's President, Executive Vice Presidents, EVP & Chief Auditor, EVP & Chief Compliance Officer, SVP & division heads of the Bank's head office, and the VP & GM of the branches are based on the Bank's "Employee Performance Appraisal Regulations", and appropriate ratings are given based on the performance of individual duty, functional competencies and achievement of goals, and the business performance of their respective units. 【Indicators include financial aspect, non-financial aspect (customer aspect, internal process aspect and learning and growth aspect) and internal audit and internal control】 .

(3) Business Personnel:

- ① The Bank provides bonuses for business personnel of financial product in accordance with external relevant remuneration system, and stipulates the "Distribution of Bonuses for Wealth Management Business." The calculation of remuneration is determined by performance index; the indexes include financial aspects such as wealth management fee income, number of new customers, AUM maintenance rate, and non-financial indexes such as audit / financial examination findings, customer complaints, abnormal transactions, service quality, education and training to balance and consider the possible risks brought by the customer rights or wealth management services which may influence the Bank and customers.
- ② The Bank follows the "Principles of Complying with the Remuneration System for Business Personnel of Insurance Agent Companies" stipulated by the Insurance Agency Association of the R.O.C., and external related remuneration regulation to stipulate "Measures for Remuneration Payments to Insurance Business Personnel" for business personnel of non-financial insurance products. The calculation of remuneration is based on a certain percentage of commission for the first year when product launches to the market, and then after a comprehensive evaluation of non-financial indexes to balance and consider the possible risks brought by the customer rights, non-financial insurance products or services which may influence the Bank and customers.

## D. Implementation Status of Corporate Governance

### a. Implementation of Board of Directors

A total of 14 Meetings of 26<sup>th</sup> Board of Directors were held in 2022, the attendance of Directors was as follows.

The 26 <sup>th</sup> Board of Directors Operations (2022/1/1 – 2022/12/31)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%) (Note)	Remark
Chairperson	Jong-Yuan Ling (Delegate of MOF)	14	0	100	
Managing Director (President)	Chao-Chung Chou (Delegate of MOF)	14	0	100	
Managing Director (Independent Director)	Jung-Chun Pan	14	0	100	
Director	Shiu-Yen Lin (Delegate of Chunghwa Post Co., Ltd.)	3	0	100	Chunghwa Post Co., Ltd. appointed her as a Director on November 1, 2022; consequently, she should attend the meeting three times.
Director	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan)	13	1	92.86	

The 26 <sup>th</sup> Board of Directors Operations (2022/1/1 – 2022/12/31)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%) (Note)	Remark
Director	Wen-Siung Lee	14	0	100	
Director	Hwai-Chou Chen	13	1	92.86	
Director (Independent Director)	Chih-Jong Suen	14	0	100	
Director (Independent Director)	Jong-Horng Lin	14	0	100	
Director	Chia-Chi Hsiao (Delegate of Chunghwa Post Co., Ltd.)	11	0	100	Chunghwa Post Co., Ltd. dismissed him on November 1, 2022; consequently, he should attend the meeting eleven times.

Note: The actual attendance rate (%) is calculated based on the number of meetings of Board of Directors and the number of attendance in person during the term of incumbency.

#### 【Other mentionable items】

1. If the Board of Directors' meeting is held under any of the following circumstance, date, session, content of motion and opinion of Independent Directors and the Bank's handling of the opinion of the Independent Directors shall be stated:

(1) Matters listed in Article 14-3 of the Securities and Exchange Act:

Please refer to D. Implementation Status of Corporate Governance, m. 2. Important Resolutions of Board of Directors in 2022.

(2) In addition to the aforementioned matters, other resolutions of the Board of Directors that have been objected or reserved by Independent Directors and have records or written statements:

None.

2. The implementation of the Directors' recusal to content of motion in conflicts of interest:

The implementation of the Directors' recusal to content of motion in conflicts of interest of the 26 <sup>th</sup> Board of Directors (2022/1/1 – 2022/12/31)			
Content of motion	Name of Directors	Reasons for Recusal	Voting Results
Remuneration proposal for Directors and Supervisors of subsidiary bank Chang Hua Commercial Bank, Ltd.	Managing Director and President Chao-Chung Chou		
Regular evaluation of the Chairperson's remuneration, benefits, and related matters.	Chairperson Jong-Yuan Ling		
Regular evaluation of the President's remuneration, benefits, and related matters.	Managing Director and President Chao-Chung Chou		
Regular evaluation of the monthly remunerations for Directors (excluding regular Independent Directors)	Director Chia-Chi Hsiao Director Chien-Yi Chang Director Wen-Siung Lee Director Hwai-Chou Chen		
Regular evaluation of the monthly remuneration for Independent Directors.	Managing Independent Director Jung-Chun Pan Independent Director Jong-Horng Lin Independent Director Chih-Jong Suen	According to Article 206 of the Company Act, which applies mutatis mutandis with the provisions of Article 178 of the same Act, the Director shall recuse from voting because the proposals may present a conflict of interest for them.	Except for the directors who recused themselves from potential conflicts of interest, the remaining attending directors approved the proposals as submitted.
Adding retirement benefits for the Chairperson upon leaving the bank in the Bank's Articles of Incorporation.	Chairperson Jong-Yuan Ling		
Approval of the special incentive program for 2021 to the Bank's President, EVP & Chief Auditor, Executive Vice President, EVP & Chief Compliance Officer, and executives from the Head Office, the Regional Center, and business units	Managing Director and President Chao-Chung Chou		
Amendment to the Bank's Articles of Incorporation (regarding Chairperson's retirement benefits)	Chairperson Jong-Yuan Ling		
Amendment of remuneration, benefits and related matters for the Chairperson	Chairperson Jong-Yuan Ling		
Distribution of Director's remuneration	Director Wen-Siung Lee Director Hwai-Chou Chen		

The implementation of the Directors' recusal to content of motion in conflicts of interest of the 26 <sup>th</sup> Board of Directors (2022/1/1 –2022/12/31)			
Content of motion	Name of Directors	Reasons for Recusal	Voting Results
1 Credit case of stakeholders	Director Hwai-Chou Chen	The proposals do not involve any conflicts of interest for the Director, but recusal should be applied from a highly rigorous corporate governance perspective.	Except for Director Hwai-Chou Chen's recusal, all other attending Directors unanimously approved the proposed proposal.
Limited Partnership Investment in Taiwan Capital Buffalo Fund VI	Director Chien-Yi Chang		Except for Director Chien-Yi Chang's recusal, all other attending Directors unanimously approved the proposed proposal.
11 Credit cases of stakeholders	Director Chien-Yi Chang		Except for Director Chien-Yi Chang's recusal, all other attending Directors unanimously approved the proposed proposal.
Amendment of remuneration and related matters for the President	Managing Director and President Chao-Chung Chou	Managing Director Chao-Chung Chou concurrently serves as the President and receives only the remuneration of the President. As the proposal is related to the interests of the Director, Director Chao-Chung Chou shall recuse himself according to Article 206 of the Company Act, which applies mutatis mutandis with the provisions of Article 178 of the same Act.	Except for Director Chao-Chung Chou's recusal, all other attending Directors unanimously approved the proposed proposal.
The Bank's Audit Plan for 2023	Managing Director and President Chao-Chung Chou	The proposal does not involve the personal conflicts of interest of the Director. However, due to the confidential nature of the case, the Director as President should recuse himself to maintain the confidentiality of the case.	Except for Managing Director and President Director Chao-Chung Chou's recusal, all other attending Directors unanimously approved the proposed proposal.

### 3. Evaluation on the implementation of the Board of Directors:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Internal evaluation is executed once a year and an external evaluation conducted by independent professional institution or a panel of external experts and scholars at least once every three years .	To evaluate the performance of the Board of Directors of the Bank from January 1, 2022 to December 31, 2022.	The scope of the performance evaluation of the board of directors contains the board as a whole, individual director and functional committees (including the Audit Committee, the Remuneration Committee and the Sustainable Development Committee).	Methods of the year 2022 evaluations include the operational performance evaluation of the board, self-evaluation of performance of the members of the board of directors and the functional committees.	<p>According to the evaluation indexes stipulated in Article 6 of the Rules of Performance Evaluation of the Board of Directors of the Bank:</p> <ol style="list-style-type: none"> <li>The criteria for evaluating the performance of the board of directors should cover the following six aspects: "participation in the operation of the Bank", "improvement of the quality of the board of directors' decision making", "composition and structure of the board of directors", "election and continuing education of the directors", "internal control", and "action in respect to environmental, social, and governance (ESG)".</li> <li>(1) The criteria for self-evaluating the performance of the board members should cover the following seven aspects: "alignment of the goals and missions of the Bank", "awareness of the duties of a director", "participation in the operation of the Bank", "management of internal relationship and communication", "the director's professionalism and continuing education", "internal control", and "attention to environmental, social, and governance (ESG)".</li> <li>(2) The criteria for evaluating the performance of functional committees should cover the following five aspects: "participation in the operation of the Bank", "awareness of the duties of the functional committee", "improvement of quality of decisions made by the functional committee", "makeup of the functional committee and election of its members", and "internal control".</li> </ol>

4. Evaluation of the goals and implementation status of strengthening the functions of the Board of Directors in the current year and last year:
- (1) The Bank's official website has a "Corporate Governance" section, which discloses information on the Board of Directors, important resolutions of the Board of Directors, internal audit and internal control systems, and corporate governance-related rules and regulations.
  - (2) The Bank has three Independent Directors with financial and legal expertise to provide independent and professional advice on the supervision and management of the Bank's business; and three Independent Directors form the Audit Committee to review major resolutions of the Bank in accordance with the Securities and Exchange Act to enhance the Bank's corporate governance.
  - (3) The Bank's Directors continue to attend courses and seminars on corporate governance related to finance, risk management, business, commerce, legal affairs, accounting, AML, fair trade policy, information security and sustainable governance (ESG) to enrich their professional knowledge and further strengthen the functions of the Board of Directors; all Directors have completed required training hours with regulations in 2022.
  - (4) In order to strengthen corporate governance, the Bank has appointed a corporate governance officer who is responsible for providing information necessary for Directors to carry out their duties effectively. The "Rules of Procedures for Board of Directors Meetings" of the Bank stipulates the terms and conditions of standard procedures for handling Directors' requests in order to enhance the effectiveness of the Board of Directors.
  - (5) The Bank has established the "Sustainable Development Committee" under the Board of Directors, with the Chairperson as the convener and three Independent Directors and the President as members, to promote the integration of ethical corporate management, corporate ethics, sustainable development values into the Bank's business strategies and to oversee the implementation and effectiveness of ethical corporate management and sustainable development related issues. The Bank's Sustainable Development Committee held six meetings in 2022, with 100% attendance of committee members.
  - (6) In order to enhance the functions of the Board of Directors of the Bank, establish performance targets, and strengthen the efficiency of the Board of Directors, the Bank has formulated the "Rules of Performance Evaluation of the Board of Directors", which was amended and adopted by the 32<sup>nd</sup> meeting of the 26<sup>th</sup> Board of Directors on November 10, 2022. Relevant indicators/items were updated with reference to the recommendations of the evaluation result of the performance of the Board of Director of 2021, improvement plans and corporate governance evaluation indicators. According to the actual operation of the Board of Directors and various functional committees in 2022 and the self-assessment results of Directors (including Independent Directors) and committee members, the Bank's overall assessment results are all "beyond the standard", and were noted the report to the 35<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors on January 18, 2023, and were disclosed on the official website of the Bank.



## b. Implementation of the Audit Committee

The 3<sup>rd</sup> Audit Committee held 12 meetings in 2022, and the attendance of Independent Directors was as follows:

3 <sup>rd</sup> Audit Committee (2022/1/1 – 2022/12/31)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%) (Note)	Remark
Independent Director	Jung-Chun Pan	12	0	100	Convener
Independent Director	Jong-Horng Lin	12	0	100	Member
Independent Director	Chih-Jong Suen	12	0	100	Member

Note: The actual attendance rate (%) is calculated based on the number of meetings of Audit Committee and the number of attendances in person during the term of incumbency.

## 【Other mentionable items】

1. If the Audit Committee is held under any of the following circumstance, date, session, content of motion, opposed opinion, qualified opinion or significant recommendation of Independent Directors, Audit Committee resolutions, and the Bank's handling of such resolutions shall be stated:

(1) Matters listed in Article 14-5 of the Securities and Exchange Act:

Date, terms of the meetings	Content of motion	Opposed opinion, qualified opinion or significant recommendation of Independent Directors	Audit Committee Resolutions, and the Bank's handling of such resolutions
February 16, 2022 The 22 <sup>nd</sup> meeting of the 3 <sup>rd</sup> term	Amendments to the Bank's "Operating Guidelines for the Bank's Derivative Financial Product Trading."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
	The Bank's 2021 Business Report and Financial Statements.		Approved unanimously by the attending Independent Directors, ratified by the Board of Directors, and acknowledged by the Shareholders' Meeting.
March 16, 2022 The 23 <sup>rd</sup> meeting of the 3 <sup>rd</sup> term	The Bank's 2021 "Internal Control Statement."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
	Amendments to the Bank's "Internal Control System for Securities Firms."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors.
	Amendments to the Bank's "Asset Acquisition or Disposal Processing Procedures."		Approved unanimously by the attending Independent Directors, ratified by the Board of Directors, and approved by the Shareholders' Meeting.
	This Bank's intention in participating a joint development project to reconstruct old and dangerous buildings in Zhongshan District, Taipei City.		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
	Adjustment of the budget (including architect's fees) for the construction project of the ChienCheng Building of the Bank.	Recommended proposal for the Board of Directors to supplement the comparison table of detailed amounts before and after of the adjustment of this case, the re-estimated budget amount, and relevant information on the performance of the commissioned service provider of the Bank.	Except for the supplementing proposal information according to the opinions of each Independent Director, the remaining sections were approved unanimously
	The contract operation for the Bank's ChienCheng Building construction project.	Recommended proposal for the Board of Directors to supplement the qualification requirements for bidders and the evaluation criteria and weighting of the construction contractor's evaluation form for selecting construction contractors in this case.	by the attending Independent Directors and subsequently ratified by the Board of Directors.
Authorization for the New York Branch manager to sign the 2021 Compliance Statement to the New York State Department of Financial Services.	Recommended proposal for the Board of Directors to amend the main theme of this case and attach the authorization basis for this case.	Except for the revisions made to the proposal content based on the opinions of Independent Directors, the remaining sections were approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors.	

Date, terms of the meetings	Content of motion	Opposed opinion, qualified opinion or significant recommendation of Independent Directors	Audit Committee Resolutions, and the Bank's handling of such resolutions
March 16, 2022 The 23 <sup>rd</sup> meeting of the 3 <sup>rd</sup> term	The Bank's 2021 "Internal Control System Statements for AML/CFT".		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
	The appointment and remuneration of the auditor for the financial and tax audit of the Bank for 2022.		Approved unanimously by the attending Independent Directors, and acknowledged by the Shareholders' Meeting.
	Distribution of the Bank's 2021 earnings.		Approved unanimously by the attending Independent Directors, ratified by the Board of Directors, and approved by the Shareholders' Meeting.
	The Bank's earnings capitalization proposal.		Approved unanimously by the attending Independent Directors, ratified by the Board of Directors, and approved by the Shareholders' Meeting.
	Change of Internal Auditing Manager (Head of Internal Auditing Division) of the Bank.		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
April 14, 2022 The 24 <sup>th</sup> meeting of the 3 <sup>rd</sup> term	Abolishment of the "Procedures for Engaging in Derivative Trading" and the inclusion of relevant articles in the "Operating Guidelines for the Bank's Derivative Financial Product Trading."		Approved unanimously by the attending Independent Directors, ratified by the Board of Directors, and approved by the Shareholders' Meeting.
	Amendments to the "Operating Guidelines for the Bank's Derivative Financial Product Trading" as a supporting measure after abolishing the "Procedures for Engaging in Derivative Trading."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
	Amendments to the Bank's "Internal Control System for Securities Firms."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors.
	Amendments to the Bank's "Internal Control System for Trust Enterprises."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
June 20, 2022 The 26 <sup>th</sup> meeting of the 3 <sup>rd</sup> term	Amendments to the Bank's "Internal Control System for Securities Investment Consulting Enterprises."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
	Amendments to the Bank's "KYC Procedures for Professional Clients of Structured Product Business."	Recommended proposal for the Board of Directors to supplement the explanation of the basis for this case and attach the letter from the Banking Association to the Financial Supervisory Commission as an enclosure.	Except for the proposed amendments, the Board proposal was approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors.
July 4, 2022 The 27 <sup>th</sup> meeting of the 3 <sup>rd</sup> term	Amendment to the Bank's "Measures for Intellectual Property and Trade Secret Management."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
August 17, 2022 The 28 <sup>th</sup> meeting of the 3 <sup>rd</sup> term	The Bank's 2022 semi-annual financial statement.		
	Amendments to the Bank's "Internal Control System for Securities Firms."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
	Amendments to the Bank's "Internal Control System for Securities Brokerage Firm's Auxiliary Business of Futures Trading."		
	Amendments to the Bank's "Internal Control System for Securities Firms."		
	Amendments to the Bank's "Internal Control System for Securities Brokerage Firm's Auxiliary Business of Futures Trading."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors.

Date, terms of the meetings	Content of motion	Opposed opinion, qualified opinion or significant recommendation of Independent Directors	Audit Committee Resolutions, and the Bank's handling of such resolutions
August 17, 2022 The 28 <sup>th</sup> meeting of the 3 <sup>rd</sup> term	The budget proposal for commissioning professional construction management (including supervision) consultant for the urban renewal of the Bank's land in Taipei Nangang district.	Recommended proposal for the Board of Directors to amend the main theme of this case to state the budget allocation for each year in the proposal document.	Except for the proposed amendments, the Board proposal was approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors.
September 13, 2022 The 29 <sup>th</sup> meeting of the 3 <sup>rd</sup> term	Amendment to the Bank's "Operating Guidelines for Derivative Financial Products between the Bank and Customers."	Recommended proposal for the Board of Directors to supplement the explanation of the basis and rationale for the amendment of this case.	Except for the proposed amendments, the Board proposal was approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors, except for the modification of the name of the authorization letter.
	Amendments to the Bank's "Internal Control System for Trust Enterprises."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
October 6, 2022 The 30 <sup>th</sup> meeting of the 3 <sup>rd</sup> term	Amendments to the Bank's "Internal Control System for Securities Brokerage Firm's Auxiliary Business of Futures Trading."	Recommended proposal for the Board of Directors to supplement the explanation that the provisions deleted in accordance with the template do not affect the actual operation of the Bank.	Except for the proposed amendments, the Board proposal was approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors.
	Amendments to the Bank's "Internal Control System for Securities Firms."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
	Amendments to the Bank's "Internal Control System for Securities Firms."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors.
November 7, 2022 The 31 <sup>st</sup> meeting of the 3 <sup>rd</sup> term	Amendment to the Bank's "Rules of Performance Evaluation of the Board of Directors."	Recommendation to request the management unit to study and simplify the proposal process of this case.	Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
November 17, 2022 The 32 <sup>nd</sup> meeting of the 3 <sup>rd</sup> term	The Bank's draft budget for 2023.	Recommendation of considering an increase in the pre-tax net income target for 2023 in this case.	In this case, except for the increase of the pretax net income target according to the opinions of the Independent Directors and the adjustment of allocation items made by the management department, the rest of the case was approved unanimously by attending Independent Directors and subsequently ratified by the Board of Directors.
	Recommendation to cancel bidding for the Bank's "Chiencheng Building Construction Project."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
December 19, 2022 The 33 <sup>rd</sup> meeting of the 3 <sup>rd</sup> term	Amendments to the Bank's "Internal Control System for Securities Investment Consulting Enterprises."		Approved unanimously by the attending Independent Directors and subsequently ratified by the Board of Directors according to the proposal.
	The Bank's auditing plan for 2023.		

【The Bank's handling of the Audit Committee's opinions】 All are handled in accordance with the recommendations.

(2) In addition to the matters mentioned above, other resolutions that have not been passed by the Audit Committee but have been approved by more than two-thirds of all Directors:

None.

2. The implementation of Independent Directors' recusal to content of motion in conflicts of interests, with his/her name, content of motion, reasons for recusal and voting participation that should be clearly stated.

None.

3. Communication between the Independent Directors and internal auditing officer and accountant (Should include the significant matters, methods and results of communication on the Bank's financial and business status, etc.):

(1) Between the Independent Directors and internal auditing officer:

① The Bank's internal audit reports are submitted to the Audit Committee and Independent Directors for review after the Chairperson's review in accordance with the regulations.

- ② The Internal Auditing Division proposes to the Board of Directors to report on the improvement of the external audit opinions, and the Independent Directors actively supervise and follow up on the improvement parts listed in the inspection reports.
- ③ The Chief Auditor reports to the Audit Committee and the Board of Directors on a quarterly basis on the execution of the audit.
- ④ The Independent Directors maintain close contact and well communication with the Chief Auditor and SVP & Division Head of Internal Auditing Division.
- ⑤ With respect to the deficiencies in the Bank's internal control system, the Bank's Directors, Independent Directors have regularly hold meetings with the internal auditors with discussions recorded for report to the Board of Directors.

(2) Between Independent Directors and CPAs:

The Independent Directors of the Bank have meeting with the CPAs at least three times (on January 10, February 16 and August 17, 2022) a year through meetings on the status of the Bank's financial report audits; other issues such as business conditions and internal control system are discussed from time to time.

4. The work of the Audit Committee focuses on:

- (1) To assist the Board of Directors in decision making and supervise the proper presentation of financial statements, the selection (dismissal) of CPA and the assessment of their independence and suitability, effective implementation of the Bank's internal control system, compliance with laws and regulations, and operation of the risk control mechanism, etc., and review important content of motion required by the Bank or the competent authority.
- (2) Regarding the various reports of the management department and the auditing unit, which involve the effectiveness of the Bank's internal control system, including the control operations of overseas subsidiary banks and major cases that have been reported, put forward specific improvement suggestions, and require the management department to implement.
- (3) To review the Bank's secured loans to interested parties under Article 33 of the Banking Act, if the amount of secured loan exceeds the amount required by the central competent authority and if the Bank's Directors have personal conflict of interest in the matter.

c. Information to be disclosed in accordance with the Corporate Governance Best-Practice Principles of the Bank.

Please refer to the "Corporate Governance" section of the Bank's official website (<https://www.bankchb.com>) for the items that the Bank is required to disclose.

d. The Bank's corporate governance implementation status and the deviation from the Corporate Governance Best-Practice Principles for Banks and the reasons for deviation.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banks with Reasons
	Yes	No	Summary	
1. Shareholding structure and shareholders' equity				
1-1 Has the Bank established internal procedures to handle shareholders' proposals, questions, disputes and litigations, and implement them in accordance with the procedures?	✓		1-1 The Bank has a dedicated unit to handle shareholders' proposals, questions, disputes and litigations, and the contact information disclosed in "Investor Relations" section on official website.	1-1 No deviation.
1-2 Does the Bank maintain a list of the major shareholders with controlling power over the Bank and the ultimate controllers of the major shareholders?	✓		1-2 Based on the Bank's shareholders' register (after the book closure date) and the information on the changes of shareholding declared by the insiders and major shareholders according to regulations, the Bank has maintained its list of major shareholders which is disclosed on the Market Observation Post System (MOPS), the Bank's annual report or official website.	1-2 No deviation.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banks with Reasons
	Yes	No	Summary	
1-3 Has the Bank established and implemented risk control mechanism and firewall mechanisms between the Bank and its affiliates?	✓		1-3 The Bank has established the "Long-Term Equity Investment Business and Subsidiaries Management Principles" and "Overseas Subsidiary Bank Management Guideline" to regulate business transactions between the Bank and its subsidiaries or overseas subsidiaries in compliance with relevant laws and regulations; in the case of interested party transactions, the Bank's "Regulations for Handling of Transactions of Credit Extension with Interested Parties" and "Regulations for Handling of Transactions other than Credit Extension with Interested Parties" and relevant regulations of the competent authorities are followed. In addition, the Bank has established an information segregation mechanism between the Bank and its affiliates, and controls access to sensitive information under the need-to-know and separation of powers and responsibilities principles to maintain information security.	1-3 No deviation.
2. Composition and Responsibilities of the Board of Directors				
2-1 Does the Board of Directors have a diversity policy and specific management objectives?	✓		2-1 The Bank's diversity policy of Board of Directors is stipulated according to Article 29, Paragraph 2 and Paragraph 3 of the "Corporate Governance Best-Practice Principles" of the Bank. The Bank's specific management goals and implementation status of diversity policy of the Board of Directors, please refer to this chapter, B. a. "4. Director information (2), The Board of Directors' Diversity and Independence" and are disclosed on the Bank's official website "Corporate Governance" section → Board of Directors.	2-1 No deviation.
2-2 In addition to the Remuneration Committee and the Audit Committee, does the Bank voluntarily establish other functional committees?	✓		2-2 In addition to the Remuneration Committee and the Audit Committee, the Bank's Board of Directors has also established the Sustainable Development Committee, which is responsible for promoting the ethical corporate management, corporate ethics and sustainable development values into the Bank's business strategies in order to implement the Bank's sustainable management philosophy.	2-2 No deviation.
2-3 Has the Bank established "Rules of Performance Evaluation of the Board of Directors" and its assessment methods, and conducted performance evaluations annually and regularly, and submitted the results of the performance evaluations to the Board of Directors for reference in the remuneration of individual Directors and their nomination for reappointment?	✓		2-3 The Bank has established the "Rules of Performance Evaluation of the Board of Directors," which stipulates that the Board of Directors of the Bank shall conduct an internal evaluation once a year and an external evaluation by an external professional and independent organization or a team of external experts and scholars at least once every three years, and shall complete and report to the Board of Directors before the first quarter of the following year. a. The performance evaluation methods include performance evaluation of the operation of the Board of Directors, self-evaluation of the performance of the members of the Board of Directors, appointment of an external evaluation unit or other appropriate methods for performance evaluation. b. The results of the performance evaluation of the Board of Directors of the Bank shall be used as a reference for the selection or nomination of candidates for election as Directors or for the Remuneration Committee to determine or regularly review the remuneration of Directors (including the Chairperson, Managing Directors, Independent Directors and Non-Independent Directors). The Bank has applied the results of the 2022 performance evaluation of the Board of Directors for regularly review the individual Directors' remuneration and reference for nomination for reappointment.	2-3 No deviation.



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banks with Reasons				
	Yes	No	Summary					
2-4 Does the Bank regularly evaluate the independence of Certified Public Accountants (CPAs)?	✓		<p>2-4 When appointing the CPA, the Bank shall, in addition to confirming that the members of the audit team have no material financial interests or business relationships with the Bank that would affect independence, and regularly (at least once a year) critically assess the independence (Note 1) and suitability (Note 2) of the CPA appointed for audit and submit to the Audit Committee and the Board of Directors for deliberation as the following matters:</p> <ol style="list-style-type: none"> <li>a. The CPA does not hold any shares, loans, co-investment or benefit-sharing relationship with the Bank.</li> <li>b. The CPA is not a representative of the Bank, Director, manager or officer of the Bank.</li> <li>c. The CPA does not violate the "Code of Ethics No. 10 Integrity, Fairness, Objectivity and Independence" of the National Federation of Certified Public Accountants of the Republic of China.</li> <li>d. The auditing CPA has not received any disciplinary action from the competent authority and the CPA Association in the past two years. In addition, both the CPA and the audit team members possess relevant knowledge or training experience regarding the business of the Bank.</li> <li>e. The Bank has provided Audit Quality Indicators (AQI) information regarding the auditing CPA as a reference for evaluating their independence and suitability. This information was submitted for review in the 37<sup>th</sup> Meeting of 26<sup>th</sup> Board of Directors held on March 25, 2023.</li> </ol> <p>(Note 1) The standard for assessing the independence of accountants:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #0056b3; color: white;">Items</th> </tr> </thead> <tbody> <tr> <td> <ol style="list-style-type: none"> <li>1. Has the accountant not been changed for multiple consecutive years?</li> <li>2. Has the accountant been subject to any disciplinary action?</li> <li>3. Financial statements of the service organization may not be audited and certified during the first two years of practice.</li> <li>4. Ownership of the client's shares is prohibited.</li> <li>5. There shall be no monetary lending or borrowing with the client except for normal financial transactions.</li> <li>6. There shall be no joint investment or sharing of benefits with the client.</li> <li>7. It is prohibited to concurrently hold a regular position with the client and receive a fixed salary, such as serving as the client's person-in-charge, Director, supervisor, manager, or employee.</li> <li>8. Being involved in the client's management functions related to decision-making is prohibited.</li> <li>9. It is prohibited to receive any business-related commission.</li> </ol> </td> </tr> </tbody> </table> <p>(Note 2) The criteria for assessing the suitability of accountants:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #0056b3; color: white;">Items</th> </tr> </thead> <tbody> <tr> <td> <ol style="list-style-type: none"> <li>1. The auditing CPA has not received any penalties or disciplinary actions from the regulatory authorities or the accounting association in the past two years, nor have they been subject to any sanctions under Article 37, Paragraph 3 of the Securities and Exchange Act.</li> <li>2. The auditing CPA and audit team members possess relevant knowledge or training experience in the Company's business.</li> <li>3. The auditing CPA and audit team members provide high-quality audit services.</li> <li>4. The accounting firm of the auditing CPA has sufficient scale, resources, and regional coverage to handle the Company's audit services.</li> <li>5. The accounting firm of the auditing CPA should promptly inform the Board of Directors (Audit Committee) of any significant issues or developments related to risk management, corporate governance, financial accounting, and related risk controls.</li> </ol> </td> </tr> </tbody> </table>	Items	<ol style="list-style-type: none"> <li>1. Has the accountant not been changed for multiple consecutive years?</li> <li>2. Has the accountant been subject to any disciplinary action?</li> <li>3. Financial statements of the service organization may not be audited and certified during the first two years of practice.</li> <li>4. 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Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banks with Reasons
	Yes	No	Summary	
3. Does the Bank have a suitable and appropriate number of corporate governance personnel and designate a corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing information necessary for Directors and Supervisors to perform their business, assisting Directors and Supervisors to comply with laws and regulations, conducting Board of Directors and Shareholders' Meeting-related matters in accordance with the law, and preparing minutes of Board of Directors and Shareholders' Meetings, etc.)?	✓		<p>3-1 The Bank has designated SVP &amp; Division Head of Secretariat Division as the corporate governance officer, which was approved by the Bank's Board of Directors on June 21, 2019, and the corporate governance officer has more than 3 years of experience as a unit head of a financial institution or a public company engaged in legal affairs, conference logistics, stock affairs, corporate governance, and compliance related matters. The Bank also has a suitable and appropriate number of staffs of corporate governance to handle corporate governance related matters.</p> <p>3-2 The management matters on corporate governance are as follows:</p> <ol style="list-style-type: none"> <li>Handle matters related to the Meetings of the Board of Directors and the Shareholders' Meeting in accordance with the law.</li> <li>Prepare minutes of the Board of Directors' Meetings and Shareholders' Meetings.</li> <li>Assist Directors in their induction and continuing education.</li> <li>Provide information necessary for the Directors to carry out their business.</li> <li>Assist Directors in complying with laws and regulations.</li> <li>Report to the Board of Directors the assessment results on whether the qualifications of the Independent Directors comply with relevant laws and regulations during the nomination, election, and term of office.</li> <li>Handling matters related to changes in the Board of Directors.</li> <li>Manage stipulation and amendment of corporate governance regulations.</li> <li>Other matters as provided for in the Articles of Incorporation or contract.</li> </ol> <p>3-3 The continuing education situation is as follows:</p> <ol style="list-style-type: none"> <li>The Taiwan Stock Exchange, "The Perspective on Independent Directors and Board Supervision from an International Perspective" for 1-hour, "International Dual Summit Online Forum" for 2-hour, "2022 Cathay Sustainable Finance and Climate Change Summit" for 9- hour.</li> <li>The Independent Director Association Taiwan, "Principles and Case Analysis of Financial Consumer and Fair Treatment" for 3-hour and "Trends and Practices of Financial Friendly Management and Fair Treatment in the Banking Industry" for 3-hour.</li> <li>The Taiwan Academy of Banking and Finance, "2022 Green Finance Leadership Roundtable Forum - Leveraging Finance to Support Industry Transformation, Decarbonization, and Achieve Net Zero" for 3-hour.</li> <li>The Securities &amp; Futures Institute, "2022 Insider Trading Prevention Promotion Conference" for 3-hour.</li> <li>The Corporate Operating and Sustainable Development Association, "Case Studies on Major Corporate Information Disclosure and Director Responsibility" for 3-hour.</li> <li>The Taiwan Insurance Institute, "Green Energy Innovative Business Models under the Green Finance Action Plan 3.0" for 3-hour.</li> <li>The Bank, "Latest Trends and Case Studies of International AML and CFT Regulations" for 2-hour and "Cybersecurity Education and Training: Strengthening Enterprise Information Resilience - Crisis Risk Response" for 0.7-hour.</li> </ol> <p>The total number of hours of continuing education completed by the Bank's corporate governance officer in 2022 is 32.7 hours and is disclosed on the MOPS and the Bank's official website.</p>	No deviation.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banks with Reasons
	Yes	No	Summary	
4. Has the Bank established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a stakeholder section on the corporate's website, and appropriately responded to important CSR issues of concern to stakeholders?	✓		4-1 The Bank has set up a "Stakeholder Communication" section on its official website to provide a contact information for the general public, shareholders, employees, customers and suppliers as a channel to communicate with relevant stakeholders. The Bank's ESG implementations are disclosed in the "Sustainability" section, and material ESG issues stakeholders concern about are also disclosed in the ESG report. 4-2 The Bank's communication with various stakeholders in 2022 has been reported to the Bank's 10 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Sustainable Development Committee on December 23, 2022 and the 34 <sup>th</sup> Meeting of the 26 <sup>th</sup> Board of Directors on December 29, 2022. 4-3 The Bank also compiled the English and Chinese versions of the 2022 ESG Summary (Sustainability Governance Summary) and 2022 Task Force on Climate-Related Financial Disclosure Report (TCFD Report), which are disclosed on the "Sustainability" section of the Bank's official website to provide real-time, summarized ESG information to enhance the Bank's multifaceted communication with stakeholders.	No deviation.
5. Information Disclosure				
5-1 Has the Bank set up a website to disclose information on financial operations and corporate governance?	✓		5-1 The Bank has set up "Investor Relations" and "Corporate Governance" sections on its official website to disclose detailed annual and quarterly financial statements, material business information and corporate governance-related information.	5-1 No deviation.
5-2 Has the Bank adopted other methods of information disclosure (e.g. setting up an English website, designating a person responsible for the collection and disclosure of corporate information, implementing a spokesperson system, placing the process of investor conference on the corporate website, etc.)?	✓		5-2 a. The Bank has English and Chinese version official websites, and the relevant units are responsible for collecting and disclosing financial and business information in accordance with their business responsibilities. Regarding material information, the Bank designates dedicated unit to conduct and dedicated person for making disclosure in both English and Chinese on the MOPS website. b. The Bank has a spokesperson system, and in accordance with the Bank's "Guidelines for Handling Material Inside Information", the spokesperson will explain the Bank's financial, business and material information to the public within the scope of authorization. c. The Bank held four online investor conference in 2022, and the related video and presentation information were disclosed on the MOPS and the Bank's official website in accordance with the regulations.	5-2 No deviation.
5-3 Does the Bank announce and report its annual financial statement within the deadline after the end of the fiscal year in accordance with the Banking Act and the Securities and Exchange Act, announce and report its first, second and third quarterly financial statements and monthly operations well in advance of the prescribed deadline?	✓		5-3 a. The Bank's annual and quarterly financial statements of first, second, third and monthly operations are published on the MOPS and the Bank's official website in accordance with the regulations. b. The Bank's annual financial statement which was approved by the Bank's Audit Committee and Board of Directors, was audited and announced in February 2023 in advance.	5-3 No deviation.

Evaluation Item	Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for Banks with Reasons
	Yes	No	
6. Does the Bank have other important information that can help understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, stakeholder rights, Director and Supervisor on-the-job education, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Bank's purchase of liability insurance for Directors and Supervisors, donations to political parties, stakeholders and public welfare organizations, etc.)?	✓		<p>6-1 Matters related to the Board of Directors</p> <p>a. The attendance of the Bank's Directors (including Independent Directors) at the Board of Directors and the attendance of Independent Directors at the Audit Committee are disclosed on the MOPS in accordance with the regulations.</p> <p>b. The Bank's Directors (including Independent Directors) recuse themselves from the Board of Directors' Meetings and do not participate in discussions or voting on matters in which they or the legal entities they represent have conflicts of interest.</p> <p>c. In accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies," the Bank has established the "Directions for the Implementation of Continuing Education for Directors." In 2022, the Bank's Directors (including Independent Directors) completed their continuing education hours in accordance with the aforementioned directions and disclosed their further education on the MOPS and the Bank's official website.</p> <p>d. In order to improve the corporate governance of the Bank and to reduce the business risk they bear for the Bank, the Bank has insured "Directors, Supervisors and Managers Liability Insurance" for its Directors and managers and is disclosed on the MOPS.</p> <p>e. All Directors completed a 6-hour fair treatment of consumer (include financial friendly) training course in 2022.</p> <p>f. The Bank strictly adheres to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and restricts the Directors from trading the Bank's shares during the blackout period (30 days before the annual financial report announcement and 15 days before the quarterly financial report announcement). The Bank provides advance notification of the commencement of each blackout period to all Directors.</p> <p>6-2 Employee Rights and Benefits, and Employee Care Please refer to "V. Operational Overview, G. Labor-Management Relations, a. The Bank's employee welfare measures, retirement system and implementation status, as well as the agreements between employers and employees and measures to protect the rights and interests of employees."</p> <p>6-3 Investor Relations The Bank's official website in English and Chinese include "Investor Relations," "Corporate Governance" and "Sustainability" sections, which provide financial, business, corporate governance and ESG-related information for domestic and foreign investors.</p> <p>6-4 Stakeholder Rights</p> <p>a. The Bank conducts its business in accordance with the Banking Act and approved by the central competent authorities. Based on the overall benefits of the funding contributors (including clients, beneficiaries or shareholders of the Bank), the Bank has established "Stewardship Principles" and declares to comply with "Stewardship Principles for Institutional Investors" in order to implement shareholder actions to urge investee companies to strengthen their corporate governance. In addition, the Bank regularly discloses its stewardship activities on its official website, including interactions with investees and participation in voting at their Shareholders' Meetings and other material information.</p> <p>b. For stakeholder information, please refer to "4. Establish communication channels with stakeholders, set up a stakeholder section on the corporate's website, and appropriately respond to important CSR issues of concern to stakeholders" in this table.</p>

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banks with Reasons
	Yes	No	Summary	
			<p>6-5 Risk Management Policy and Implementation Status</p> <p>a. In order to establish a professional and complete risk management function, the Bank has established three risk management divisions, Credit Management Division, Risk Management Division, and Loan Asset Management Division. (1) Credit Management Division is responsible for credit case review, business unit credit case review, and management and maintenance of the e-Loan credit automation system, in order to strictly monitor the credit checking and credit review process; (2) Risk Management Division is responsible for policy stipulation and risk control of integrated risk, credit risk, market risk and operational risk; (3) Loan Asset Management Division is responsible for the control of overdue loans, collections, and bad debts, as well as non-performing debts (including the e-Loan Debt Management Subsystem); all divisions can execute in accordance with regulations.</p> <p>b. The Bank has Risk Management Committee, which is responsible for assessing and monitoring the Bank's risk capacity and current risk exposure, determining risk response strategies and compliance with risk management procedures, and submitting risk management reports to the Board of Directors on a quarterly basis. The Bank's risk management policies are reviewed and discussed by the Risk Management Committee and approved by the Board of Directors for implementation.</p> <p>6-6 Implementation of Customer Policy</p> <p>To reinforce our dedication to consumer protection and cultivate a corporate culture that prioritizes "fair customer treatment," the Bank has developed the "Fair Customer Treatment Code" and "Guidelines for Fair Treatment of Elderly Customers." We have established the "Treat Customers Fairly Facilitating Committee," which meets regularly to review our implementation of fair customer treatment principles and provides periodic reports to the Board of Directors. In addition, the Bank has formulated "Financial Consumer Protection Policy", "Operation Guidelines for Financial Consumer Protection", "Handling Guidelines for Consumer Complaint", to protect the rights and interests of financial consumers, effectively handle financial consumer disputes, regularly review and analyze the types and causes of disputes, and discuss relevant countermeasures or improvement measures and report to the Board of Directors to review the completeness of the Bank's financial consumer protection system.</p> <p>6-7 Donations to political parties, stakeholders and public welfare organizations</p> <p>a. Donations to political parties: None.</p> <p>b. Donations to stakeholders: None.</p> <p>c. Donations to public welfare organizations: Please refer to "V. Operational Overview, C. Corporate Responsibility and Moral Behavior."</p>	
7. Please provide information on the results of the corporate governance assessment released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation last year, and propose priorities and measures for improvement.			<p>7-1 The Bank was ranked among the top 5% of TWSE-listed companies in the 8<sup>th</sup> Corporate Governance Evaluation, which affirms our long-term efforts and achievements in improving corporate governance. Based on the results of the 8<sup>th</sup> Corporate Governance Evaluation, we continue to review and improve the following:</p> <p>a. To treat shareholders fairly and enhance their participation in the annual Shareholders' Meeting, the Company will hold the 2022 annual Shareholders' Meeting in person with video conferencing assistance.</p> <p>b. The Bank is committed to continuously enhancing our internal controls, conducting business with integrity, promoting sustainable development, and implementing various governance mechanisms to comply with relevant laws and regulations.</p> <p>7-2 The Bank was certified "Excellence" by the Taiwan Corporate Governance Association in its CG6013(2021) Corporate Governance System Evaluation.</p>	



e. Compositions, duties and implementation status of the Remuneration Committee

1. Composition of the Remuneration Committee:

Identity	Criteria		Numbers as Serving as the Member of Remuneration Committee for Other Public Companies	
	Name	Professional Requirements and Experience		
Independent Director (Convener)	Jung-Chun Pan	Relevant job tenure, professional requirements and independence status please refer to this chapter, B. a. 4. Director information (2).	1	
Independent Director	Chih-Jong Suen	Relevant job tenure, professional requirements and independence status please refer to this chapter, B. a. 4. Director information (2).	0	
Remuneration Committee Member	Yu-Hsueh Wu	<p>Mr. Yu-Hsueh Wu has acquired following three professional requirements, together with at least five-year work experience, and there are none of any circumstances listed in Article 30 of the Company Act.</p> <ol style="list-style-type: none"> <li>1. He has served as a lecturer in public and private colleges and universities including Ming Chuan University Department of Law and Central Police University.</li> <li>2. He has obtained a certificate of passing the national examination for lawyers, and has served as the Attorney-at-Law of Jinyi Law Firm, and has been practicing lawyer business since 1998.</li> <li>3. He has served as a consultant to the Public Service Pension Fund Management Board, commissioner of Act of Council of Labor Affairs of the Executive Yuan, officer of the CTC, and has work experience required for business, legal affairs, finance, accounting or corporate business.</li> </ol>	<ol style="list-style-type: none"> <li>1. Not an employee of the Bank or any of its affiliates.</li> <li>2. Not a director or supervisor of the Bank or any of its affiliates.</li> <li>3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.</li> <li>4. Person and his/her spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship do not have any of the preceding three circumstances, and are no direct or indirect interest in the Bank.</li> <li>5. There are none of any circumstances listed in Article 6, Paragraph 1, Subparagraphs 5 to 8 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange".</li> <li>6. He has not provided the Bank or its affiliates with business, legal affairs, finance, accounting and other services in the last 2 years and did not received relevant remuneration.</li> </ol>	0

2. The Duties of the Remuneration Committee:

The members of the Remuneration Committee shall faithfully perform the following duties and responsibilities with the attention of good stewardship:

- (1) Evaluate and review the Bank's overall salary and remuneration policy.
- (2) Establish and periodically review the performance evaluation (including performance evaluation standards) and remuneration policies, systems, standards and structures of the Directors, President, Executive Vice Presidents, Chief Auditor, Chief Compliance Officer, consultants, and heads of head office divisions and branches of the Bank, and fully disclose the performance evaluation standards to shareholders in the annual report.
- (3) Periodically evaluate and set the remuneration of Directors, President, Executive Vice Presidents, Chief Auditor, Chief Compliance Officer, consultants, and heads of head office divisions and branches of the Bank.
- (4) Establish performance evaluation standards and remuneration standards for the Bank's sales staff of various financial products and services, and fully disclose the principles, methods and objectives of such standards or structures and systems to shareholders in the annual report.
- (5) Deliberate the following matters of the Bank's subsidiaries:
  - ① Decision on salary and remuneration levels of Directors, Supervisor, Chairperson, President, and Executive Vice Presidents.
  - ② Formulation and revision of rules governing salary, bonus and remuneration for employees.

3. Implementation of the Remuneration Committee:

- (1) There are 3 members of the Remuneration Committee of the Bank. (More than half of the members of the 5<sup>th</sup> term are Independent Directors.)

- (2) The term of the 5<sup>th</sup> Remuneration Committee members is from July 27, 2020 to June 18, 2023. A total of 9 Meetings of Remuneration Committee were held in 2022, and the attendance of members is as follows.

Implementation Status of the 5 <sup>th</sup> Remuneration Committee (2022/1/1-2022/12/31)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%) (Note)	Remark
Convener	Jung-Chun Pan	9	0	100	Independent Director
Committee Member	Chih-Jong Suen	9	0	100	Independent Director
Committee Member	Yu-Hsueh Wu	9	0	100	

Note: The actual attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee and the number of attendances in person during the term of incumbency.

4. The Remuneration Committee's 2022 meeting date, the ordinal number of meetings, the content of motions, the resolution result, and the Bank's dealing with the opinions of the Remuneration Committee:

- (1) The 19<sup>th</sup> Meeting of the 5<sup>th</sup> Remuneration Committee on January 10, 2022 (submitted to the 22<sup>nd</sup> Meeting of the 26<sup>th</sup> Board of Directors on January 24, 2022, for review).

- ① Approved the amendment to the Bank's "Hong Kong Financial Talents Recruitment Measures."
- ② Approved the proposal regarding the remuneration, welfare, and other related matters for Shwu-Fang Wang, the Executive Vice President of the Bank.
- ③ Approved the remuneration proposal for the 2<sup>nd</sup> term Directors (including the Chairperson and Independent Directors) and supervisors of Chang Hua Commercial Bank, Ltd., a subsidiary bank of the Bank.

- (2) The 20<sup>th</sup> Meeting of the 5<sup>th</sup> Remuneration Committee on February 16, 2022 (submitted to the 23<sup>rd</sup> Meeting of the 26<sup>th</sup> Board of Directors on February 22, 2022, for review).

According to the Bank's commissioning of EY Business Advisory Services Inc., the results of the Board of Directors' performance evaluation for 2021 have been carried out. The evaluation covers eight aspects, including "Structure and process of the Board of Director," "Composition of the Board of Director," "Legal entity and group structure," "Roles and responsibilities," "Behavior and culture," "Director training and development," "Supervision of risk control," and "Supervision of declaration, disclosure and performance." The evaluation result is linked to the remuneration and compensation of Directors (including the Chairperson, Directors, and Independent Directors).

- ① Approved the proposal of regular assessment of the monthly remunerations, welfare, and other related matters of the Bank's Chairperson.
- ② Approved the proposal of regular assessment of the monthly remunerations of Directors (excluding Independent Directors) of the Bank.
- ③ Approved the proposal of regular assessment of the monthly remunerations of Independent Directors of the Bank.
- ④ Approved the proposal of adjusting the monthly remuneration of the Bank's President after regularly assessing the compensation, welfare, and other matters, which is linked to the 2021 performance evaluation results of the Bank's President (including financial and non-financial indicators).
- ⑤ Approved the proposal for the 2021 employee performance bonus payment at the Bank.
- ⑥ Approved the Bank's 2021 special incentive fund allocation ratio and the distribution ratio of business units and other units.
- ⑦ Approved the proposal of the Bank's subsidiary, CHB Venture Capital Co., Ltd., to provide its employees with hotel accommodation vouchers.

- (3) The 21<sup>st</sup> Meeting of the 5<sup>th</sup> Remuneration Committee on March 16, 2022 (submitted to the 24<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors on March 29, 2022, for review).

- ① Approved the Bank's 2021 proposal of the amount and ratio of distribution regarding the remuneration for Directors and employees.
- ② Approved the amendment to the Bank's Articles of Incorporation to add provisions regarding the retirement benefits for the Chairperson upon resignation and to submit the proposal to the Shareholders' Meeting for approval according to the established procedures.

- ③ Approved the proposal of the 2021 special incentive bonus amount issued to the President, the EVP & Chief Auditor, Executive Vice Presidents, the EVP & Chief Compliance Officer, and the division heads of head office, regional centers, and business units.
- (4) The 22<sup>nd</sup> Meeting of the 5<sup>th</sup> Remuneration Committee on April 13, 2022 (submitted to the 25<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors on April 21, 2022, for review).
- ① Approved the amendment to the Bank's "Salary Table for Incumbent Personnel."  
 ② Approved the Bank's proposal for the 2022 annual salary adjustment for employees.
- (5) The 23<sup>rd</sup> Meeting of the 5<sup>th</sup> Remuneration Committee on June 20, 2022 (submitted to the 27<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors on June 28, 2022, for review).
- ① Approved the amendment to provisions of the Bank's "Measures for Remuneration Payment for Wealth Management Business."  
 ② Approved the amendment to the remuneration and benefits related to the Bank's Chairperson.  
 ③ Approved the amendment to the remuneration and benefits related to the Bank's President.  
 ④ Approved the proposal regarding the remuneration, welfare, and other related matters for Hsiang-Chun Wu, the EVP & Chief Compliance Officer of the Bank.  
 ⑤ Approved the proposal for the Bank's policy to provide medical care for patients diagnosed with severe or critical COVID-19 in response to the development of the epidemic and in compliance with the government's epidemic prevention measures, including consolation grant and subsidies for hospitalization, and adjustments to the types of subsidies offered to those who have been diagnosed with or are required to undergo quarantine.  
 ⑥ Approved the amendment to the "Employee Bonus Payment Regulations" of the Bank's subsidiary, CHB Venture Capital Co., Ltd.  
 ⑦ Approved the proposal of the amount of the 2021 special incentives issued to Yu-Ling Tang, the President of CHB Venture Capital Co., Ltd., a subsidiary of the Bank.
- (6) The 24<sup>th</sup> Meeting of the 5<sup>th</sup> Remuneration Committee on August 17, 2022 (submitted to the 29<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors on August 25, 2022, for review).
- ① Approved the proposal for the Bank's 2021 Distribution of Remunerations to Directors.  
 ② Approved the amendment to the Bank's "Measures for Compensation, Benefits, and Subsidies of Overseas Personnel."  
 ③ Approved the proposal for the 2022 annual adjustment of employee salary of the subsidiary, CHB Venture Capital Co., Ltd.
- (7) The 25<sup>th</sup> Meeting of the 5<sup>th</sup> Remuneration Committee on September 13, 2022 (submitted to the 30<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors on September 21, 2022, for review).
- ① Approved the amendment to the Bank's "Measures for Remuneration Payment to Insurance Business Personnel."  
 ② Approved the amendment to the Bank's "Special Incentive Payment Plan."  
 ③ Approved the amendment to the Bank's "Employee Remuneration Distribution Plan."
- (8) The 26<sup>th</sup> Meeting of the 5<sup>th</sup> Remuneration Committee on November 7, 2022 (submitted to the 32<sup>nd</sup> Meeting of the 26<sup>th</sup> Board of Directors on November 10, 2022, for review).
- ① Approved the proposal to review various assessment indexes of the Bank's "Rules of Performance Evaluation of the Board of Directors" regularly and modify them accordingly.  
 ② Approved the amendment to the "Salary and Other Allowances During Secondment of Parent Bank Personnel" of our subsidiary, Chang Hua Commercial Bank, Ltd.
- (9) The 27<sup>th</sup> Meeting of the 5<sup>th</sup> Remuneration Committee on December 19, 2022 (submitted to the 34<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors on December 29, 2022, for review).
- ① Approved the amendment to the lower limit of the basic salary for certain job grades in the "Salary Table for Incumbent Personnel."  
 ② Approved the amendment to the "Salary Table for Management Positions" and "Salary Table for Non-Management Positions" of the Bank's subsidiary, Chang Hua Commercial Bank, Ltd.

- ③ Approved the resolution to the 2022 salary adjustment for employees and senior management of the Bank's subsidiary, Chang Hua Commercial Bank, Ltd.

【The Bank's handling of the Remuneration Committee's opinions】 All are handled in accordance with the recommendations.

【Other mentionable items】

1. If the Board of Directors does not adopt or revise the recommendations of the Remuneration Committee, the meeting date, session, content of motion, and resolution result of the Board of Directors as well as the Bank's handling of the Remuneration Committee's opinions (e.g. to state the differences and reasons if the remuneration adopted by the Board of Directors is better than that recommended by the Remuneration Committee) shall be stated:

None.

2. With respect to any resolution by the Remuneration Committee, if any member has dissenting or qualified opinion that is on record or in a written statement, the meeting date, ordinal number of meeting, and content of motion for the Remuneration Committee as well as all the members' opinions with whose handling shall all be stated:

None.

f. Compositions, duties and implementation status of the Sustainable Development Committee

1. Composition of the Sustainable Development Committee:

The Committee is composed of five members, including the Bank's Directors and senior managers, in which Chairperson, President and all Independent Directors are included. Chairperson Jong-Yuan Ling, Managing Independent Director and President Chao-Chung Chou, Managing Independent Director Jung-Chun Pan and Independent Director Chih-Jong Suen all have extensive banking experiences, and Independent Director Jong-Horng Lin has professional legal affairs and compliance experience. The members of the committee have professional backgrounds in accounting, tax, finance, business, banking, insurance and law, all members have ESG (environmental, social, and governance) and integrity management capabilities based on their experiences and backgrounds. For detailed information, please refer to this chapter, B. a. Director information.

2. The Duties of the Sustainable Development Committee:

- (1) Promote the integration of ethical corporate management, corporate ethics and sustainability values into the Bank's business strategy.
- (2) Oversee and coordinate the establishment of the Bank's ethical corporate management and sustainability related systems.
- (3) Supervise and review the implementation and effectiveness of the Bank's ethical corporate management and sustainable policy.
- (4) Regularly review the implementation reports related to ethical corporate management and sustainability.
- (5) Other related matters for consideration or review.

## 3. Implementation of the Sustainable Development Committee:

A total of 6 Meetings of 2<sup>nd</sup> Sustainable Development Committee were held in 2022, and the attendance of the members is as follows:

Implementation of 2 <sup>nd</sup> Sustainable Development Committee and related professional competencies (2022/1/1-2022/12/31)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%) (Note)	Professional Competencies
Chairperson (Convener)	Jong-Yuan Ling	6	0	100	Each committee member has the professional competences of corporate governance, responsible banking, investment stewardship, green finance, fair treatment of consumers, financial inclusion, environmental protection and labor rights and other aspects required for the sustainable development of the banking industry.
Managing Director and President	Chao-Chung Chou	6	0	100	
Independent Director	Jung-Chun Pan	6	0	100	
Independent Director	Jong-Horng Lin	6	0	100	
Independent Director	Chih-Jong Suen	6	0	100	

Note: The actual attendance rate (%) is calculated based on the number of meetings of the Sustainable Development Committee and the number of attendances in person during the term of incumbency.



## 4. The resolution results of motions of the Sustainable Development Committee in 2022:

Date, terms of the meetings	Content of motion	Resolution result	Remark
January 10, 2022 The 5 <sup>th</sup> meeting of the 2 <sup>nd</sup> term	Reported on the implementation status of the Bank's ethical corporate management in 2021.	Noted.	Submitted to the 22 <sup>nd</sup> Meeting of the 26 <sup>th</sup> Board of Directors on January 24, 2022, for recognition.
	Reported on the Bank's human rights due diligence implementation status in 2021.	Noted.	
	Approved the Bank's Sustainable Development Plan for 2022.	All Directors in attendance unanimously approved the proposal.	Submitted to the 22 <sup>nd</sup> Meeting of the 26 <sup>th</sup> Board of Directors on January 24, 2022, for review and approval.
March 7, 2022 The 6 <sup>th</sup> meeting of the 2 <sup>nd</sup> term	Approved the amendments to the Bank's "Corporate Social Responsibility Best Practice Principles."	All Directors in attendance unanimously approved the proposal.	Submitted to the 24 <sup>th</sup> Meeting of the 26 <sup>th</sup> Board of Directors on March 29, 2022, for review and approval.
	Approved the amendments to the Bank's "Corporate Social Responsibility Policy."	All Directors in attendance unanimously approved the proposal.	
	Approved the amendments to the Bank's "Sustainable Development Committee Charter."	All Directors in attendance unanimously approved the proposal.	
	Approved the appointment of the person-in-charge of the Corporate Social Responsibility (CSR) Task Force and the responsible persons for the working groups in the Bank.	All Directors in attendance unanimously approved the proposal.	
June 2, 2022 The 7 <sup>th</sup> meeting of the 2 <sup>nd</sup> term	Reported on the implementation results of the Bank's greenhouse gas and environmental-related indicators.	Noted.	Submitted to the 27 <sup>th</sup> Meeting of the 26 <sup>th</sup> Board of Directors on June 28, 2022, for recognition.
	Reported on the Bank's plan for future greenhouse gas inventory and verification.	Noted.	
August 19, 2022 The 8 <sup>th</sup> meeting of the 2 <sup>nd</sup> term	Reported on the implementation results of the Bank's sustainable development-related businesses in 2021.	Noted.	Submitted to the 29 <sup>th</sup> Meeting of the 26 <sup>th</sup> Board of Directors on August 25, 2022, for recognition.
	Reported on the implementation status of the Bank's "Task Force on Climate-related Financial Disclosures (TCFD)" project.	Noted.	Submitted to the 30 <sup>th</sup> Meeting of the 26 <sup>th</sup> Board of Directors on September 21, 2022, for recognition.
November 4, 2022 The 9 <sup>th</sup> Meeting of the 2 <sup>nd</sup> term	Reported on the Bank's carbon reduction target of "Reducing 42% carbon emissions by 2030 compared to 2020".	Noted.	Submitted to the 33 <sup>rd</sup> Meeting of the 26 <sup>th</sup> Board of Directors on November 28, 2022, for recognition.
	Reported on the implementation status of the Bank's "Task Force on Climate-related Financial Disclosures (TCFD)" project.	Noted.	Submitted to the 32 <sup>nd</sup> Meeting of the 26 <sup>th</sup> Board of Directors on November 10, 2022, for recognition.
December 23, 2022 The 10 <sup>th</sup> meeting of the 2 <sup>nd</sup> term	Reported on the Bank's "Intellectual Property Management Plan and its Execution in 2022."	Noted.	Submitted to the 34 <sup>th</sup> Meeting of the 26 <sup>th</sup> Board of Directors on December 29, 2022, for recognition.
	Reported on the Bank's Communication with Various Stakeholders in 2022.	Noted.	

【The Bank's handling of the Sustainable Development Committee's opinions】 All are handled in accordance with the recommendations.

g. Implementation of promoting sustainable development and the deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for deviation.

Promotion Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies with Reasons
	Yes	No	Summary	
1. Has the Bank established a governance structure to promote sustainable development and set up a dedicated (part-time) unit to promote sustainable development, which is delegated by the Board of Directors to senior management, and is supervised by the Board of Directors?	✓		<p>1-1 In December 2019, the Bank set up the "Sustainable Development Committee" under the Board of Directors. It is a dedicated unit for promoting sustainable development, the members are composed of senior managers and all Independent Directors, and the Chairperson serves as the convener; the committee is responsible for promoting the implementation of sustainable development, coordinating the establishment of relevant systems, supervising and reviewing the implementation of sustainable development policies and its effectiveness, and regularly reviewing relevant implementation reports. A total of 6 Meetings of Sustainable Development Committee were held in 2022, for the compositions, duties, implementation status and content of motion of the Sustainable Development Committee, please refer to this chapter, D. Implementation Status of Corporate Governance, f. Compositions, duties and implementation status of the Sustainable Development Committee.</p> <p>1-2 In order to achieve the goal of sustainable development, an inter-departmental " ESG Task Force" is set up under the Sustainable Development Committee, the ESG Task Force consists of the head office management unit and was reassigned based on primary promoting working groups (corporate governance, responsible finance, employee care, social inclusion and sustainable environment). It is responsible for the implementation of sustainable development-related affairs, and regularly reporting the annual work plan, implementation results and stakeholders' communication status to the Sustainable Development Committee, and reporting to the Board of Directors in accordance with regulations.</p> <p>1-3 The Board of Directors is responsible for supervising the Bank's practice of sustainable development and enhancing its business image and competitive advantage based on sustainable development, and stipulated the Bank's "Sustainable Development Best Practice Principles" and "Sustainable Development Policy". The aforementioned 2022 annual work plan, 2021 implementation results and stakeholders' communication status have been reviewed and recognized by the Board of Directors on January 24, 2022, August 25, 2022 and December 29, 2022.</p>	No deviation.
2. Does the Bank conduct risk assessments on environmental, social and corporate governance issues related to the business operations based on the materiality principle and formulate relevant risk management policies or strategies?	✓		<p>2-1 The risk assessment boundary of the Bank is mainly based on the Bank's operating activities in Taiwan. (including overseas units and branches, excluding subsidiaries included in the consolidated financial statements.) The disclosed information covers the sustainable development performance of the Bank's main bases from January to December, 2022.</p>	No deviation.

Promotion Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE / TPEX Listed Companies with Reasons															
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			<p>2-2 The Bank referred to the significant theme guidance of the GRI Sustainability Reporting Standards 2021, reviewed its operational activities, sustainability context, work plans, and stakeholder opinions (including various communication channels and questionnaire surveys), and referred to international sustainable development trends and normative standards, industry concerns and directions, to extensively collect various sustainable issues related to its operations through various channels. The Bank conducted risk assessments and materiality analysis on significant environmental, social, and corporate governance impacts that may arise during its operations and formulated relevant risk management strategies. The Bank hereby presents the top three topics for each aspect identified in the 2022 identification results. For complete information, please refer to the Bank's 2022 ESG Report.</p> <table border="1"> <thead> <tr> <th>Major issues</th> <th>Risk assessment item</th> <th>Risk management strategy</th> </tr> </thead> <tbody> <tr> <td></td> <td>Operational Performance and Profitability</td> <td> <p>The Bank is committed to enhancing its operational performance and profitability to create greater economic value for its stakeholders while also contributing to the development of the overall economic environment. The relevant results are as follows:</p> <ol style="list-style-type: none"> <li>1. The net income after tax for 2022 was NT\$ 10.971 billion.</li> <li>2. Selected as the Global Top 500 Banking Brands for 13 times.</li> <li>3. 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It maintains ISO 27001 Information Security Management System, BS 10012 Personal Information Management System, and ISO 22301 Business Continuity Management System to ensure system and personal data security. In 2022, the Bank awarded the Best Reliable Interbank System Award by the Financial Information Service Co., Ltd.</p> </td> </tr> <tr> <td>Social</td> <td>Green Finance and Products</td> <td> <p>The Bank is actively developing and promoting green financial products to help customers with low-carbon transformation, enhance their business resilience, and reduce credit risk. 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			<p>2-3 Furthermore, the Bank has established a mechanism for managing emerging risk issues. Every year, it identifies significant emerging risk issues, evaluates their potential impact on the Bank, risks and opportunities, and develops response strategies and risk monitoring mechanisms according to their level of significance to ensure effective control of relevant risks that the Bank may face in its operations.</p>																

Promotion Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies with Reasons
	Yes	No	Summary	
3. Environmental Issues				
3-1 Has the Bank established proper environmental management systems based on the characteristics of the industries?	✓		<p>3-1 a. To implement the enterprise sustainable development, the Bank follows "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", and formulated "Sustainable Development Best Practice Principles", established an appropriate environmental management system according to the characteristics of the financial industry, and set up an environmental management unit, which is responsible for formulating, promoting and maintaining relevant environmental management systems and specific action plans, and reviewing the effectiveness of their operation.</p> <p>b. The Bank has passed the relevant international verification standards as follows:</p> <p>(a) All business units of the Bank have passed ISO 14064-1 greenhouse gas inventory certification.</p> <p>(b) The Taipei Building of the Head Office has passed ISO 14001 environmental management system certification (certificate period is 2021/12/21~2024/12/20), ISO 50001 energy management system certification (certificate period is 2022/10/24~2025/10/24), ISO 46001 water efficiency management system certification (certificate period is 2021/11/11~2024/11/10) and ISO 20400 Sustainable Procurement Conformity Statement.</p> <p>(c) Changhwa Branch has been verified through PAS 2060 carbon neutrality standard.</p>	3-1 No deviation.
3-2 Does the Bank endeavor to utilize the energy more efficiently and use renewable materials that have low impact on the environment?	✓		<p>3-2 a. In order to improve energy efficiency, the Bank has formulated energy policies and relevant reduction measures as follows:</p> <p>(a) Replace outdated and energy-consuming air-conditioning equipment, improve the efficiency, and set the indoor temperature above 26 degrees to reduce the electricity load of the air-conditioner.</p> <p>(b) Replace the old energy-consuming lamps with high-efficiency LED lamps, appropriately adjust the on and off times of advertising signs, and install power sequence controllers in drinking water equipment to reduce energy consumption, etc.</p> <p>In 2020, the Bank's total electricity consumption is approximately 29,326,120 kWh (all domestic business units), and in 2022, the Bank's total electricity consumption is approximately 29,242,860 kWh (all domestic and overseas business units and subsidiaries).</p> <p>b. In order to achieve the goal of environmental sustainability, the Bank continues to purchase environmentally friendly products, the implementation results are as follows:</p> <p>(a) In order to fulfill its social responsibility for environmental protection, the photocopying paper purchased by the Bank is environmentally friendly paper certified by international FSC or PEFC; the Taipei Building of the head office also uses environmentally friendly recycled hand towels.</p> <p>(b) "Green building materials" coating is used in priority in the decoration of business units or offices.</p> <p>(c) In response to the Environmental Protection Bureau's active promotion of green procurement (purchasing environmentally friendly products with environmental protection labels, carbon labels, energy-saving labels, water-saving labels, green building materials labels and sustainability labels), the purchase amount in 2022 reached NT\$ 25,570,000, and the Bank has been awarded the Certificate of Appreciation for Outstanding Performance by the Environmental Protection Bureau of the Taipei City Government for participating in the "Green Procurement Program for Private Enterprises and Organizations" for 5 consecutive years.</p>	3-2 No deviation.



Promotion Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE / TPEX Listed Companies with Reasons						
	Yes	No	Summary							
3-3 Does the Bank assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?	✓		<p>c. The significant goal of the Bank's IT Division is to build green data center of energy saving and carbon reduction and continuously extend server virtualization, replace and reduce existing physical mainframe step by step. In addition to improving energy efficiency, through the energy-saving improvement project of the computer room, it decreases the power consumption other than the server (such as air conditioning, lighting, UPS loss and fan power consumption), and enhance the power supply efficiency so as to reduce impacts of the Bank's business operations on the environment.</p> <p>3-3 a. In the face of climate change, the Bank has continued to participate in the international Carbon Disclosure Project (CDP) climate change questionnaire since 2018, and disclosed relevant risk assessments and responses to the risk impacts and developing opportunities that may be brought about by climate change. The Bank has acquired recognition of management (B) level in the 2019~2022 CDP Climate Change Questionnaire.</p> <p>b. The Bank follows international regulations such as the United Nations Framework Convention on Climate Change and its agreements, as well as the Task Force on Climate-related Financial Disclosures (TCFD) recommendations to establish the "Climate Risk Management Policy" to manage and respond to climate risks. The Board of Directors is responsible for guiding, overseeing, and managing the exposure to climate risks, and has the ultimate responsibility for ensuring the establishment and maintenance of an appropriate and effective climate risk management mechanism.</p> <p>c. The Board of Directors serves as the highest governing unit for climate issues in the Bank, and the Sustainable Development Committee is the dedicated unit responsible for supervising and reviewing the Bank's efforts to achieve sustainable development goals (including climate risk management). The Bank regularly reports to the Sustainable Development Committee and the Board of Directors on implementing the TCFD recommendations on climate-related financial disclosures, greenhouse gas inventory, verification progress, and results of greenhouse gas emissions reduction. In accordance with the requirements of the "Sustainable Development Roadmap for TWSE-TPEX Listed Companies" issued by the Financial Supervisory Commission, the Bank also reports on the progress of greenhouse gas management to the Board of Directors every quarter.</p> <p>d. The Bank follows the TCFD framework, considering both immediate and long-term physical risks and transition risks related to policy and regulation, technology, market, and reputation, as recommended by the TCFD. The Bank has identified multiple climate change risks and opportunity items related to its banking business. After prioritizing the top three items, the Bank evaluated their potential impact on its operations and developed the following response measures:</p> <table border="1" data-bbox="603 1697 1251 2049"> <thead> <tr> <th>Type of Risk</th> <th>Risk Event</th> <th>Corresponding Measures</th> </tr> </thead> <tbody> <tr> <td>Transformation</td> <td>Carbon Emission Regulation</td> <td>The Bank has implemented relevant management measures and operational procedures, including lowering carbon emission limits for high-emitting industries, monitoring climate risks for credit borrowers belonging to high-emitting industries, and assessing the impact of transition risks on credit risks of borrowers in scenarios of carbon taxation, in order to mitigate potential climate-related risks faced by the Bank.</td> </tr> </tbody> </table>	Type of Risk	Risk Event	Corresponding Measures	Transformation	Carbon Emission Regulation	The Bank has implemented relevant management measures and operational procedures, including lowering carbon emission limits for high-emitting industries, monitoring climate risks for credit borrowers belonging to high-emitting industries, and assessing the impact of transition risks on credit risks of borrowers in scenarios of carbon taxation, in order to mitigate potential climate-related risks faced by the Bank.	3-3 No deviation.
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			e. For a detailed explanation of our climate change risk and opportunity analysis, please refer to our "2022 TCFD report on climate-related financial disclosures," which is disclosed in the "Sustainability" section of our official website.										

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3-4 Does the Bank inspect its greenhouse gas (GHG) emissions, water consumption and total weight of wastes in the past two years and formulate policies on energy saving and carbon reduction, GHG reduction, water reduction or waste management?	✓		<p>f. The Bank's 2022 TCFD Report has passed the verification of the British Standards Institution (BSI) and has been awarded the highest level of certification, "Excellent" (Level 5+: Excellence).</p> <p>3-4 a. In response to climate change and national greenhouse gas reduction policy, the Bank has voluntarily introduced the greenhouse gas inventory since 2017, and has mastered the GHG emissions of all business units in Taiwan, and has passed the ISO 14064-1:2018 certification, the Bank aims to reduce the carbon emissions for a 42% decrease by 2030 compared with the base year of 2020. The Bank has completed GHG inventory and verification of domestic and overseas business units, subsidiaries, and the GHG emissions in 2022 are as follows:</p> <p style="text-align: right;">Unit: tonCO<sub>2</sub>e</p> <table border="1"> <thead> <tr> <th></th> <th>2022</th> <th>2020 (base year)</th> </tr> </thead> <tbody> <tr> <td>Category 1 (Note 1)</td> <td>2,075.020</td> <td>2,231.307</td> </tr> <tr> <td>Category 2 (Note 2)</td> <td>15,016.773</td> <td>14,926.995</td> </tr> <tr> <td>Total carbon emissions (Category 1 + Category 2)</td> <td>17,091.793</td> <td>17,158.302</td> </tr> <tr> <td>Carbon intensity (tons of CO<sub>2</sub>e / NT\$ thousand)</td> <td>0.000501</td> <td>0.000628</td> </tr> <tr> <td>Category 1~2 Data Coverage</td> <td>All domestic and overseas business units and subsidiaries</td> <td>All domestic business units</td> </tr> <tr> <td>Category 3~5 (Note 3)</td> <td>14,559.872</td> <td>13,023.129</td> </tr> <tr> <td>Category 3~5 Data Coverage</td> <td colspan="2">All domestic business units</td> </tr> </tbody> </table> <p>(Note 1): Category 1 refers to direct GHG emissions.                      (Note 2): Category 2 refers to indirect GHG emissions associated with energy.                      (Note 3): Category 3~5 refers to other indirect GHG emissions.</p> <p>b. In order to reduce the risk of future water shortage impact, the Bank proactively introduced a water resource efficiency management system in 2021, formulated water resource efficiency policies and relevant reduction measures, such as using water-saving label equipment, installing water-saving accessories on faucets, adjusting the method of cleaning items, tracking water leakage, air conditioning water saving, etc., to implement water resource efficiency management, and passed the ISO 46001 water efficiency management system certification (certificate period: 2021/11/11~2024/11/10). The Bank aims to reduce the water consumption for a 10% decrease by 2030 compared with the base year of 2020, the statistical results of water consumption in 2022 are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>2022</th> <th>2020 (base year)</th> </tr> </thead> <tbody> <tr> <td>Water consumption (m<sup>3</sup>)</td> <td>147,532</td> <td>163,944</td> </tr> <tr> <td>Intensity (m<sup>3</sup> / NT\$ thousand)</td> <td>0.0043</td> <td>0.0060</td> </tr> <tr> <td>Data Coverage</td> <td colspan="2">All domestic business units</td> </tr> </tbody> </table>		2022	2020 (base year)	Category 1 (Note 1)	2,075.020	2,231.307	Category 2 (Note 2)	15,016.773	14,926.995	Total carbon emissions (Category 1 + Category 2)	17,091.793	17,158.302	Carbon intensity (tons of CO <sub>2</sub> e / NT\$ thousand)	0.000501	0.000628	Category 1~2 Data Coverage	All domestic and overseas business units and subsidiaries	All domestic business units	Category 3~5 (Note 3)	14,559.872	13,023.129	Category 3~5 Data Coverage	All domestic business units			2022	2020 (base year)	Water consumption (m <sup>3</sup> )	147,532	163,944	Intensity (m <sup>3</sup> / NT\$ thousand)	0.0043	0.0060	Data Coverage	All domestic business units		3-4 No deviation.
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			<p>c. In order to achieve sustainable utilization of resources and ensure proper disposal of waste, the Bank adopts proactive waste management, promotes energy saving and waste reduction activities, actively implements resource recycling and classification from source management, and regularly records the amount of waste. The Bank's waste reduction target is to reduce the waste generated by the Taipei Building by 3% in 2023 compared with 2020. In 2022, the waste in the Taipei Building are reduced by 18.91 tons, or 15.58% compared with 2020.</p> <table border="1"> <thead> <tr> <th></th> <th>2022</th> <th>2020 (base year)</th> </tr> </thead> <tbody> <tr> <td>Waste (ton)</td> <td>102.46</td> <td>121.37</td> </tr> <tr> <td>Intensity (ton/NT\$ thousand)</td> <td>0.000003</td> <td>0.000004</td> </tr> <tr> <td>Data Coverage</td> <td colspan="2">Taipei Building</td> </tr> </tbody> </table>		2022	2020 (base year)	Waste (ton)	102.46	121.37	Intensity (ton/NT\$ thousand)	0.000003	0.000004	Data Coverage	Taipei Building		
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<p>4. Social Issues</p> <p>4-1 Does the Bank formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		<p>4-1 a. In accordance with the spirit and principles of International Bill of Human Rights (including the United Nations Universal Declaration of Human Rights, the United Nations Global Compact, the International Labour Organization Declaration on Fundamental Principles and Rights at Work and the United Nations Guiding Principles on Business and Human Rights, etc.), the Bank has formulated the Human Right Policy and the Human Right Due Diligence Procedures to build an honest, fair, respectful and open working environment, and is committed to enhancing the attention to human rights-related issues and conducting relevant risk assessment and management to protect labor human rights.</p> <p>b. Based on the characteristics and development strategies of the financial industry, the Bank formulates concerned issues which include: "Human Rights Protection in the Workplace", "Health and Safety in the Workplace", "Support for Freedom of Association", "Protection of Personal Privacy", "Anti-corruption, Prohibition of Bribery/Bribery and Other Dishonest Behaviors" and "Human Rights Policy Promotion"; in addition, the Bank's human right policy has been disclosed on the Bank's official website/Corporate Governance/Major Internal Policy; the annual human rights due diligence assessment process and risk mitigation measures have been disclosed in the Bank's ESG Report and official website/Sustainability/Social Aspect.</p> <p>c. The Bank has implemented education and training related to policies or procedures of human rights. The average training time per employee is 0.5 hours, and the percentage of trained employees is 96.94%. The Bank continues to pay attention to human rights protection matters and enhance awareness of human rights protection.</p>	4-1 No deviation.												
<p>4-2 Does the Bank formulate and implement reasonable employee benefit measures (including remuneration, vacation and other benefits) and appropriately reflect operating performance or results in employee compensation?</p>	✓		<p>4-2 a. The Bank is committed to creating a diverse and equal happy workplace, with female employees accounting for 64.33% of the total workforce and female managers accounting for 59.66% of all managers. For the various employee welfare measures of the Bank, including further education, training, vacation, retirement system and other welfare measures, please refer to V. Operational Overview, G. Labor-Management Relations.</p>	4-2 No deviation.												

Promotion Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE / TPEX Listed Companies with Reasons
	Yes	No	Summary	
4-3 Does the Bank provide a healthy and safe work environment and organize health and safety training for its employees on a regular basis?	✓		<p>b. In response to the needs of various business development, we recruit young students to join us every year by participating in campus talent recruitment, we also adopt irregular internal and external recruitment for professional vacancies such as financial marketing, technology, and legal affairs, to enlist experienced or cross-disciplinary digital talents, thereby enriching human assets and creating business performance.</p> <p>In terms of employee recruitment and promotion, the Bank adheres to the principle of people-oriented and merit-based application. At the same time, the Bank follows laws and regulations. The Bank does not give different treatment or discrimination due to factors such as gender, race, religion, political party, etc. The Bank provides market-competitive salary levels, and plan complete training, generous welfare measures and annual promotion system to attract talents. To ensure the stability of the personnel system, the Bank does not employ part-time staff. In 2022, there were no human rights violations, hire of child worker, infringement of indigenous rights and discrimination events.</p> <p>c. The Bank reviews salary of its employees in accordance with the "Salary Scales List for Personnel", reasonable and competitive remuneration is given to employees according to the appointment and responsibility so as to ensure that they do not have different remuneration as a result of their gender, age or race. All salaries are in conformity with basic salary standards, each year the Bank determines the level of its salary-adjustment based on consumer price index and its performance and capability. The Bank's average salary adjustment rate for 2022 is 6.02%.</p> <p>d. According to the Article 38 of Articles of Incorporation of the Bank, at the end of fiscal year, if there are any profit, shall be distributed with 1% to 6% of the profit as employees' bonuses; the Bank issues a performance bonus in accordance with the Bank's overall business operating performance and various indicators of its "Employee Performance Appraisal Regulations", "Employee Bonus Payment Regulations", and "Employee Remuneration Distribution Plans", by combining individual employee's professional performance with their performance review.</p> <p>4-3 a. The Bank has an Occupational Safety and Health Committee with 9 members, including 3 labor representatives, and holds regular quarterly meetings to review, coordinate and recommend the Bank's occupational safety and health policies and improve the Bank's safety and health management quality.</p> <p>b. The Bank has "Safety and Health Work rules" to implement occupational safety and health policy, and we also have "Program to Prevent Employee Musculoskeletal Disorders Brought on by Repetitive Tasks", "Program to Prevent Employee Ailments Brought on by Exceptional Workload", "Program to Protect Maternal Employee's Health", and "Program to Prevent Employee Infringement Happened in Workplace" and "Labor Health Service Program" to prevent occupational disasters and diseases. In addition, employees are regularly selected to participate in occupational safety and health training, professionals are invited to hold health education lectures from time to time, and relevant occupational safety and health digital education and training courses are provided to maintain employee safety and protect employee health.</p> <p>c. The Bank's Taipei Building has passed the ISO 45001 occupational safety and health management system certification (certificate period is 2022/11/4~2025/11/3). The Bank actively implements employee workplace safety and health, and improves occupational safety and health in the workplace.</p> <p>With reference to international standards, the Bank actively manages risks and establishes an appropriate safety and health foundation and management system early to protect the safety and health of employees and related workers.</p>	4-3 No deviation.



Promotion Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE / TPEX Listed Companies with Reasons
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4-4 Does the Bank establish effective career development and training plans for its employees?	✓		<p>d. In 2022, 11 employees of the Bank were injured during commuting, and 4 were injured due to official duties, accounting for 0.22% of the total number of employees, no major occupational accidents happened. In the Bank's annual executive meeting, managers at all levels are requested to publicize to their colleagues to pay attention to traffic and personal safety to avoid accidents.</p> <p>e. For information on employee safety and security, please refer to V. Operational Overview, G. Labor-Management Relations, a. 3. Employee Safety and Security Measures.</p> <p>4-4 a. The Bank attaches great importance to the career development of on-the-job employees. During the period of service in the Bank, employees are supplemented by diversified training channels, including orientation training for new employees, assistant manager training, supervisor function training, etc., to improve employees' professional knowledge and encourage employees to participate in various functional training courses, license verification and online English courses, etc., and provide the digital platform courses of CWLC to cultivate employees' self-learning atmosphere and cultivate cross-disciplinary talents; moreover, the Bank has built a new generation of online digital learning network to improve knowledge management and inheritance, and continue to develop multi-career capabilities and training.</p> <p>b. The Bank continues to provide employees training through digital and hands-on courses, assisting them to specialize in finance; the Bank provided 413,044.62 hours training in total, with the per capita training hours of 61.85 based on 6,678 employees as of December 31, 2022.</p>	4-4 No deviation.
4-5 Does the Bank comply with relevant regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of its products and services and set up relevant consumer or customer protection policies and complaint procedures?	✓		<p>4-5 The Bank handles financial products and services in accordance with the relevant regulations and international standards of the business competent authorities to safeguard the rights and interests of consumers:</p> <p>a. In purchase of various types of thermal paper rolls, each unit of the Bank requires manufacturers to produce product test reports and comply with national standards to protect customers' rights and interests.</p> <p>b. In order to implement the security maintenance and management of personal data files, the Bank has formulated "Personal Data File Security Maintenance Plan" and related management specifications in accordance with the "Security Maintenance Measures for Personal Data Files of Non-Governmental Organizations Designated by the Financial Supervisory Commission". To comply with the EU "General Data Protection Regulation" and the UK "2018 Data Protection Act", the Bank also has formulated the EU and UK Personal Data Management Regulations; and established the personal data management procedures for the collection, processing and utilization of the Bank's operational activities, and personal data security management measures, and set mechanisms such as emergency response and notification of personal data security incidents to maintain customer privacy.</p> <p>c. The Bank's marketing and labeling of various financial products and services shall explain the important contents and exposed risks in the contract, express them in prominent fonts or methods, and list the complaint channels of consumers for disputes arising from financial products or services provided by the Bank.</p>	4-5 No deviation.



Promotion Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE / TPEX Listed Companies with Reasons
	Yes	No	Summary	
4-6 Does the Bank formulate supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights? How is the implementation?	✓		<p>d. In order to protect the rights and interests of financial consumers and handle financial consumption disputes fairly, reasonably and effectively, in accordance with "Guidelines for Fair Treatment to Customers in the Financial Services Industry", "Financial Consumer Protection Act" and its relevant sub-laws, the Bank has formulated "Guidelines for Fair Treatment to Customers", "Policies to Protect Financial Consumers", "Guidelines to Conduct Protection for Financial Consumers" and "Consumer Complaint Handling Guidelines", and the "Treat Customers Fairly Facilitating Committee" was established in 2022, ensuring all divisions provide products and services meet the standard of fair treatment through transaction in design, advertisement, sale, contract fulfillment, service counseling and dealing customer complaints, and complying with the financial consumer protection principle so as to implement financial consumer rights and interest protection and improve service quality of the Bank.</p> <p>4-6 a. To cooperate with suppliers in being committed to the practice of corporate social responsibility, and comply with relevant laws and regulations such as labor rights and human rights, occupational safety and health, environmental protection, and ethical corporate management. The Bank has issued the "Supplier CSR Policy", which stipulates that when the Bank signs a contract with a supplier, the supplier shall be required to sign a "Supplier Social Responsibility Commitment" and the content shall be implemented to comply with the Bank's ethical corporate management best practice principles and corporate social responsibility policy of both parties. The Bank may terminate or rescind the contract at any time when abovementioned policies have been violated and have a great impact on environment and society to the source of community, or if the supplier is involved in dishonest behavior.</p> <p>b. To fulfill commitment and responsibility for supplier management, the Bank has stipulated "Implementation of CSR Guidelines for Suppliers" to promote CSR policies through communication meetings with suppliers and requires suppliers to fill in the "Self-assessment of CSR Guidelines for Suppliers" and substantive transactions can be carried out after the Bank's review that there is no violation of laws and regulations. The Bank also visits suppliers with large transaction irregularly, and fills in "Visiting Report for Suppliers" according to results to make sure the current status of the suppliers to supervise them to implement corporate social responsibility.</p>	4-6 No deviation.
5. Does the Bank refer to internationally-used standards or guidelines for the preparation of reports such as ESG reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation unit?	✓		<p>The Bank published its 2021 ESG Report in 2022, following the GRI Sustainability Reporting Standards 2021 and the SASB Commercial Banks Standard. Both reports received independent assurance opinions from BSI, a third-party verification body. The former underwent a Type 2 moderate assurance in accordance with the AA1000 Assurance Standard V3, while the latter underwent a Type 1 adherence assurance. In addition, in accordance with the Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies, the Bank engaged EY as its independent limited assurance provider in accordance with the Standards on Assurance Engagement No. 1 on Assurance Engagements Other than Audits or Reviews of Historical Financial Information; the aforementioned ESG Report is disclosed on the Bank's official website.</p>	No deviation.
<p>6. If the Bank has established sustainable development best-practice principles based on the "Sustainable Development Best Practice Principles for TWSE / TPEX Listed Companies", describe the implementation and any deviations from such principles:                      The Bank's "Sustainable Development Best Practice Principles" is formulated with reference to the "Sustainable Development Best Practice Principles for TWSE / TPEX Listed Companies", (former name refers to Corporate Social Responsibility Best Practice Principles for TWSE / TPEX Listed Companies) the implementation of relevant affairs is in accordance with the principles currently, and there is no deviation.</p>				

Promotion Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE / TPEX Listed Companies with Reasons
	Yes	No	Summary	
7. Other important information to facilitate a better understanding of sustainable development practices: For other implementation of sustainable development by the Bank, please refer to V. Operational Overview, C. Corporate Responsibility and Moral Behavior, and the Bank's 2022 ESG Report.				

h. Implementation of Ethical Corporate Management and Deviations from "Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies" with Reasons.

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies" with Reasons
	Yes	No	Summary	
1. Establishment of ethical corporate management policy and program				
1-1 Does the Bank have policies and practices for ethical corporate management passed by the Board of Directors and clearly state them in regulations and publicly available documents? Do the Board of Directors and senior management make commitments to actively implement those business policies?	✓		1-1 To implement the policy of ethical corporate management, and actively guard against unethical behavior, the Bank has formulated the "Ethical Corporate Management Best Practice Principles" and approved by the Board of Directors, stipulating that the Bank's personnel (including directors, supervisors, managerial officers, employees, appointees, etc.) shall properly implement the philosophy of honesty, fairness, respect, openness and transparency within the scope of business activities. During the performing of all duties, personnel shall uphold the aforementioned corporate ethics core value, and comply with all relevant laws, regulations and company policy, in order to ensure conducts and behaviors complying with the professional ethics and moral, and establish proper corporate governance and risk control mechanism, thereby creating a management environment of sustainable development. The Board of Directors and management level of the Bank shall actively implement these Principles in order to use such Principles as the code of conduct, and shall properly execute it in the internal management and external commercial activities.	1-1 No deviation.
1-2 Does the Bank establish an evaluation mechanism for the risk of unethical conduct that regularly analyzes and evaluates business activities with higher risks of unethical conduct in the business scope? Does the Bank have any plan which at least includes the precautionary measures prescribed in Article 7 Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		1-2 a. The Bank implements unethical behavior and internal fraud risk assessment mechanism, regularly analyzes and assesses unethical behavior and internal fraud risks in every aspect of business operation. According to related documents and data of the Bank's and other bank's unethical behavior and internal fraud cases, and the current year's operating conditions, internal audit results, inspections by competent authorities, and the results of the Personnel Review Committee's review results, etc., to comprehensively assess the residual risks, and based on the assessment results, the Bank's business supervision unit will formulate and revise relevant preventive measures. The relevant content covers various behavior's preventive measures mentioned in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies." The Bank's "Ethical Corporate Management Best Practice Principles" which stipulates: that the Bank's personnel shall not provide or receive, either directly or indirectly command or require any unreasonable presents, hospitality or other improper benefits; that they shall abide by related regulations pertaining to intellectual property rights, the Bank's guidelines and contract regulations; nor can they engage in unfairly competitive conduct; that they shall comply with the "Securities and Exchange Act" and shall not use privileged and undisclosed information to engage in inside trading, or disclose it to any third party in order to prevent other parties from using such undisclosed information for inside trading, etc. Meanwhile, relevant business management units have also added or strengthened existing control measures and procedures for higher-risk projects.  b. The Bank's "Employee Code of Conduct" stipulates the following related guidelines: (a) Employees need to obtain the Bank's permission before taking part in political campaign activities, political fund-raising activities, charitable activities, non-profit activities or volunteer activities in the name of the Bank. (b) Employees shall not promise customers on sharing interest and undertaking financial losses, and refrain from demanding, offering or receiving, directly or indirectly, any improper funds, things of value, donations, hospitality or other benefits, which may impact their professional judgment and the objectivity of executing duties. (c) Employees shall protect the Bank's assets as well as other assets under his / her dutiful custody. (d) Employees shall provide premium customer with service and innovative products, and shall not seek competitive benefits via unethical or illicit business activities, and shall not promise customer on providing specific interest, consideration, undertaking losses, promoting investment of specific financial products.	1-2 No deviation.

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies" with Reasons
	Yes	No	Summary	
1-3 Does the Bank establish any program that clearly define operating procedures, behavior guidelines, punishment and complaint systems for violations in the unethical conduct prevention plan, and implement them, regularly review and revise the program?	✓		<p>c. The Bank has formulated the "Regulations for External Donation," stipulates any donation shall be examined beforehand, each business division which is being a donor shall examine eligibility of the donee, donation purpose, rationality of the donation amount, and shall assess whether the donation is benefit for the morality, which have substantial benefits or devotions for the Bank's corporate image and business promotion are allowed to perform or recognize. In 2022, relevant donations meet standard of the Bank's relevant regulations, none of them are provided with illicit political donations, charitable donations, bribes in disguise.</p> <p>1-3 a. The Bank has formulated the "Ethical Corporate Management Best Practice Principles" and the relevant regulations to guard against unethical conduct, which include the "Rules of Procedures for Board of Directors Meetings," "Code of Ethical Conduct," "Employee Code of Conduct," "Work Rules," "Directions for Treasury Division to Conduct Financial Transactions," "Operation Regulations for Transactions with Stakeholders regarding Credit Operation," "Operating Regulations for Transactions with Stakeholders Other Than Credit Operation," etc., in order to prevent unethical conduct, and regularly review aforesaid related regulations.</p> <p>b. The Bank has also adopted the "Employees Reward and Discipline Implementation Regulations" as a basis for punishments and remedies; any employee who is found and proved to have committed an unethical conduct will be transferred to the Personnel Review Committee for punishment. If the employee subject to disciplinary action refuses to accept the result of the disciplinary action, he or she may state the reasons and file an appeal with relevant evidence.</p>	1-3 No deviation.
2. Implementation of ethical corporate management				
2-1 Does the Bank evaluate the business partner's ethical records and include ethics-related clauses in the business contracts signed with counterparties?	✓		2-1 The Bank's "Ethical Corporate Management Best Practice Principles" stipulates that prior to engaging commercial relations with any third party, the Bank shall examine whether the parties have been implicated in prior incidents of unethical conduct in accordance with the Bank's related rules and regulations (for example: Guidelines for Suppliers' Corporate Social Responsibility), and shall formulate terms with respect to good faith in contracts (for example: related activity contracts of retail channel, etc.) Relevant clauses were included in important commercial contracts established by all divisions of the Bank in the year.	2-1 No deviation.
2-2 Does the Bank have a specialized unit that promotes ethical management and report its performance to the Board of Directors on a regular basis (at least once a year) of integrity operation policy and program of preventing unethical conduct and implementation of monitoring?	✓		<p>2-2 The Bank's "Sustainable Development Committee" is instituted under the Board of Directors and is responsible for promotion of ethical corporate management, and designates Compliance Division to report to Sustainable Development Committee and the Board of Directors annually and shall responsible for the following matters:</p> <p>a. Assisting relevant units to cooperate with regulatory system in order to incorporate ethics and moral values into the company's business strategy and adopt relevant prevention measures against corruption and malfeasance in order to ensure ethical management.</p> <p>b. Assisting the relevant units to analyze and assess on a regular basis business activities within their business scope which are at a risk of being involved in unethical conduct, and adopt relevant regulations to prevent such unethical conducts.</p> <p>c. Assisting the inspection of the internal organization, staffing and job duties, establish mutual supervision and balance mechanisms for operating activities of relatively higher unethical conduct risk in the scope of business.</p> <p>d. Promoting and coordinating ethical policy promotion and training.</p> <p>e. Planning a complaint filing system and ensuring its operating effectiveness.</p> <p>f. Assisting the Board of Directors and management level in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and periodically preparing reports on the assessment of compliance with ethical management in operating procedures.</p> <p>The Bank's FY 2022 ethical corporate management performance was reported to the Sustainable Development Committee and the Board of Directors on January 7 and January 18, 2023 for their recognition.</p>	2-2 No deviation.
2-3 Does the Bank have any policy that prevents conflict of interest, and provide appropriate reporting channels and implement such policy?	✓		<p>2-3 a. The Bank's "Ethical Corporate Management Best Practice Principles" specifically stipulates articles for recusal of conflict of interest, as the Bank's Board of Directors, management and all employees shall abide by relevant regulations such as the Bank's "Code of Ethical Conduct," "Rules of Procedure for Board of Directors Meetings," "Operation Regulations for Transactions with Stakeholders regarding Credit Operation," "Operating Regulations for Transactions with Stakeholders Other Than Credit Operation," "Stewardship Principles" and "Chang Hwa Bank Long-Term Equity Investment Business and Subsidiaries Management Principles" in order to prevent conflict of interest. The Directors shall practice self-discipline and must not support one another in improper dealings.</p> <p>b. The Bank's "Rules of Procedures for Board of Directors Meetings" stipulates if a Director or a juristic person that the Director represents is an interested party in relation to an agenda item, the Director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Bank, that Director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.</p>	2-3 No deviation.

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" with Reasons
	Yes	No	Summary	
			<p>c. The Bank's "Employee Code of Conduct" outlines its policy against conflict of interest, specifically requiring employees to prioritize seeking the best interest of the Bank in performing their business operations, as well as to prevent conflict or contradiction between an employee's personal interest and the Bank's interest, including possible conflict of interest involving customers, trading counterparties, competitors or other employees as a result of the performance of duties on his/her post. Once employee alerts incidents happen stipulated in "Employee Code of Conduct," or other possible incidents involved in conflict of interest, he/she shall refuse and resort confirmation to manager or compliance supervisor of the unit at once, and make sure after exclusion of possible conflict of interest, employee shall proceed to former conduct or activity.</p> <p>d. The Bank shall comply with relevant regulations set forth by the Banking Act and stipulated by competent authority when conducting credit-rendering business with the Bank's stakeholders. In 2022, the Bank did not have any conflict of interest violations.</p> <p>e. Article 26 of the Corporate Governance Best Practice Principles of the Bank stipulates that when the Bank and its stakeholders or shareholders enter into financial and business transactions between each other shall be made in accordance with related regulations of the Bank, for significant transactions, the proposal should be submitted to the board meetings for approval, and Shareholders' Meeting for approval/report.</p>	
2-4 Has the Bank implemented effective accounting system and internal control system for maintaining ethical corporate management? Are these systems formulated with related audited plan according to the result of unethical conduct risk, and apply it to prevent unethical conduct of implementation of program, or by external auditors?	✓		<p>2-4 a. The Bank establishes its accounting policies and amended it in a timely manner in accordance with regulations as bookkeeping guidelines for business operations and management. Furthermore, multiple layers of authority and accountability have been implemented to ensure sound internal control so that all employees can conduct the Bank's various business operations in good faith.</p> <p>b. The Bank's "Ethical Corporate Management Best Practice Principles" stipulates: "The Bank shall establish an effective accounting system and internal control system, and shall not keep external books or retain secret accounts. Furthermore, it shall review these systems at all times in order to ensure the continued effectiveness of the design and enforcement of these systems. The Bank's internal audit units shall audit whether the aforementioned systems are in compliance with a regular basis and compile audit reports for submission to the Board of Directors." In line with the aforementioned regulation, the Bank's internal audit has planned and implemented related audit plan based on the unethical behavior and internal fraud risk assessment.</p>	2-4 No deviation.
2-5 Does the Bank organize internal or external training regarding ethical management on a regular basis to maintain business integrity?	✓		<p>2-5 a. The Bank regularly conducts education training in relation to ethical corporate management, in FY2022, the Bank conducted the "Ethical Corporate Management Best Practice and Code of Conduct" training course (including compliance with laws and regulations, "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Code of Conduct for Employees," "Internal Reporting Rules," and "Prohibition of Insider Trading"), 6,693 employees attended this course and adding up to 3,212 person-hours. Moreover, for deepening the employees' understanding of occupational fraud of financial industry and expecting the employees to implement precautionary measures during routine works, the Bank appointed external consultants to record "The Analysis of Recent Fraud Cases of Financial Institution and Fraud risk Management Framework" training course, 6,410 employees attended this course and adding up to 15,191 person-hours.</p> <p>b. The Bank collects the material disciplinary actions in the financial industry announced by the FSC for references of business units to evaluate the legality of their business operations, and publishes those disciplinary actions on the Bank's internal website.</p> <p>c. In order to strengthen the anti-fraud ability of the person in charge of the business unit, internal training courses such as self-assessment are regularly held every year. In addition to in-depth review of the causes of fraud incidents in financial institutions and explanations of the Bank's related internal control operations, the content of the course also discusses the key points of fraud prevention and monitoring for effectively implement self-inspection work, strengthen internal control of business units, and prevent the occurrence of dishonest behavior.</p>	2-5 No deviation.
3. Implementation of a complaint filing system				
3-1 Has the Bank stipulated a specific complaint and reward system, established channels to facilitate complaint, and assigned appropriate personnel to handle party being complained?	✓		<p>3-1 The Bank has formulated the "Ethical Corporate Management Best Practice Principles" and "Rules of Internal Whistle-blowing," setting up address, mailbox, hotlines, related channel for complaints. In the circumstances of unethical behavior is identified, including commit crime, misconduct, violation of regulation, the Bank's Internal Auditing Division which is the receiving unit shall designate appropriate personnel to deal with the incident. If the whistle-blower meets the standard of "Implementation Regulations of Employees Reward and Punishment," the Bank would give reward based on practical circumstance.</p>	3-1 No deviation.



Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies" with Reasons
	Yes	No	Summary	
3-2 Has the Bank implemented any standard procedures, subsequent measures after the procedures, or confidentiality measures for handling reported complaint?	✓		3-2 a. The Bank has formulated "Rules of Internal Whistle-blowing," which clarified on the investigated whistle-blowing cases, organization responsibilities of the reviewing unit, recusal of interest, whistleblower protection, file management. The investigation of whistle blowing cases' review or reexamination which identifies to be true would be proceeded by the aforementioned regulation, related investigative unit shall review its internal control system and operational procedure, and submit improvement measures to prevent from occurrence of identical conduct. In addition, respondent and relevant respondent are required to stop doing related behavior and shall be proper handled by related personnel management regulation, and shall be handled by legal procedure for loss claim or dealing by prosecution authority. Receiving unit of complaints shall summarize and report, results of review, related information of improvement measures suggested by relevant unit, should submit to the Audit Committee and the Board of Directors regularly. In 2022, the Bank did not receive any report of violations of ethical conduct. b. The Bank has formulated the "Ethical Corporate Management Best Practice Principles" and "Rules of Internal Whistle-blowing," which ensure the confidentiality of the identity of whistle-blowers and the content of complaints, while investigations in line with regulations and public announcement by competent authority should be revealed.	3.2 No deviation.
3-3 Does the Bank take measures to protect whistleblowers from being improperly dealt with for whistleblowing?	✓		3-3 The Bank has formulated the "Ethical Corporate Management Best Practice Principles" and "Rules of Internal Whistle-blowing," which ensure the confidentiality of all information with regard to whistle-blowers; the Bank also makes sure that they will not suffer improper treatment including not to be fired, dismissed, degraded, salary reduction, and shall not be deprived from entitled interest of its legal regulations, contracts or habits, and other inadequate arrangements.	3-3 No deviation.
4. Enhancing information disclosure Has the Bank disclosed its Ethical Corporate Management Best Practice Principles and result of implementation on its website and MOPS?	✓		The "Ethical Corporate Management Best Practice Principles" formulated by the Bank is disclosed on the Bank's official website as well as MOPS. In addition, the Bank's implementation of ethical corporate management is also disclosed in the "Corporate Governance Report" section of the Annual Report as well as on the Bank's official website. An electronic version of the Annual Report is also disclosed on the Bank's official website and MOPS.	4. No deviation.
5. If the Company has established its own ethical corporate management principles based on the "Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies," please describe the Company's implementation of the principles and any deviation therein and explain: The Bank has stipulated "Ethical Corporate Management Best Practice Principles" according to "Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies," and has conducted according to the principles and there is no deviation.				
6. Other information to understand more about the Bank's Ethical Corporate Management practice: (such as reviews over the Bank's Ethical Corporate Management Best Practice Principles, etc.) The Bank shall follow the development of domestic and international guidelines regarding ethical corporate management as a basis for review and improvement of the Bank's ethical corporate management regulations, and for its implementation, to improve the effectiveness of ethical corporate management.				

- i. If the Bank has formulated Corporate Governance Best Practice Principles and related regulations, it shall disclose its inquiry methods.  
The Bank has formulated Corporate Governance Best Practice Principles and relevant regulations, please refer to the "Corporate Governance" section → Major Internal Policies; or please refer to MOPS.
- j. Other important information sufficient to enhance the understanding of the Bank's corporate governance implementation.  
Please refer to this chapter "D. Implementation Status of Corporate Governance, d. The Bank's corporate governance implementation status and the deviation from the Corporate Governance Best-Practice Principles for Banks and the reasons for deviation. '6. Does the Bank have other important information that can help understand the operation of corporate governance? "

## k. Execution of Internal Control System

## 1. Internal Control System Statement:

Chang Hwa Commercial Bank, Ltd.  
Internal Control Statement

March 25, 2023

To : Financial Supervisory Commission, R.O.C.

- I. On behalf of Chang Hwa Commercial Bank, Ltd. (the "Bank"), we hereby declare that from January 1, 2022, to December 31, 2022, the Bank has duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing its internal control system, implementing risk management, designating an independent and objective department to conduct audits, and regularly reporting to the Board of Directors and the Audit Committee, and indeed comply with the provisions of Article 38, paragraph 5 and Article 38-1 of the rules mentioned above, and the "Self-Regulations on Information Security" established by the Bankers Association.
- II. With respect to the securities business, evaluation of the effectiveness of the design and implementation of its internal control system has been done in accordance with the criteria for evaluating effectiveness of internal control systems described in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets."
- III. With respect to the insurance agency business, evaluation of the effectiveness of the design and implementation of its internal control system has been done in accordance with the criteria for evaluating effectiveness of internal control systems described in the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies."
- IV. After prudential evaluation, the internal control, legal compliance systems, and the overall information security implementation of each department have been in effect during the year 2022.
- V. This Statement will be included as the main content of the Bank's annual report and prospectus and will be made public. If there is any illegal activity such as fraud or concealment, liabilities under Article 20, 32, 171, and 174 of the Securities and Exchange Act or aforementioned Regulations will be involved.
- VI. This Statement has been approved by the Board of Directors on March 25, 2023.

Chairman :

*Juanne Ling*

President :

*Chen Chao-Lung*

Executive Vice President &  
Chief Auditor :

*Mei-Fang Wu*

Executive Vice President &  
Chief Compliance Officer :

*Hsiang-chun, Ju*

Executive Vice President &  
Chief Information Security Officer :

*Bin Chen*

## 【 Attached list】

## Chang Hwa Commercial Bank, Ltd. Issue and Corrective Actions for Internal Control Statement

(As of December 31, 2022)

Issue for Improvement	Corrective Actions	Target Completion Date
N/A	-	-

## 2. Report of Independent Auditor appointed to conduct special audit on the Bank's internal control system:

## Independent Auditors' Report on Applying Agreed-Upon Procedures

The Board of Directors and Shareholders

Chang Hwa Commercial Bank, Ltd. (hereinafter refer as "CHB")

Pursuant to the protocol procedure, we have performed independent review on the correctness of reports for the year of 2022 submitted by CHB to competent authority, execution status of internal control system and legal compliance system, appropriateness of loan loss reserve policies and execution status of personal information protection system. Your company made the final decision in these procedures; therefore, we do not express our opinions regarding whether these procedures were sufficient. This work is conducted in accordance with the Statement on Standards on Related Services TWSRS 4400, "Perform Agreed-Upon Procedures Regarding Financial Information" whose purpose is to assist your company to evaluate the compliance status with "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" promulgated by the Financial Supervisory Commission. Complying with the aforementioned regulation is the responsibility of your company's management. We have provided the procedures we conducted and the associated findings in the attachments herein, respectively.

The audits we performed are not in accordance with Auditing Standards; hence, we do not assure your company of the correctness of the report submitted to the competent authority, execution status of internal control system and legal compliance system, the appropriateness of policies for loan loss reserve policies, and the execution status of personal information protection system. If we perform additional procedures or audits in accordance with Auditing Standards, we may have other findings.

This report is only provided to your company for the purpose stated in the first paragraph, and cannot be distributed to third parties for other purposes.

Deloitte & Touche

March 25, 2023

- i. In the past two years and up to the published date of the annual report, the disciplinary action brought against the Bank and the Bank's major non-conformities and corresponding corrective action:
1. The responsible person or employee was prosecuted by the prosecutor for business-related crimes:  
None.
  2. Violations of laws and regulations fined by the FSC, or penalties imposed by the FSC under Article 61-1 of the Banking Act, or penalties imposed by the Bank on its internal personnel for violations of the internal control system, the results of which may have a significant impact on shareholders' equity or securities prices or meet the requirements of Article 2 of the FSC's Regulations on the Public Disclosure of Significant Penalties for Violations of Financial Laws and Regulations:  
None.

3. Any person whose individual or total actual loss exceeds NT\$50 million in each year due to personnel fraud, major incidental cases or failure to perform safety maintenance work:

In 2021, the Bank compensated the customer NT\$59.39 million for the former financial advisor of the Pei-Taichung Branch of the Bank. The case was involved in misappropriating customer funds in 2019 and was fined by the Financial Supervisory Commission in 2020.

4. Any other matters designated by the FSC that should be disclosed:

None.

m. Important resolutions of the Shareholders' Meeting and Board of Directors' Meeting in 2022 and the status of implementation.

1. Resolutions of the 2022 Shareholders' Meeting:

Date	Resolution	Resolution Result	Implementation and Review
June 17, 2022	The Bank's 2021 Business Report and Financial Statements.	Voted and acknowledged as proposed.	The relevant registers have been filed with the competent authorities for inspection and announcement in accordance with the Company Act and the Securities and Exchange Act.
	The Bank's distribution of 2021 profit.	Voted and acknowledged as proposed.	The General Shareholders' Meeting resolved to distribute NT\$5,244,285,421 in cash dividends (NT\$0.5 per share) and NT\$1,048,857,080 in stock dividends (NT\$0.1 per share) to the shareholders; the Board of Directors approved August 17, 2022, as the record date, and September 8, 2022, as the distribution date for cash dividend distribution, stock dividend distribution, and surplus to capital increasing.
	Discussion and ratification of the Bank's issuance of new shares through capitalization of earnings.	Voted and approved as proposed.	In accordance with the resolutions of the Shareholders' Meeting, it was reported to the FSC to declare and take effect on July 11, 2022, and was approved by the Ministry of Economic Affairs on August 26, 2022, to change the registration. The new shares were delivered and listed for trading on September 8, 2022.
	Amendments to the Bank's "Articles of Incorporation."	Voted and approved as proposed.	The Company completed the change of registration with the Ministry of Economic Affairs on June 30, 2022, and operated in accordance with the amended Articles of Incorporation.
	Amendment to the Rules for Director Elections of the Bank.	Voted and approved as proposed.	Operated in accordance with the amendments.
	Amendments to the Rules of Procedure for Shareholders Meetings of the Bank.	Voted and approved as proposed.	Operated in accordance with the amendments.
	Amendment to the Asset Acquisition and Disposal Procedures of the Bank.	Voted and approved as proposed.	Released and Implemented on June 24, 2022.
	Abolishment of the procedures for engaging in derivative trading, and the inclusion of relevant articles in the operating guidelines for the Bank's derivative financial product trading.	Voted and approved as proposed.	Abolished on June 22, 2022.

2. Important Resolutions of Board of Directors in 2022:

(1) The 22<sup>nd</sup> Meeting of the 26<sup>th</sup> Board of Directors held on January 24, 2022:

- ① Noted the report on the implementation of environmental sustainability.
- ② Noted the report on the implementation of Human Rights Due Diligence in FY 2021.
- ③ Noted the result of the external performance evaluation for the Board of Director and Functional Committees of 2021.

- ④ Noted the report on implementation of the Bank's Ethical Corporate Management Best Practice Principles for FY 2021.
  - ⑤ Adopted amendments to the Bank's "Organizational Regulation."
  - ⑥ Approved the Bank's "Sustainable Development Working Plan of 2022."
- (2) The 23<sup>rd</sup> Meeting of the 26<sup>th</sup> Board of Directors held on February 22, 2022:
- ① Approved the Bank's "Regulations of Treat Customers Fairly Facilitating Committee."
  - ② Approved the proposal to acknowledge the 2021 annual business report and financial statement during the General Shareholders' Meeting.
  - ③ Approved the Bank's "Human Rights Policy."
  - ④ Approved the regular evaluation of remunerations, benefits and the related matters for the Chairperson of the Board.
  - ⑤ Approved the regular evaluation of remunerations, benefits and the related matters for the President.
  - ⑥ Approved the regular evaluation of the monthly remunerations of the directors (excluding regular independent directors).
  - ⑦ Approved the regular evaluation the monthly remunerations for independent directors.
  - ⑧ Adopted amendments to the Bank's "The Integrated Risk Management Policy."
- (3) The 24<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors held on March 29, 2022:
- ① Noted the report on the Bank's implementation of the "Fair Trade Policy" of 2022.
  - ② Approved to propose the distribution of 2021 earnings during the General Shareholders' Meeting for recognition.
  - ③ Approved the proposal to discuss earnings capitalization during the General Shareholders' Meeting.
  - ④ Approved the proposal to discuss the amendments to the Bank's "Procedures for Election of Directors during the General Shareholders' Meeting."
  - ⑤ Approved the convening of the Bank's 2022 General Shareholders' Meeting.
  - ⑥ Approved the Bank's 2021 "Internal Control System Declaration."
  - ⑦ Approved the commissioning and fees for the Bank's 2022 annual finances and tax auditing accountant.
  - ⑧ Adopted amendments to the Bank's "Policy of Information Security."
  - ⑨ Adopted amendments to the Bank's "Corporate Social Responsibility Best Practice Principles."
  - ⑩ Adopted amendments to the Bank's "Corporate Social Responsibility Policy."
  - ⑪ Adopted amendments to the Bank's "Sustainability Committee Charter."
  - ⑫ Approved the construction budget of the Bank's Chiencheng Building Construction.
  - ⑬ Approved the Bank's 2021 "Internal Control System Statements for AML/CFT."
  - ⑭ Adopted amendments to the Bank's "Internal Control System for Securities Firms."
  - ⑮ Approved the change of the Bank's internal auditing officer (SVP & Head of Internal Auditing Division).
- (4) The 25<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors held on April 21, 2022:
- ① Adopted amendments to the Bank's "Internal Control System for Trust Enterprises."
  - ② Approved the proposal to discuss the amendments to the Bank's "Articles of Incorporation during the General Shareholders' Meeting."
  - ③ Approved the proposal to discuss the amendments to the Bank's "Rules of Procedure for Shareholders' Meeting during the General Shareholders' Meeting."
  - ④ Adopted amendments to the Bank's "Internal Control System for Securities Firms."
- (5) The 26<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors held on May 13, 2022:
- ① Approved amendments to the Bank's "Tax Governance Policy."
  - ② Adopted amendments to the Bank's "Accounting System."
  - ③ Approved the "Business plan", "Capital Adequacy Assessment Results" and "Self-Assessment of Risk Indicators" for FY 2022.
  - ④ Assigned Ms. Hsiang-Chun Wu as the Chief Compliance Officer.



- (6) The 27<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors held on June 28, 2022:
- ① Adopted amendments to the Bank's "Internal Control System for Securities Investment Consulting Enterprises."
  - ② Approved the regular evaluation of remunerations, benefits and the related matters for the Chairperson of the Board.
  - ③ Approved the regular evaluation of remunerations, benefits and the related matters for the President.
- (7) The 28<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors held on July 14, 2022:
- ① Adopted amendments to the Bank's "Treat Customers Fairly Principles."
  - ② Approved the baseline date for the Bank's 2021 cash and stock dividends and capitalization of retained earnings, as well as the distribution date for the Bank's 2021 cash dividends.
- (8) The 29<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors held on August 25, 2022:
- ① Noted the report on the implementation of sustainable development in FY 2021.
  - ② Approved the Bank's 2022 semi-annual financial statement.
  - ③ Adopted amendments to the Bank's "Internal Control System for Securities Firms."
  - ④ Adopted amendments to the Bank's "Internal Control System for Securities Brokerage Firm's Auxiliary Business of Futures Trading."
  - ⑤ Adopted the issuance of the senior unsecured financial debentures for NT\$1 billion.
  - ⑥ Approved the Bank's 2021 remuneration resolution of directors.
- (9) The 30<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors held on September 21, 2022:
- ① Noted the Bank's report on the implementation of "Task Force on Climate-related Financial Disclosures, TCFD."
  - ② Adopted amendments to the Bank's "Internal Control System for Trust Enterprises."
  - ③ Adopted amendments to the Bank's "Corporate Governance Best Practice Principles."
- (10) The 31<sup>st</sup> Meeting of the 26<sup>th</sup> Board of Directors held on October 17, 2022:
- ① Adopted amendments to the Bank's "Internal Control System for Securities Brokerage Firm's Auxiliary Business of Futures Trading."
  - ② Adopted amendments to the Bank's "Internal Control System for Securities Firms."
  - ③ Approved to sponsor Taiwan SMEG for the year 2022.
  - ④ Approved to invest in Taiwan Capital Buffalo Fund VI, L.P.
- (11) The 32<sup>nd</sup> Meeting of the 26<sup>th</sup> Board of Directors held on November 10, 2022:  
Noted the Bank's report on the implementation of "Task Force on Climate-related Financial Disclosures, TCFD."
- (12) The 33<sup>rd</sup> Meeting of the 26<sup>th</sup> Board of Directors held on November 28, 2022:
- ① Approved to abandon the construction bid case of Chiencheng Building.
  - ② Adopted the Bank's draft budget for fiscal year 2023.
- (13) The 34<sup>th</sup> Meeting of the 26<sup>th</sup> Board of Directors held on December 29, 2022:
- ① Noted the report on the Bank's communication with various stakeholders in 2022.
  - ② Approved the "2023 Chang Hwa Bank Risk Appetite Declaration."
  - ③ Adopted amendments to the Bank's "Internal Control System for Securities Investment Consulting Enterprises."
  - ④ Approved the Bank's auditing plan for fiscal year 2023.
  - ⑤ Noted the report on the Bank's Management Plan and Its Performance of IPs of 2022.
  - ⑥ Adopted amendments to the Bank's "The Integrated Risk Management Policy."

3. Important resolutions of the Board of Directors from January 1, 2023 to the published date of the Annual Report:

Please refer to the "Corporate Governance" section of the Bank's official website → Material Resolutions of the Board of Directors.

- n. During the current fiscal year and up to the published date of the Annual Report, any Directors have different opinions that were recorded or documented on important resolutions passed by the Board of Directors:  
None.

o. Disclosures of the resignation or dismissal of relevant personnel of the Bank:

December 31, 2022

Title	Name	Date of Appointment	Date of Dismissal	Reasons for Resignation or Dismissal
SVP & Division Head of Internal Auditing Division	Nell-H.Tseng	March 25, 2019	April 1, 2022	Retired over the retirement age

## E. Information on the Professional Fees of the CPAs

Unit:NT\$ thousand

Name of Accounting Firm	Name of the CPAs	Audit Period	Audit Fee	Non-Audit Fee	Total	Remarks
Deloitte & Touche	Amanda Wu	2022/01/01~2022/12/31	11,220	11,364	22,584	Other service content for non-audit fees: IT equipment and penetration test project, information security and operation management system project, AML and CFT consulting project, Robotic Process Automation advisory consulting, etc.
	Titan Lee					

a. Change in accounting firm and decrease in audit fees in the year of change compared to the audit fees in the year before the change:

None.

b. In the event that the audit fee is reduced by 10% or more from the previous year:

None.

## F. Information on Change of Accountant

a. About the former accountant:

None.

b. About the successor to the accountant:

None.

c. The former accountant's response letter to Item 2-3 and Item 1, Subparagraph 6, Article 10 of the Regulations Governing Information to be Published in Annual Reports:

None.

## G. The Bank's Chairperson, President, or Any Managerial Officer in Charge of Finance or Accounting Who Has Worked with the CPA Firm or Its Affiliates Which Conducts the Audit of the Company in the Most Recent Year:

None.

## H. The Changes in Shareholding

- a. Changes in share transfer of Directors, managerial officers, and Shareholders Conform to the Regulations Governing the Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11.

Title	Name	2022		As of February 28, 2023	
		Shareholding increase (decrease)	Pledged shareholding increase (decrease)	Shareholding increase (decrease)	Pledged shareholding increase (decrease)
Chairperson (Delegate of Ministry of Finance (MOF))	Jong-Yuan Ling	0	0	0	0
Managing Director and President (Delegate of MOF)	Chao-Chung Chou	1,010	0	0	0
Managing Director (Independent Director)	Jung-Chun Pan	0	0	0	0
Director (Delegate of Chunghwa Post Co., Ltd.)	Shiu-Yen Lin	0	0	0	0
Director (Delegate of National Development Fund, Executive Yuan)	Chien-Yi Chang	0	0	0	0
Director	Wen-Siung Lee	0	0	0	0
Director	Hwai-Chou Chen	1,689	0	0	0
Director (Independent Director)	Jong-Horng Lin	0	0	0	0
Director (Independent Director)	Chih-Jong Suen	0	0	0	0
Executive Vice President	Bin Chen	10,000	0	0	0
	Ya-Ling Lin	14	0	0	0
	Hsiu-Chuan Teng	7	0	0	0
	Shwu-Fang Wang	1,876	0	0	0
EVP & Chief Compliance Officer	Hsiang-Chun Wu	0	0	0	0
EVP & Chief Auditor	Mei-Fang Wu	0	0	0	0
SVP & Division Head	Shu-Ming Lin	7	0	0	0
	Hsueh-Ni Hsieh	427	0	0	0
	Yu-Hsueh Liu	280	0	0	0
	Cheng-Chi Chuang	7	0	3,000	0
	Chih-Chen Hsu	0	0	0	0
	Ruei-Jan Chen	14,750	0	0	0
	Yu-Chin Fan	150	0	0	0
	Rueih-Hwa Cheng	2,267	0	0	0
	Hsiu-Hsia Tsai	150	0	0	0
	Yu-Yeh Lin	2	0	0	0
	Jung-Chien Hu	19	0	0	0
	Hsueh-Wen Wang	14	0	150,000	0
	Fu-Jinn Chiou	4	0	0	0
	Lung-Chun Wang	0	0	0	0
	Kuei-Mei Hsu	163	0	0	0
	Shu-Hsuan Lin	13	0	0	0
	Hui-Jen Wu	607	0	0	0
	Hui-Yu Chen	0	0	0	0

Title	Name	2022		As of February 28, 2023	
		Shareholding increase (decrease)	Pledged shareholding increase (decrease)	Shareholding increase (decrease)	Pledged shareholding increase (decrease)
SVP & Division Head	Yao-Ju Lu	8,080	0	0	0
	Shu-Ju Tsai	433	0	0	0
	Chi-Min Chung	55	0	0	0
	Jin-Yu Yeh	1,314	0	0	0
	Mei-Hui Wu	115	0	0	0
VP & GM	Jui-Mei Ho	8	0	0	0
	Shuo-Hung Huang	453	0	0	0
	Chuen-Lan Fu	0	0	0	0
	Li-Min Cheng	38	0	0	0
	Li-Fen Tzeng	270	0	0	0
	Fang-Yuan Wu	458	0	0	0
	Rong-Horng Way	197	0	0	0
	Tung-Sheng Huang	40	0	0	0
	You-Chen Lee	220	0	0	0
	Shiu-Hwa Chang	34	0	0	0
	Chiung-Hsiao Hung	749	0	0	0
	Mei-Ling Chiu	126	0	0	0
	Jiunn-Horng Lin	381	0	0	0
	Su-Min Hsin	129	0	0	0
	Ai-Ling Wang	353	0	0	0
	Yi-Ming Wang	20	0	0	0
	Shinn-Guang Duh	82	0	0	0
	Kao-Jung Hsu	108	0	0	0
	Hsi-Peng Hsu	0	0	0	0
	Zih-Chang Lin	129	0	0	0
	Chi-Hsiang Chen	11	0	0	0
	Chih-Hong Chiang	0	0	0	0
	Cheng-Tong Chien	7	0	0	0
	Yi-Chieh Hou	217	0	0	0
	Tsung-Ming Lai	0	0	0	0
	Hui-Lan Yang	0	0	0	0
	Li-Feng Shen	253	0	0	0
	Shih-Maw Wang	125	0	0	0
	Jui-Hui Hsu	134	0	0	0
	Ai-Fen Hu	119	0	0	0
Lin-Ling Chen	207	0	0	0	

Title	Name	2022		As of February 28, 2023	
		Shareholding increase (decrease)	Pledged shareholding increase (decrease)	Shareholding increase (decrease)	Pledged shareholding increase (decrease)
VP & GM	Chang-Cheng Chu	1,050	0	0	0
	Hueih-Rur Shy	0	0	0	0
	Shu-Lin Liu	461	0	0	0
	Kui-Fang Tsai	99	0	0	0
	Hung-Chieh Chou	0	0	0	0
	Chin-Li Lin	2	0	0	0
	Jung Chen	8	0	0	0
	Ching-Hsing Chao	0	0	0	0
	Hui-Ling Lee	30	0	0	0
	Yun-Ping Lin	176	0	0	0
	Ya-Cheng Chang	0	0	0	0
	Hsi-Lung Wu	4	0	0	0
	Chiu-Min Shen	20	0	0	0
	Yi-Cheng Chu	0	0	0	0
	Chiu-Ling Chen	0	0	0	0
	Chu-Nu Yeh	10	0	0	0
	Ming-Hua Huang	0	0	0	0
	Chi-Hsin Chao	0	0	0	0
	Chih-Hao Lo	9	0	0	0
	Ting-Feng Cho	240	0	0	0
	Chih-Huang Huang	20,200	0	45,000	0
	Szu-Yen Lin	1,101	0	0	0
	Ying-Chin Chang	0	0	0	0
	Chia-Chen Shen	122	0	0	0
	Su-Man Hsueh	146	0	0	0
	Kuo-Hsien Chien	30	0	0	0
	Chien-Mei Yu	175	0	0	0
	Yu-Cheng Chang	5	0	0	0
	Mei-Fen Shieh	9	0	0	0
	Su-Hwa Tsai	523	0	0	0
	Shu-Fen Liu	135	0	0	0
	Shen-Hui Lu	362	0	0	0
	Jinn-Sheng Wu	5	0	0	0
	Ying-Hui Hung	647	0	0	0
Chin-Shiang Ding	0	0	0	0	
Tsung-Jen Wang	4	0	0	0	



Title	Name	2022		As of February 28, 2023	
		Shareholding increase (decrease)	Pledged shareholding increase (decrease)	Shareholding increase (decrease)	Pledged shareholding increase (decrease)
VP & GM	Shu-Fen Cheng	0	0	0	0
	Ho-Hsiung Huang	284	0	0	0
	Feng-Chiou Lai	26	0	0	0
	Chun-Yuan Chen	8	0	0	0
	Ya-Fang Lee	129	0	0	0
	Yao-Sheng Hsieh	0	0	0	0
	Tzu-Yun Chen	4	0	0	0
	Ya-Huei Hung	94	0	0	0
	Kun-Lin Lee	20,173	0	0	0
	Yi-Huei Chiu	163	0	0	0
	Cheng Hua Yin	0	0	0	0
	Shu-Chen Yang	14	0	0	0
	Quei-Ying Ho	725	0	0	0
	Cheng-I Huang	0	0	0	0
	Yin-Chao Liao	5	0	0	0
	Hsiao-Hsia Lu	1,043	0	0	0
	Kui-Min Hsiao	11	0	0	0
	Feng-Pin Lu	17	0	0	0
	Wen-Chieh Chang	3	0	0	0
	Meng-Chen Chiang	(4,463)	0	(8,000)	0
	Chih-Feng Teng	73	0	0	0
	Mei-Hsing Lin	171	0	0	0
	Huey-Wen Chang	0	0	0	0
	Mei-Lan Kuan	206	0	0	0
	Ming-Thur Cheng	299	0	0	0
	Yu-Ching Huang	6	0	0	0
	Li-Lan Yang	1	0	0	0
	Lin-Li Ku	244	0	0	0
	Shr-Jan Tzeng	8	0	0	0
	Jiun-Uei Lin	534	0	0	0
	Wei-Shuo Luo	224	0	0	0
	Te-Cheng Pan	0	0	0	0
	Yueh-Chiu Lai	434	0	0	0
Su-Jane Lin	0	0	0	0	
Cheng-Chu Wang	1	0	0	0	
Yuan-Kuang Pan	11	0	0	0	

Title	Name	2022		As of February 28, 2023	
		Shareholding increase (decrease)	Pledged shareholding increase (decrease)	Shareholding increase (decrease)	Pledged shareholding increase (decrease)
VP & GM	Pan-Der Chin	7	0	0	0
	Li-Chiao Li	172	0	0	0
	Su-Min Cheng	190	0	0	0
	Chih-Ning Chang	0	0	0	0
	Han-Bin Huang	0	0	0	0
	Hsiu-O Hsieh	5	0	0	0
	Pei-Fen Shieh	1,793	0	0	0
	Su-Chen Cheng	3	0	0	0
	Jui-Yueh Wu	0	0	0	0
	Shiow-Ling Kao	11	0	0	0
	Feng-Fu Jang	9	0	0	0
	Chien-Tien Lee	0	0	0	0
	Kuo-Lung Lin	3	0	0	0
	Hui-Fang Chen	0	0	0	0
	Man-Sui Liu	386	0	0	0
	Yen-Chun Chen	162	0	0	0
	Pei-Chung Yang	487	0	0	0
	Chun-Hong Yeh	5	0	0	0
	Kuen-Shan Wang	35	0	0	0
	Kuo-Heng Hsu	114	0	0	0
	Wen-Ching Chen	420	0	0	0
	Chin-Ping Lai	484	0	0	0
	Yu-Fang Chang	0	0	0	0
	Li-Mei Chang	249	0	0	0
	Tain-Maw Chang	61	0	0	0
	Yuan-Fen Chen	141	0	0	0
	Yi-Chen Wang	1,069	0	0	0
	Shao-Mao Wang	999	0	0	0
	Kung-Ming Chang	4,566	0	0	0
	Wen-Liang Wang	0	0	0	0
	Ming Chuan Lin	1,014	0	0	0
	A-R Liu	184	0	0	0
	Tsuey-Shya Jang	135	0	0	0
Wen-Chung Chen	521	0	0	0	
Yi-Tien Liao	23	0	0	0	
Jui-Chen Chen	880	0	0	0	

Title	Name	2022		As of February 28, 2023	
		Shareholding increase (decrease)	Pledged shareholding increase (decrease)	Shareholding increase (decrease)	Pledged shareholding increase (decrease)
VP & GM	Jui-Hung Weng	55	0	0	0
	Chiou-Shin Liang	0	0	0	0
	Shinn-Huei Leu	131	0	0	0
	Ming-Jer Lin	49	0	0	0
	Wen-Ling Tsai	20	0	0	0
	Er-Lang Kuo	0	0	0	0
	Tsung-Min Hsieh	0	0	0	0
	Long-Chi Lin	2	0	0	0
	Pin-Shen Ho	0	0	0	0
	Chung-Shing He	0	0	0	0
	Show-Fone Lu	402	0	0	0
	Shu-Hui Ke	0	0	0	0
	Lih-Lan Kuo	0	0	0	0
	Chen-Ying Wu	38	0	0	0
	Shu-Chuan Lin	11	0	0	0
	Fen-Lan Lu	384	0	0	0
	Shu-Hui Lin	0	0	0	0
	Yen-Yu Liu	6	0	0	0
	Shu-Chin Hsui	0	0	0	0
	Lun-Jhang Lian	140,556	0	0	0
	Li-Chu Hsu	0	0	0	0
	Yu-Tang Wu	0	0	0	0
	Hsiu-Chih Huang	555	0	0	0
	Su-Wei Liang	251	0	0	0
	Shu-Li Chang	151	0	0	0
	Hui-Ju Lee	500	0	0	0
	Show-Ching Chen	0	0	0	0
	Hsu-Lin Huang	1,957	0	0	0
	Su-Chuan Wang	28	0	0	0
	Shwu-Ruu Lee	591	0	0	0
	Shu-Mei Yeh	0	0	0	0
	Yu-Tang Shen	0	0	0	0
	Shu-Fen Wu	186	0	0	0
Chin-Hsien Shen	136	0	0	0	
Shu-Fen Lee	793	0	0	0	
Che-Fang Hung	216	0	0	0	

Title	Name	2022		As of February 28, 2023	
		Shareholding increase (decrease)	Pledged shareholding increase (decrease)	Shareholding increase (decrease)	Pledged shareholding increase (decrease)
VP & GM	Chia-Hsiang Tsai	0	0	0	0
	Ying-Dai Chen	11	0	0	0
	Huang-Chou Chio	0	0	0	0
	Shu-Hei Chang	530	0	0	0
	Wen-Ko Ho	0	0	0	0
	Chen-Huan Liu	0	0	0	0
	Ching-Chung Chen	9	0	0	0
	Shu-Yun Hsu	37	0	0	0
	Hsiu-Yun Shih	10	0	0	0
	Ming-Han Tsai	1	0	0	0
	Lien-Chen Shih	5	0	0	0
	Wen-Ching Chang	38	0	0	0
	Chia-Hsiung Tung	0	0	0	0
	Cheng-Yi Hsieh	0	0	0	0
	Chien-Shan Liu	0	0	0	0
	Wan-Chin Chang	1,985	0	0	0
	Li-Fang Liu	0	0	0	0
	Hui-Chen Tai	562	0	0	0
	Huei-Jin Lin	66	0	0	0
	Chin-Lung Pan	63	0	0	0
Kwang-Wu Liu	0	0	0	0	
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note1)	Ministry of Finance	12,788,699	0	0	0
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note1)	Chunghwa Post Co., Ltd.	165,195,436	0	0	0
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note1)	National Development Fund, Executive Yuan	286,075,885	0	0	0
Same Person or Same Concerned Party holding 10% or more of the shares (Note 2)	Taishin Financial Holding Co., Ltd.	(1,060,447,977)	0	0	0
	Taishin International Bank Co., Ltd. (Note 3)	278,705	0	0	0

Note 1: The shareholder holding 1% or more of the Bank's shares.

Note 2: Shareholders conform to the Regulations Governing A Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11.

Note 3: Subsidiaries of Taishin Financial Holding Co., Ltd.

b. Information of shareholding transfer

None.

c. Information for shareholding pledge

None.

## I. Information Disclosing the Relationship between Any of the Bank's Top Ten Shareholders

April 18, 2023

Name	Shareholding		Shareholding by Spouse and Minor Children		Shareholding under Others' Name		Names and the Relationship among the Top Ten Shareholders in the Relationship of Related Parties or Spouses, Relatives within the Second Degree of Kinship		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ministry of Finance (Representative Tsui-Yun Chuang)	1,291,658,617	12.19	0	0	0	0	First Commercial Bank Co., Ltd.	The Ministry of Finance is a shareholder represented by the Director of its parent company, First Financial Holding Co., Ltd.	None
							Taiwan Cooperative Bank Co., Ltd.	The Ministry of Finance is a shareholder represented by the Director of its parent company, Taiwan Cooperative Financial Holding Co., Ltd.	
							Hua Nan Commercial Bank, Ltd.	The Ministry of Finance is a shareholder represented by the Director of its parent company, Hua Nan Financial Holding Co., Ltd.	
							Bank of Taiwan Co., Ltd	The Ministry of Finance holds 100% of shares of its parent company, Taiwan Financial Holding Co., Ltd.	
							Land Bank of Taiwan Co., Ltd.	100% owned by the Ministry of Finance.	
Taishin Financial Holding Co., Ltd. (Representative Tong-Liang Wu)	1,096,467,849	10.35	0	0	0	0	Excel Chemical Co., Ltd.	The Chairperson of Excel Chemical Co., Ltd. serves as the Juristic Person Director and the major shareholder's Chairperson of Taishin Financial Holding Co., Ltd.	None
Chunghwa Post Co., Ltd. (Representative Hong-Mo Wu)	794,554,300	7.50	0	0	0	0	None	None	None
National Development Fund, Executive Yuan (Representative Ming-Hsin Kung)	574,468,579	5.42	0	0	0	0	None	None	None
First Commercial Bank Co., Ltd. (Representative Ye-Chin Chiou)	528,660,802	4.99	0	0	0	0	Ministry of Finance	The Ministry of Finance is a shareholder represented by the Director of First Financial Holding Co., Ltd., the parent company of First Commercial Bank Co., Ltd.	None
Excel Chemical Co., Ltd. (Representative Cheng-Ching Wu)	268,765,632	2.54	0	0	0	0	Taishin Financial Holding Co., Ltd.	The Chairperson of Excel Chemical Co., Ltd. serves as the Juristic Person Director and the major shareholder's Chairperson of Taishin Financial Holding Co., Ltd.	None
Taiwan Cooperative Bank Co., Ltd. (Representative Paul C.D. Lei)	253,384,618	2.39	0	0	0	0	Ministry of Finance	The Ministry of Finance is a shareholder represented by the Director of Taiwan Cooperative Financial Holding Co., Ltd., the parent company of Taiwan Cooperative Bank Co., Ltd.	None
Hua Nan Commercial Bank, Ltd. (Representative Yun-Peng Chang)	236,133,892	2.23	0	0	0	0	Ministry of Finance	The Ministry of Finance is a shareholder represented by the Director of Hua Nan Financial Holding Co., Ltd., the parent company of Hua Nan Commercial Bank Co., Ltd.	None



April 18, 2023

Name	Shareholding		Shareholding by Spouse and Minor Children		Shareholding under Others' Name		Names and the Relationship among the Top Ten Shareholders in the Relationship of Related Parties or Spouses, Relatives within the Second Degree of Kinship		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Bank of Taiwan Co., Ltd (Representative Jye-Cherng Lyu)	191,713,211	1.81	0	0	0	0	Ministry of Finance	The Ministry of Finance holds 100% of shares of Bank of Taiwan Co., Ltd.'s parent company, Taiwan Financial Holding Co., Ltd.	None
Land Bank of Taiwan Co., Ltd. (Representative Chuan-Chuan Hsieh)	191,057,107	1.80	0	0	0	0	Ministry of Finance	The Ministry of Finance holds 100% of shares of Land Bank of Taiwan Co., Ltd.	None

## J. Omnibus Shareholding Ratio

December 31, 2022 Unit: Shares; %

Invested Venture (Note 1)	The Bank's Investment		The investment directly or indirectly controlled and managed by Directors, President, Executive Vice Presidents, the chief of each division or branch and the Bank (Note 4)		Omnibus Investment	
	Shares	%	Shares	%	Shares	%
Taiwan Stock Exchange Corporation	30,764,737	3.00	0	0	30,764,737	3.00
Taiwan Sugar Corporation	23,246,159	0.41	0	0	23,246,159	0.41
Taiwan Power Company	235,726,532	0.71	10,106	0.00	235,736,638	0.71
Taipei Forex Inc	700,000	3.53	0	0	700,000	3.53
Lan An Service Corporation	125,000	5.00	0	0	125,000	5.00
CDIB & Partners Investment Holding Corp.	54,000,000	4.95	0	0	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	1,413,725	4.09	0	0	1,413,725	4.09
Financial Information Service Co., Ltd.	6,589,242	1.26	6,460,857	1.24	13,050,099	2.50
Taiwan Futures Exchange	4,786,449	1.00	3,589,828	0.75	8,376,277	1.75
Asia Pacific Telecom	9,831,471	0.23	39,325	0.00	9,870,796	0.23
Taiwan Asset Management Corporation	120,000,000	11.35	0	0	120,000,000	11.35
Taiwan Financial Asset Service Corporation	5,000,000	2.94	0	0	5,000,000	2.94
Financial ESolution Co., Ltd.	905,475	4.12	0	0	905,475	4.12
Taiwan Depository & Clearing Corporation	484,550	0.08	0	0	484,550	0.08
Sun Asset Management Co., Ltd.	41,768	0.70	0	0	41,768	0.70
Taiwan Mobile Payment Co., Ltd.	1,800,000	3.00	2,400,000	4.00	4,200,000	7.00
Taiwan Urban Regeneration & Financial Services Co., Ltd.	2,500,000	5.00	0	0	2,500,000	5.00
Taiwan High Speed Rail Corporation	44,500,000	0.79	120,053,185	2.13	164,553,185	2.92
Outstanding Capital Limited Partnership	980,000	0.16	0	0	980,000	0.16
Taiwania Capital Buffalo Fund VI, L.P.	33,333,333	3.33	0	0	33,333,333	3.33
Chang Hua Commercial Bank, Ltd. (Note 2)	-	100.00	0	0	-	100.00
CHB Venture Capital Co., Ltd. (Note 3)	104,268,647	100.00	0	0	104,268,647	100.00

Note 1: Pursuant to Article 74 of the Banking Act.

Note 2: Chang Hua Commercial Bank, Ltd. is a wholly-owned subsidiary of the Bank, without issued shares and a capital contribution of CNY 2,500,000 thousand dollars.

Note 3: CHB Venture Capital Co., Ltd. is a wholly-owned subsidiary of the Bank.

Note 4: Government or Juristic Person Shareholder Representative by Director are included.

# IV | Capital Overview

## A. Shares and Dividends

a. Source of capital:

Year/ Month	Par Value	Authorized Capital		Paid-in Capital		Remarks	
		Shares	Amount	Shares	Amount	Source of Capital	Others
2022/12	NT\$10	12,000,000,000	120,000,000,000	10,593,456,550	105,934,565,500	Capitalization of Additional Paid-in Capital NT\$7,322,073,289	Letter No. 0910135530 issued by MOF registration effective on June 28, 2002.
						Capitalization of Cash NT\$17,197,857,875	Letter No. 0920144278 issued by MOF registration effective on September 18, 2003.
						Capitalization of Cash (private placement) NT\$14,000,000,000	Letter No. 0942000915 issued by FSC registration effective on September 29, 2005. Letter No. 109033812 issued by FSC registration effective on March 23, 2020. (applied for public offerings); listed date: March 31, 2020.
						Capitalization of Earnings NT\$67,414,634,336	Approved by FSC and effective on July 11, 2022.

Type of Stock	Authorized Capital			Remarks
	Outstanding Shares	Non-Issued Shares	Total	
Common Stock	10,593,456,550	1,406,543,450	12,000,000,000	Listed Stocks

b. Composition of shareholders:

April 18, 2023

Quantity	Composition of Shareholders	Government Agencies	Financial Institutions	Other Juridical Person	Individuals	Foreign Institutions and Foreigners	Total
		Number of Shareholders	10	57	514	217,164	620
Number of Shares Held	2,262,637,098	3,782,723,546	872,557,101	2,361,107,992	1,314,430,813	10,593,456,550	
Shareholding Percentage (%)	21.36	35.70	8.24	22.29	12.41	100	

c. Distribution of shareholders:

April 18, 2023 / The par value for each share is NT\$10

Tiers of Shareholding	Number of Shareholders	Total Shares Held	Shareholding Percentage (%)
1 ~ 999	74,131	16,128,664	0.15
1,000 ~ 5,000	77,496	171,745,294	1.62
5,001 ~ 10,000	26,133	179,840,669	1.70
10,001 ~ 15,000	12,487	146,234,632	1.38
15,001 ~ 20,000	6,923	118,925,271	1.12
20,001 ~ 30,000	6,944	165,520,127	1.56
30,001 ~ 40,000	3,678	125,227,114	1.18
40,001 ~ 50,000	2,078	92,351,564	0.87
50,001 ~ 100,000	4,382	297,860,515	2.81
100,001 ~ 200,000	2,365	318,443,035	3.01
200,001 ~ 400,000	928	247,115,184	2.33
400,001 ~ 600,000	250	121,533,643	1.15
600,001 ~ 800,000	120	82,362,543	0.78
800,001 ~ 1,000,000	79	70,154,741	0.66
1,000,001 ~	371	8,440,013,554	79.68
Total	218,365	10,593,456,550	100.00

## d. Major shareholders:

April 18, 2023

Ranking	Name of Major Shareholders	Number of Shares Held	Shareholding Percentage (%)
1	Ministry of Finance	1,291,658,617	12.19
2	Taishin Financial Holding Co., Ltd.	1,096,467,849	10.35
3	Chunghwa Post Co., Ltd.	794,554,300	7.50
4	National Development Fund, Executive Yuan	574,468,579	5.42
5	528,660,8024.99First Commercial Bank Co., Ltd.	528,660,802	4.99
6	Excel Chemical Co., Ltd.	268,765,632	2.54
7	Taiwan Cooperative Bank Co., Ltd.	253,384,618	2.39
8	Hua Nan Commercial Bank, Ltd.	236,133,892	2.23
9	Bank of Taiwan	191,713,211	1.81
10	Land Bank of Taiwan Co., Ltd.	191,057,107	1.80
11	Taiwan Tobacco & Liquor Corporation	186,684,901	1.76
12	Taiwan Business Bank, Ltd.	148,220,137	1.40
13	Mega International Commercial Bank Co., Ltd., Head Office Treasury Department	136,212,655	1.29
14	Labor Pension Fund (New Pension System)	136,163,668	1.29
15	Labor Pension Fund (Old Pension System)	120,332,990	1.14

Note: The table lists shareholders that held more than 1% shares of the Bank.

## e. Market price, net worth, earnings, dividends per share and other relevant information for the past two fiscal years:

Unit: NT\$

Items		FY	2021	2022	As of February 28, 2023 (Note 5)
Market price per share	Highest		18.30	19.95	17.75
	Lowest		15.95	16.05	17.05
	Average		16.87	17.65	17.45
Net worth per share	Before distribution		16.35	15.96	16.28
	After distribution		15.69	15.03	-
Earnings per share	Weighted average number of shares (thousand shares)		10,488,571	10,593,457	10,593,457
	Earnings per share	Before amendment	0.84	1.04	0.21
		After amendment	0.83	1.04	-
Dividends per share	Cash dividends (Note 1)		0.5	0.55	-
	Distribution of bonus shares	Stock dividends from retained earnings	0.1	0.25	-
		Stock dividends from capital reserve	-	-	-
	Accumulated undistributed dividends		-	-	-
Return on investment analysis	Price/Earnings Ratio (Note 2)		20.08	16.97	-
	Price/Dividend Ratio (Note 3)		33.74	32.09	-
	Cash Dividend Yield Rate (%) (Note 4)		2.96	3.12	-

Note 1: The earnings distribution of 2022 has not yet been approved by the 2023 Shareholders' Meeting.

Note 2: Price/Earning Ratio= Average Closing Price Per Share / Earnings Per Share for a given year.

Note 3: Price/Dividend Ratio= Average Closing Price Per Share / Cash Dividends Per Share for a given year.

Note 4: Cash Dividend Yield Rate=Cash Dividends Per Share / average closing price per share for a given year.

Note 5: Calculated based on preliminary figure of nearly month.

## f. Dividend policies and implementation status:

## 1. Dividend policies:

According to Article 38-1 of Articles of Incorporation of the Bank, the dividend policies are as follows:

After the final closing of accounts, surplus, if any, shall be used to make up for the prior year's loss and payment of tax before setting aside 30% of the net profit as statutory reserve in accordance to Banking Act and provision or reverse of special reserves under other relevant law. 30% to 100% of shareholders' dividends and bonuses and other undistributed surplus of previous years can be distributed, to be proposed by the Board of Directors and approved at the Shareholders' Meeting before distribution.

In order to continuously expand the bank's operation and increase its profitability, the Bank adopts the residual dividend approach. According to the Bank's business needs and taking into account future plan for capital budgeting, shareholders' dividend and bonus shall be given primarily in the form of stock dividend in order to reserving an amount for necessary funds and distributing the remainder in the form of cash, provided such cash dividend shall not be less than 10% of the total dividends. No cash dividend will be distributed if the cash dividend falls short of NTD0.1 per share, unless otherwise determined in the Shareholders' Meeting.

The Bank shall not distribute cash profits or buy back shares if any situation stipulated in Article 44-1, subparagraph 1 of the Banking Act occurs.

If the total amount of the legal reserves as stipulated in subparagraph 1 has not reached the total amount of capital, the amount of profit distributed as cash may not exceed 15% of the total capital.

In the event that the legal reserve equals or exceeds the Bank's paid-in capital or the Bank is sound in both its finance and business operations and has set aside legal reserve in compliance with the company Act, the restrictions stipulated in paragraph 1 and paragraph 4 shall not apply.

## 2. The dividend distribution proposed by the Shareholders' Meeting:

(1) A cash dividend (NT\$0.55 per share) is distributed among common stockholders: a total of NT\$5,826,401,102.

(2) A stock dividend (NT\$0.25 per share) is distributed among common stockholders: a total of NT\$2,648,364,130.

## g. The impact of the proposed bonus shares distribution at the shareholders' meeting on the Bank's operational performance and earnings per share:

In accordance with the Regulations Governing the Publication of Financial Forecasts of Public Companies and the Taiwan Stock Exchange Corporation Standards for Determining Whether a TWSE Listed Company Shall Publish Complete Financial Forecasts, because the Bank has not disclosed its financial forecast for 2023, it is unable to disclose any projected information on the proposed bonus shares distribution's potential impact on the Bank's operating revenue, profit and loss, and earnings per share. As a result, this provision does not apply to the Bank.

## h. Bonuses of employees and remuneration of directors:

## 1. According to Article 38 of Articles of Incorporation of the Bank, the bonuses of employees and remuneration of directors are as follows:

At the end of fiscal year, profit (profit refers to profit before tax and before the deduction of bonuses of employees and remuneration of directors), if any, shall be distributed with 1% to 6% of the profit as employees' bonuses and up to 0.8% distributed as remuneration of directors. However, if the bank has any accumulated losses, profit shall be reserved to cover such amounts first.

The aforementioned bonuses of employees can be in the form of stocks or cash; while remuneration for directors shall be in the form of cash. The aforementioned bonuses and remuneration shall be proposed at the Board of Directors' Meeting attended by at least two-thirds of the directors and approved by at least half the directors present at the meeting, and reported at the Shareholders' Meeting.

## 2. This section covers the estimation basis for the amount of remuneration for employees and directors, the calculation basis for the stock-based employee compensation in terms of the number of shares to be distributed, and the accounting treatment for any discrepancy between the actual distribution amount and the estimated amount.

During the accounting period in which the employees provided their services, the Bank will make the most appropriate estimation based on experience for the possible amounts for employee and director remuneration and recognize it as an expense. Suppose there are any changes in the amounts after the publication date of the annual financial report. In that case, they will be treated as accounting estimates and recognized in the next year's profit and loss statement.

3. The remuneration distribution approved by the board of directors is as follows:

(1) The remuneration approved for cash distribution to Directors is NT\$55,168,912, NT\$689,611,400 for employee remuneration, and NT\$0 for employee remuneration distributed in the form of stocks. The difference between the aforementioned total amount and the estimated expense recognized by the Bank for the year is NT\$3,280,312. This difference results from modifications to accounting estimates and will be recognized in the 2023 income statement.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income for the current period and total employee compensation: None.

4. Actual distribution to employees' bonus and remuneration to directors for the previous year:

In the previous year (2021), the Bank distributed cash bonus to employee of NT\$ 534,848,650, the Director (excluding Independent Director) remuneration totaled NT\$42,787,892, the same as what had been approved by the Shareholders' Meeting.

i. Repurchase of the Banks' Shares: None.



## B. Issuance Status of Financial Bonds

Unit: NT\$ thousand

Types of Financial Bonds	1 <sup>st</sup> Subordinate Financial Debentures Issue in 2014	1 <sup>st</sup> Subordinate Financial Debentures Issue in 2016	1 <sup>st</sup> Subordinate Financial Debentures Issue in 2017	1 <sup>st</sup> Non-cumulative Perpetual Subordinate Financial Debentures Issue in 2018
Date and serial No. approved by authority	June 13, 2013 Letter No. (FSC) Gin-Guan-Ying Guo 10200162140	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560 April 26, 2018
Issuing Date	April 16, 2014	September 27, 2016	March 29, 2017	April 26, 2018
Face Value	10 million	10 million	10 million	10 million
Issuance & Trading Location	Taipei City	Taipei City	Taipei City	Taipei City
Currency	NT\$	NT\$	NT\$	NT\$
Offering Price	Issued at Par Value	Issued at Par Value	Issued at Par Value	Issued at Par Value
Issuing Amount	B: 5,300,000 C: 2,500,000	A: 3,000,000 B: 3,300,000	A: 1,530,000 B: 8,670,000	7,000,000
Coupon Rate	B: 1.85% C: The annual rate is a floating rate of the index rate (Note) plus 0.45%.	A: 1.09% B: 1.20%	A: 1.50% B: 1.85%	2.66%
Maturity	B: 10-year term, maturity date: April 16, 2024 C: 10-year term, maturity date: April 16, 2024	A: 7-year term, maturity date: September 27, 2023 B: 10-year term, maturity date: September 27, 2026	A: 7-year term, maturity date: March 29, 2024 B: 10-year term, maturity date: March 29, 2027	Perpetual
Rank	Second-Lien	Second-Lien	Second-Lien	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.
Guarantor	-	-	-	-
Trustee	-	-	-	-
Underwriter	-	-	-	-
Verification Lawyer	Lawyer Ya-Ping Chiang	Lawyer Ya-Ping Chiang	Lawyer Ya-Ping Chiang	Lawyer Ya-Ping Chiang
Verification Accountant	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung
Verification Financial Institution	-	-	-	-
Payment	Bullet	Bullet	Bullet	Five years and three months after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.
Outstanding Amount	B: 5,300,000 C: 2,500,000	A: 3,000,000 B: 3,300,000	A: 1,530,000 B: 8,670,000	7,000,000
Prior Year Paid-in Capital	77,490,592	84,573,232	84,573,232	94,130,007
Prior Year Net Book Value	103,084,694	126,514,896	126,514,896	133,758,323
Payment Status	Normal	Normal	Normal	Normal
Redemption or Early Settlement Terms	None	None	None	Five years and three months after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.
Conversion and Exchange Terms	None	None	None	None
Restriction Terms	Subordinate bonds	Subordinate bonds	Subordinate bonds	Subordinate bonds
Use of Proceeds	To strengthen the capital structure according to the mid- to long-term requirements of the Bank	To strengthen the capital structure according to the mid- to long-term requirements of the Bank	To strengthen the capital structure according to the mid- to long-term requirements of the Bank	To strengthen the capital structure according to the mid- to long-term requirements of the Bank
Debt /Prior Year Net Book Value (Debt includes current new issue plus all outstanding issue amount) (%)	51.66%	52.14%	38.90%	40.59%
Ranking of Capital Assets (Tier I, Tier II ...)	Yes, Tier II	Yes, Tier II	Yes, Tier II	Yes, Tier I
Credit Rating Agency, Rating Date and Rating	Taiwan Ratings October 24, 2022 Bond Rating twA +	Taiwan Ratings October 24, 2022 Bond Rating twAA +	Taiwan Ratings October 24, 2022 Bond Rating twAA +	Taiwan Ratings October 24, 2022 Bond Rating twAA +

Unit: NT\$thousand

Types of Financial Bonds	2 <sup>nd</sup> Non-cumulative Perpetual Subordinate Financial Debentures Issue in 2018	1 <sup>st</sup> Non-cumulative Perpetual Subordinate Financial Debentures Issue in 2019	1 <sup>st</sup> Non-cumulative Perpetual Subordinate Financial Debentures Issue in 2020	2 <sup>nd</sup> Non-cumulative Perpetual Subordinate Financial Debentures Issue in 2020
Date and serial No. approved by authority	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560	May 29, 2019 Letter No. (FSC) Gin-Guan-Ying Guo 10801084520	May 29, 2019 Letter No. (FSC) Gin-Guan-Ying Guo 10801084520	November 16, 2020 Letter No. (FSC) Gin-Guan-Ying Guo 1090147665
Issuing Date	November 8, 2018	June 27, 2019	May 27, 2020	December 25, 2020
Face Value	10 million	10 million	10 million	10 million
Issuance & Trading Location	Taipei City	Taipei City	Taipei City	Taipei City
Currency	NT\$	NT\$	NT\$	NT\$
Offering Price	Issued at Par Value	Issued at Par Value	Issued at Par Value	Issued at Par Value
Issuing Amount	3,000,000	5,960,000	4,040,000	6,800,000
Coupon Rate	2.30%	1.90%	1.40%	1.25%
Maturity	Perpetual	Perpetual	Perpetual	Perpetual
Rank	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.
Guarantor	-	-	-	-
Trustee	-	-	-	-
Underwriter	-	-	-	-
Verification Lawyer	Lawyer Ya-Ping Chiang	Lawyer Ya-Ping Chiang	Lawyer Ya-Ping Chiang	Lawyer Ya-Ping Chiang
Verification Accountant	Deloitte & Touche Jerry Gung	Deloitte & Touche Jimmy S. Wu	Deloitte & Touche Jimmy S. Wu	Deloitte & Touche Mei-Hui Wu
Verification Financial Institution	-	-	-	-
Payment	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.
Outstanding Amount	3,000,000	5,960,000	4,040,000	6,800,000
Prior Year Paid-in Capital	94,130,007	97,895,207	99,853,111	99,853,111
Prior Year Net Book Value	140,711,714	150,296,338	150,296,338	158,243,071
Payment Status	Normal	Normal	Normal	Normal
Redemption or Early Settlement Terms	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.
Conversion and Exchange Terms	None	None	None	None
Restriction Terms	Subordinate bonds	Subordinate bonds	Subordinate bonds	Subordinate bonds
Use of Proceeds	To strengthen the capital structure according to the mid- to long-term requirements of the Bank	To strengthen the capital structure according to the mid- to long-term requirements of the Bank	To strengthen the capital structure according to the mid- to long-term requirements of the Bank	To strengthen the capital structure according to the mid- to long-term requirements of the Bank
Debt /Prior Year Net Book Value (Debt includes current new issue plus all outstanding issue amount) (%)	40.72%	42.14%	39.46%	38.61%
Ranking of Capital Assets (Tier I, Tier II ...)	Yes, Tier I	Yes, Tier I	Yes, Tier I	Yes, Tier I
Credit Rating Agency, Rating Date and Rating	Taiwan Ratings October 24, 2022 Bond Rating twAA +	Taiwan Ratings October 24, 2022 Bond Rating twAA +	Taiwan Ratings October 24, 2022 Bond Rating twAA +	Taiwan Ratings October 24, 2022 Bond Rating twAA +

Note: The index rate is the average of the fixing rate of the 90 days commercial paper in the secondary market shown on page 6165 of Reuters information screen around 11:00 am (Taipei Time) on the issuance day and 2 days before the rate adjusting day. However, starting from January 1, 2015, the above benchmark interest has been changed to the 3-month "Taipei Interbank Offered Rate (TAIBOR)" published on Bankers Association website 2 banking business days before the adjustment date. If there is no quotation of the benchmark interest due to any reason, an interest rate of equivalent tenor available 1 banking business day before the adjustment date can be used instead.

### C. Issuance of Preferred Share

None.

### D. Issuance of Global Depositary Receipt

None.

### E. Status of Employee Stock Option Plan

None.

### F. Status of Employee Restricted Stock Awards

None.

### G. Merger and Acquisition

None.

### H. Fund Utilization Plan and Implementation Status

FY	Plan	Date and Serial No. approved by FSC	Purpose	Implementation and Quota Usage Status	Comparison with the Expected Performance
2020	The Bank was approved by FSC on May 29, 2019 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$13 billion with maximum amount of NT\$ 10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on May 29, 2020).	May 29, 2019 Letter No. (FSC) Gin-Guan-Ying Guo 10801084520	Increase capital of the Bank, and strengthen capital structure	(1) Implementation: The Bank has issued NT\$4.04 billion of the non-cumulative perpetual subordinate bonds on May 27, 2020. All capital obtained from the issuance bond were used for the capital needs of lending and investment businesses. (2) Quota Usage: The remaining amount of the total quota is NT\$3 billion, and the bond issuance has not been implemented before the deadline.	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 15% at the end of December 2020.
	The Bank was approved by FSC on November 16, 2020 to issue the non-cumulative perpetual subordinate bonds. Total amount of NT\$ 15 billion valid for one year from the approval date (on November 16, 2021).	November 16, 2020 Letter No. (FSC) Gin-Guan-Ying Guo 1090147665		(1) Implementation: The Bank has issued NT\$6.8 billion of the non-cumulative perpetual subordinate bonds on December 25, 2020. All capital obtained from the issuance bond were used for the capital needs of lending and investment businesses. (2) Quota Usage: The remaining NT\$8.2 billion of the total quota has not yet been implemented.	
2021	The Bank was approved by FSC on November 16, 2020 to issue the non-cumulative perpetual subordinate bonds. Total amount of NT\$ 15 billion valid for one year from the approval date (on November 16, 2021).	November 16, 2020 Letter No. (FSC) Gin-Guan-Ying Guo 1090147665	Increase capital of the Bank, and strengthen capital structure	(1) Implementation: The quota has not been implemented in 2021. (2) Quota Usage: The remaining amount of the total quota is NT\$8.2 billion, and the bond issuance has not been implemented before the deadline.	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 15% at the end of December 2021.

# V | Operational Overview

## A. Business Information

### a. Business performance for the last two years

The proportion of each major business asset and/or revenue to total assets and/or revenue and its growth and changes is as follows:

#### 1. Deposits:

Unit: NT\$ thousand

Item	FY	2022		2021		Increase (Decrease) Amount	Increase (Decrease) Rate %
		Amount	Proportion %	Amount	Proportion %		
Demand Deposit		1,335,637,893	56.87	1,335,775,756	61.66	(137,863)	-0.01
Time Deposit		1,012,502,018	43.11	830,019,882	38.31	182,482,136	21.99
Interbank Deposit		476,150	0.02	587,707	0.03	(111,557)	-18.98
Total		2,348,616,061	100.00	2,166,383,345	100.00	182,232,716	8.41
Proportion (to liabilities and equity)		2,684,852,319	87.48	2,551,106,497	84.92	133,745,822	5.24

Note: The total amount of liabilities and equity by the end of 2022 and 2021 were NT\$2,684,852,319 thousand and NT\$2,551,106,497 thousand.

#### 2. Loans:

Unit: NT\$ thousand

Item	FY	2022		2021		Increase (Decrease) Amount	Increase (Decrease) Rate %
		Amount	Proportion %	Amount	Proportion %		
Short-term Loans		374,604,203	21.98	370,208,359	23.57	4,395,844	1.19
Mid-term Loans		571,256,828	33.53	461,290,174	29.36	109,966,654	23.84
Long-term Loans		758,023,442	44.49	739,420,363	47.07	18,603,079	2.52
Total		1,703,884,473	100.00	1,570,918,896	100.00	132,965,577	8.46
Proportion (to total assets)		2,684,852,319	63.46	2,551,106,497	61.58	133,745,822	5.24

Note: The amount of total assets by the end of 2022 and 2021 were NT\$2,684,852,319 thousand and NT\$2,551,106,497 thousand.

#### 3. Foreign Exchange:

Unit: US\$ thousand

Item	FY	2022		2021		Increase (Decrease) Amount	Increase (Decrease) Rate %
		Amount	Proportion %	Amount	Proportion %		
Exports		3,179,375	1.98	3,509,640	2.22	(330,265)	-9.41
Imports		4,643,155	2.89	5,196,328	3.29	(553,173)	-10.65
Foreign Exchange		152,805,808	95.13	149,348,877	94.49	3,456,931	2.31
Total		160,628,338	100.00	158,054,845	100.00	2,573,493	1.63

#### 4. Cards:

Unit: Card / NT\$ thousand

	Item	2022	2021	Increase (Decrease)	Increase (Decrease) Rate%
Card Issuance	Cards in Force	571,039	562,961	8,078	1.43
	Active Cards	277,206	255,471	21,735	8.51
	Retail Sales Volume	21,691,901	18,256,849	3,435,052	18.82
	Revolving Balance	327,005	257,651	69,354	26.92
Acquiring Service	Physical Stores, Online Stores and ATM transaction amount	17,600,440	14,903,561	2,696,879	18.10

#### 5. Digital Banking:

Item	FY	2022	2021	Increase (Decrease)	Increase (Decrease) Rate %
		Number of Transactions	Number of Transactions		
Internet Banking		49,884,841	44,079,715	5,805,126	13.17
Mobile Banking		61,561,969	46,056,571	15,505,398	33.67
Total		111,446,810	90,136,286	21,310,524	23.64

## 6. Trust Business:

## (1) Trust Operating Volume:

Unit: NT\$ million

Item	FY	2022	2021	Growth Rate %
Non-discretionary Money Trust Investing in Foreign Securities		15,622	26,976	-42.09
Non-discretionary Money Trust Investing in Domestic Securities		16,624	22,933	-27.51
Trust Custody Service (year-end balance)		294,408	280,682	4.89
Attestation of Securities		30,362	37,713	-19.49
Securities Trust (year-end balance)		1,648	1,600	3.00
Real Estate Trust (year-end balance)		27,958	17,612	58.74

## (2) Trust Business Fee Income:

Unit: NT\$ million

Item	FY	2022		2021		Growth Rate of Trust Business Fee Income %
		Trust Business Fee Income	Proportion (to fee income of the Bank) %	Trust Business Fee Income	Proportion (to fee income of the Bank) %	
Non-discretionary Money Trust Investing in Foreign Securities		489	8.65	726	12.53	-32.64
Non-discretionary Money Trust Investing in Domestic Securities		250	4.42	339	5.85	-26.25
Trust Custody Service		415	7.35	447	7.71	-7.16
Attestation of Securities		5	0.09	4	0.07	25.00
Other		82	1.45	64	1.10	28.13
Total		1,241	21.96	1,580	27.26	-21.46

Note: Fee income of the Bank by the end of 2022 and 2021 were NT\$5,650 million and NT\$5,795 million.

## 7. Wealth Management Business:

Unit: NT\$ million

Item	FY	2022	2021	Growth Rate %
Insurance Agency Business		1,583	1,532	3.33
Trust Business		1,241	1,580	-21.46
Structured Products		4	3	33.33
Total		2,828	3,115	-9.21

## 8. Investment Business:

## (1) Investment in Securities:

Unit: NT\$ million

Item	FY	2022	2021	Growth Rate %
Government Bonds		100,720	41,194	144.50
Financial Bonds		104,913	64,904	61.64
Corporate Bonds		82,990	57,560	44.18
Stocks (short-term investment)		14,128	14,398	-1.88

## (2) Short-term Bills Underwriting and Trading:

Unit: NT\$ million

Item	FY	2022	2021	Growth Rate %
Outright Purchases		200,268	239,026	-16.21
Outright Sales		7,526	345	2,081.45
Repurchase Agreements		17,518	26,412	-33.67

## (3) Proprietary Trading in Government Bonds:

Unit: NT\$ million

Item	FY	2022	2021	Growth Rate %
Volume of Proprietary Trading in Government Bonds (Outright Transactions)		46,349	21,704	113.55
Volume of Proprietary Trading in Government Bonds (with Repo)		7,450	6,404	16.33
Balance of Proprietary Trading in Government Bonds		28,314	11,072	155.73



## 9. Securities Business:

Unit: NT\$ million

Item	FY	2021	2020	Growth Rate %
Securities Underwriting		400	1,785	-77.59
Securities Brokerage Operations		174,222	244,419	-28.72
Credit Outstanding in the Security Financing Business		270.10	393.43	-31.35

## 10. Weights and Changes of Net Income:

Unit: NT\$ thousand

Items	FY	2022		2021		Increase (Decrease)	Increase (Decrease) Rate %
		Amount	Proportion%	Amount	Proportion%		
Net Income of Interest		24,645,303	72.19	20,465,705	71.34	4,179,598	20.42
Net Service Fee Income		4,256,183	12.47	4,554,268	15.88	(298,085)	-6.55
Net Trading Income		5,021,080	14.71	3,215,651	11.21	1,805,429	56.15
Net Securities Brokerage and Underwriting Income		110,417	0.32	171,130	0.60	(60,713)	-35.48
Other Operating Net Income		105,607	0.31	279,204	0.97	(173,597)	-62.18
Total		34,138,590	100.00	28,685,958	100.00	5,452,632	19.01

## b. Business Plan for the Year 2023

Please refer to Annual Report, I. Letter to Shareholders "B. 2023 Highlights of Business Plans".

## c. Market Analysis

## 1. Major regions in which the Bank operates:

The Bank's service network spans Asia, Europe, U.S.A. and Taiwan with 185 domestic offices, Offshore Banking Branch (OBU), 7 overseas units and 1 representative office located in the world's major financial centers, including branches in New York, Los Angeles, Tokyo, London, Hong Kong, Singapore, Manila, and Yangon Representative Office; the Bank has a subsidiary "Chang Hua Commercial Bank, Ltd." which was established with Kunshan Branch, Dongguan Branch, Fuzhou Branch, Nanjing Branch, and Kunshan Huaqiao Sub-Branch under its jurisdiction. The Bank provides far-reaching and prompt services around the clock to customers who require access to their funds and financial services. For the locations of the Bank's global service network, please refer to Annual Report, IX. Directory of Head Office & Branches & Subsidiaries.

## 2. Supply and demand in the market and possible future growth:

In terms of market supply, there are too many banks in Taiwan, which provide limited service differences, leading to fierce competition in various financial services. In addition, abundant funds in the market result of low banking loan-deposit spreads and limited the profitability. Moreover, as the financial technology (FinTech) becomes more mature, the banking industry is gradually introducing artificial intelligence (AI) and robot wealth management into the wealth management business. However, as various e-payment providers and internet-only banks join the competition and actively build their own brand ecosystem, increasing the intensity of market competition.

In terms of market demand, in recent years, with the ongoing US-China trade and technology war and the wave of economic integration in the Asia-Pacific region, the new layout of Taiwanese companies in the global supply chain has been affected. Except that some production capacity is relocated back to Taiwan, they have also moved from China to Southeast Asia to set up factories and make investment, and the relevant capital needs are expected to benefit the banking industry. As for the Taiwanese funds that are subject to the special law for repatriation of overseas funds, there is an opportunity to bring vitality to domestic investment and wealth management business. In addition, facing the trend of international net zero emissions, the Financial Supervisory Commission also encourages financial institutions to assist enterprises in carbon reduction transformation to promote sustainable development of domestic industries and financial markets.

On the other hand, in 2022, as the Central Epidemic Command Center gradually relaxed epidemic prevention measures, it boosted consumer spending, and the Directorate-General of Budget, Accounting and Statistics estimated that the economic growth rate reached 2.45%. However, facing continued international inflation pressures, the normalization of major central bank monetary policies, and a cooling of overseas economic and trade activities, the global economic expansion rate in 2023 is expected to slow down, which will in turn be unfavorable for Taiwan's export expansion and result in a weakened overall economic growth rate. As global inflation continues to rise, major central



banks in Europe and the U.S.A. are forced to initiate an interest rate hike cycle to curb inflation, which may further cause downside risks to the economy and increase volatility in the financial markets. The Bank will keep an eye on market changes and continue to adjust its structure to improve overall profitability.

### 3. Competitive niche and development prospects, positive and negative factors, and response measures:

#### (1) Competitive niche of the Bank:

##### ① Long-standing reputation and large customer base:

The Bank has a history of over a century, solid brand image is trusted by the public. In addition, the Bank has a large corporate customer base. Competitive advantages in corporate finance and foreign exchange business, to combine with personal banking and wealth management etc., the Bank meet customers' needs by providing diversified financial products and services.

##### ② Dense service network:

The Bank has numerous domestic offices in Taiwan. As of the end of December 2022, the Bank's network has 185 domestic branches and 637 ATMs to meet customers' needs for deposits, withdrawals and transfers, providing customers with complete and convenient financial products and services.

##### ③ First-mover advantage in overseas markets:

The Bank started overseas business early, cultivated many professionals who fully understand the practices of local financial markets. With the opening of the subsidiary bank in China, the Bank will expand its business items and service objects, and improve the layout planning by combining the market advantage of the Bank's long-term exploration in China and the competitive advantage of integrating cross-strait channels.

#### (2) Positive factors:

① The six core strategic industries and post-pandemic recovery plan will facilitate the expansion of the banking business.

② The interest rate hike cycle in the United States and Taiwan has gradually expanded.

③ The global supply chain restructuring and the continuous return of Taiwan businesses' funds to Taiwan have created opportunities for factory and office financing, cash flow services, and wealth management businesses.

④ The competent authority has released limits on bank's investments in FinTech that are highly related to their core business, which help differentiate services and financial products to improve efficiency.

⑤ The relaxation of international border control measures and the increasing demand for cross-border exchanges among countries will benefit the expansion of banking business.

⑥ The COVID-19 pandemic has accelerated the popularization of digital finance, to reduce the cost of banking operations and increase profitability.

#### (3) Negative factors:

① Too many banks and high similarity of financial products in the domestic banking sector causes fierce market competition.

② Domestic housing prices and the mortgage proportion from the banks in Taiwan are at a high level, and the credit risk of mortgage loans remains high.

③ Internet-only banking operators engaged in the small-scale wealth management and lending market, becoming competitors of banking business.

④ The increasing stringency of global regulations related to anti-money laundering, personal data protection, tax reporting, minimum tax liabilities, etc., has resulted in higher compliance costs and increased operating costs for banks.

⑤ The geopolitical turmoil and rising interest rates from various central banks have intensified market volatility in stocks, currencies, and bonds, which adversely affected the businesses of investment in the banking industry and financial operation.

⑥ The tightening financial environment caused by the surge in inflation and the weakening global economic prospects due to this situation have affected overseas credit business opportunities for banks.

- ⑦ The rapid development of the financial environment has evolved from the traditional physical branch channels to a hybrid virtual and physical operating model, which has gradually impacted traditional banking businesses and operations.

(4) Response measures:

- ① In response to the circular economy, green finance and aging population demands, the Bank launched products and services that adapted to market trends and consumer experience to create market segmentation.
- ② Control credit amount of industries and mortgage and redirect capital to other potential industries, policy incentives, small and medium-sized enterprises, and new businesses development.
- ③ Attract outstanding wealth management talents, and actively strive for inheritance and wealth management business opportunities of return Taiwan businesspeople and small and medium-sized enterprise families.
- ④ Developing new digital channels and mobile payment features, introducing AI and big data analysis to manage the Bank's customer remittances and identifying potential customers with financial transactions with the Bank, in order to expand the Bank's new credit customer base.
- ⑤ Operate social media platforms to reach out young people, and expand new customer base and deepen customer relationships.
- ⑥ On the premise of prudently promote overseas credit business, lay out related industries that benefit from government policies of various countries, strive to host and co-host international syndicated loans, enhance visibility and the growth quantity and energy of overseas financial business, and further surplus.
- ⑦ Utilize data analysis for precision marketing and continuously optimize financial product and service processes, proactively grasp the essence of financial products and services, and provide banking services in a more cost-effective and innovative way to increase trust and loyalty with customers.

d. Financial product research and business development

1. The scale and profit and loss situation of the major financial products and newly established business units for the last two years and as of the published date of Annual Report:

(1) Major financial products:

① Deposit and remittance:

- I Providing over-the-counter services for depositing, withdrawing, remitting, and reporting loss of financial cards for customers, as well as offering free-form services for applying or deleting pre-authorized transfer accounts. Other application-based transaction services will also be available in due course.
- II The process for binding deposit accounts in the "Mobile Phone Number Transfer Service" of the ATM has been updated to include the "default receiving account" function, providing multiple service channels.
- III In response to the government's Green Finance Action Plan and policies such as the 2050 Net Zero Emissions Pathway, we have launched the "Green Deposits" project to drive a sustainable financial ecosystem that promotes a positive cycle and benefits the financial, business, and social environments.
- IV In response to the government's policy of promoting digital finance, the Bank continues to promote the "Financial Blockchain Correspondence Inquiry Service" and the digitization of correspondence to replace manual filling.

② Corporate banking:

- I By cooperating with the governmental relief policy, assist enterprises in getting through the epidemic impact, the Bank continues to process "Enterprise Loan Relief Project".
- II The Bank launches the rooted Taiwanese enterprises accelerated investment project loan, welcome Taiwanese businesspeople to return to Taiwan for investment project loan and SME accelerated investment loan, promote key startup industry financing and youth entrepreneurship loans.

III Continuously promoting green financing such as solar equipment purchase loans, green enterprise loans, and sustainable performance-linked credit projects, and providing project loan products such as youth entrepreneurship.

③ Consumer banking:

I Continue to cooperate with the government to handle various policy loans, such as the "Housing Subsidy Loan for Self-purchase and Renovation of Houses" and the "Preferential Loan for Young People to Purchase Houses for the First Time".

II Extending the "Personal Loan Relief Program" for individuals who have been affected by the economic downturn due to the COVID-19 pandemic, including the reduction of existing loan interest rates, principal extension, principal and interest deferred payment measures.

III Continuing to respond to the government's policy on rebuilding dangerous and aging homes, the Bank continued to provide "Loan for Rebuilding Dangerous and Aging Homes".

IV Promoted the "Real Estate Pension Loan for the Elderly" project in accordance with government policies.

④ Foreign exchange:

I Diversifying green financial products, the "Green Deposit Project" is now issued in US dollars.

II The Bank enhanced friendly financial services and continued to add bilingual forms for foreign currency transactions.

III We have added the "Forfaiting Insurance" service in cooperation with the Export-Import Bank of the Republic of China for our export bill purchasing business.

⑤ Cards:

We provide the "Taiwan Pay Payment Collection API" service, allowing merchants to easily complete the integration and go online.

⑥ Trust:

Launch real-time trading of foreign stocks and provide customers with diversified asset allocation.

⑦ Digital Finance:

I Developing a "smart cash flow service" in collaboration with underwriters' exclusive working capital loan projects to tailor to the traditional meat market.

II Cooperate with PXPAY Plus Co., Ltd. on digital payment services.

III Collaborated with Taiwan Power Company to launch the "TaiPower Supply Chain Financing Service," which includes online disbursement and repayment.

IV Streamlining the digital deposit account opening process, adding the option to open a digital deposit and securities settlement accounts online, and allowing customers to simultaneously open a fund trust account.

(2) New Business Units:

Please refer to Annual Report, I. Letter to Shareholders "A. 2022 Results of Operations, b. Bank organization and change".

(3) Scale and profit and loss situation of the major financial products for the last two years:

Please refer to this chapter, A. Business Information, "a. Business performance for the last two years".

2. Research and development expenses and results for the last two years:

(1) The Bank's research and development expenses for the last two years.

NT\$3,555 thousand in 2022.

NT\$3,588 thousand in 2021.

(2) The Bank's research and development results for the last two years:

① In 2022, the Bank filed 26 utility model patents and 7 invention patents, of which 27 utility model patents and 12 invention patents (including previous year applications) have been approved by the Intellectual Property Office of the Ministry of Economic Affairs, and applied the results of financial technology research and development to provide safe and convenient services to customers, enhance information security and operational efficiency, strengthen risk control and explore potential customers and new business opportunities.

- ② A total of 44 research reports of business development, digital finance and technology, sustainable development, employee rights and development, risk management, internal audit and internal control, financial tax, legal compliance, global economic trend, customer rights, and green finance were completed in 2021 and 2022, and are available in the Bank's library for the Bank's employees to access at any time, so as to enhance their professional skills in practice and effectively promote the innovation and development of the Bank's business.
- (3) Future research and development plans:
- ① To align with future business development trends and regulatory requirements, we have implemented various systems, including the Smart Teller Machine (STM) system, telephone outbound management system, and digital loan origination system, to enhance our digital financial service capabilities.
- ② Research and analyze the application and development of big data to grasp business opportunities, and continue to develop and apply for various fintech patents, so as to cultivate research and development momentum, and enhance the Bank's fintech competitiveness.
- e. Long-term and short-term business development plans
1. Short-term business development plans:
- Please refer to Annual Report, I. Letter to Shareholders, "B. 2023 Highlights of Business Plans".
2. Long-term business development plans:
- The Bank's long-term business development plans are summarized as follows.
- (1) Optimize deposit/loan structure to increase interest spread:
- Expand the customer base of small and medium-sized enterprises with potential development, grasp the cash flow to improve the deposit ratio, and increase the credit proportion to small and medium-sized enterprises, so as to expand the foundation of the deposit/loan business and increase the interest margin and increase the income.
- (2) Enhance wealth management business:
- Continuously introducing financial products with ESG concepts and gradually implementing sustainable investment in the investment process. Focus on developing the high-end wealth management center, expanding the professional wealth management team, enhancing product research and development and innovation capabilities, steadily expanding the professional investor customer base, and meeting the comprehensive needs of wealth management services.
- (3) Expand digital financial services:
- Continuously explore the introduction of "Smart Financial Service Platform" into traditional markets; develop telemarketing business and proactively promote financial product services; establish an electronic signature and aggregated payment system to provide special merchants with account inquiry and transaction analysis functions, integrate electronic payment shared platforms, and connect with channel services.
- (4) Deepen foreign financial business:
- ① Strengthen the business development of credit, deposit and bond of subsidiary in China, continuously expand the asset scale, develop derivative financial products, and increase the operating revenue, so as to deeply develop the China financial market.
- ② We will carefully evaluate countries or regions with development potential in the financial market, plan to establish branches there, and leverage the advantages of our Offshore Banking Branch to pursue local business opportunities.
- (5) In response to the international development trend of ESG, providing green financial services:
- The Bank actively undertake solar photovoltaic equipment loans, green enterprise loans (for purchasing real estate, machinery and equipment, obtaining green-related certifications, patents, technologies, and operating capital), and actively respond to the FSC's "Green Finance Action Plan 3.0" by incorporating ESG loan indicators (such as sustainable index-linked loans) into important bases for corporate credit business, to guide customers in transformation and implementation of ESG.

## B. Employees

a. Employee information for the last two years and as of the published date of Annual Report

Unit: Person

Year		2021	2022	As of February 28, 2023
Number of employees		6,610	6,678	6,680
Average age		43.17	43.28	43.32
Average years of service		16.82	16.89	16.91
Educational backgrounds	Ph.D.	0.06%	0.06%	0.06%
	Master	21.15%	21.62%	21.69%
	University / College	72.72%	72.71%	72.70%
	Senior High School (vocational included)	5.69%	5.26%	5.19%
	Below Junior High School	0.38%	0.35%	0.36%
Professional licenses held by employees	CPA & CPA (USA)	3	4	3
	CFA	3	3	3
	FRM	11	11	11
	CFP	12	23	23
	CIA	2	2	2
	CISA	1	2	2
	CAMS	37	35	36
	Senior Securities Specialist	1,172	1,195	1,196
	Securities Specialist	1,022	1,057	1,053
	Futures Specialist	1,111	1,110	1,110
	Personal Insurance Broker	7	7	7
	Personal Insurance Agent	14	13	13
	Personal Insurance Representative	5,950	6,036	6,026
	Property and Casualty Insurance Broker (Non-life)	8	7	7
	Property and Casualty Insurance Agent (Non-life)	10	9	9
	Property and Casualty Representative (Non-life)	5,569	5,693	5,687
	Investment-linked Insurance Representative	5,219	5,349	5,345
	Proficiency Test for Trust Operations	5,506	5,611	5,599
	Proficiency Test for Bank Internal Control	4,544	4,578	4,570
	Basic Proficiency Test for Bank Lending Personnel	2,777	2,754	2,744
Advanced Proficiency Test for Bank Lending Personnel	38	35	35	
Basic Proficiency Test for International Banking Personnel	2,340	2,358	2,353	
Proficiency Test for Financial Planning Personnel	1,978	1,928	1,924	

b. Continuing education and training of employees

1. The Bank encourages employees to continue learning through digital and hands-on courses to help employees accumulate financial expertise, the Bank provided 413,044.62 hours training in total, with the per capita training hours of 61.85 based on 6,678 employees as of December 31, 2022.
2. Build a new generation online e-learning network to improve knowledge management and inheritance, and continuously develop multi-career skills and training.

## C. Corporate Responsibility and Ethical Behavior

- a. Implement environmental protection policies and achieve sustainable environmental management goals
  1. The Bank is committed to promoting various programs such as greenhouse gas reduction and management, energy resource use and management, green building, use of renewable energy, carbon neutrality in branches, and waste reduction and management. We have voluntarily adopted various international management systems to mitigate the impact of climate change and achieve the goal of sustainable environmental management.
  2. Participate in the Earth Hour Taiwan energy saving activity of the Society of Wilderness to implement the concept of environmental protection and love for the earth.
  3. Participated in the "2022 Do Something for Tamsui River" campaign initiated by CommonWealth Magazine Co., Ltd.
  4. In cooperation with the Society of Wilderness, the "Chang Hwa Bank Love the Sea Protection Campaign" was launched in 2021-2022. We organized training for leaders of river and beach cleaning teams and held a total of 5 river and beach cleaning events in the northern, central, and southern regions, with the enthusiastic participation of 260 corporate volunteers.
  5. Sponsorship of Business Today to hold the "Green Living Festival" event.
  6. In accordance with the spirit of the Equator Principles, the Bank considers the environmental protection, ethical corporate management and corporate social responsibility of the borrowers when processing corporate credit applications.
  7. In response to the National Property Administration, Ministry of Finance to promote the sustainable development of the state-owned non-public marginal land environment, we cooperated with the Kaohsiung City Wild Bird Society on the "Budai Salt Field Wetland Guardian ESG Enterprise Partnership Project".
- b. Actively participate in social welfare activities and continue to care for the disadvantaged groups
  1. Sponsorship of Huashan Social Welfare Foundation's "Love the Elderly, Love Reunion" public welfare event, and organizing volunteer activities to deliver Chinese New Year dishes to elderly people who live alone.
  2. "Strive to Make Progress Scholarship Program" in cooperation with Taiwan Fund for Children and Families.
  3. Sponsored the Taipei City Kuan Yin-Line Psychological and Social Service Association's "Benefit Concert".
  4. Sponsored the Central News Agency's "Journal Donation Program to Enhance International Outlook".
  5. Donated to the Disaster Relief Foundation to provide aid to Ukraine and help the Ukrainian people get through difficult time.
  6. In line with the Ministry of Education's Youth Development Administration's "2022 Economic Independence Youth Work-and-Study Program" policy, 35 students were provided with summer vacation work-and-study opportunities to enhance the care of young people from economically disadvantaged families and to help them learn about and explore new areas, improve their career development competitiveness, and be better prepared for the future.
  7. For elderly care trusts and trusts for persons with disabilities, if the beneficiary is an elderly person or person with disability certificate, the trust signing fee will be discounted or reduced.
  8. Actively respond to the promotion of micro-insurance policies of competent authority, cooperate with insurance companies by relatively low insurance premiums, to protect vulnerable people or those with specific identities to obtain basic protection, and avoid unexpected specific risk accidents, resulting in financial difficulties for oneself or family. In 2022, the Bank donated a total of NT\$104,710 in micro-insurance premiums.
  9. The Bank is committed to apply digital technology to combine charitable activities. Since 2018, the Bank has launched Taiwan Pay mobile payment charitable activities, which raise more than NT\$1,000,000 each year and deeply recognized by the public. In 2022, Taiwan Pay's "Chang Hwa Bank Love Never Ending" was held by the cooperation with four public interest groups, "Taipei Orphan Welfare Foundation", "Double Bliss Welfare and Charity Foundation", "Modern Women's Foundation", and "Taipei Happy Mount Foundation", the Bank has set up "Donation Section" on the Bank's mobile online banking and official website to provide more convenient online donation services. In 2022, the Bank offered an additional incentive for donations exceeding NT\$2,000 with giving away 500 Porcelain Vacuum Insulated Cups. By the end of 2022, a total of NT\$2,567,544 has been raised, and the Bank will continue to care for the disadvantaged.



- c. Support sports development and promote humanities and arts care
  1. Establishing the Chang Hwa Bank Archery Team to participate in the Chinese Enterprise Archery League, cultivate outstanding national athletes, and organizing the "Archery Experience Camp" to promote archery and encourage employees to participate in sports activities.
  2. Donated to the Taitung County Sports Association's "Training Program for Elite and Potential Athletes of Various Sports Committees", to support sports development.
  3. Sponsored the "2022 Chang Hwa Bank National Youth Cup Football Tournament" organized by the Chinese Taipei Football Association.
  4. Sponsored the "31<sup>st</sup> Keelung City New League Cup Basketball Tournament" organized by Keelung City Social Basketball Association to promote social basketball.
  5. Sponsored the "2022 Puli Power Puli Mountain City Party Marathon" event organized by the Puli Love Run Association in Nantou County to promote the government's advocacy of a sports-friendly culture and to help stimulate the local economy.
  6. Sponsored the "2022 National Sports Games" event organized by the Chiayi County Government in response to the government's advocacy of a sports-friendly culture.
  7. Sponsored the Chiayi County Government to hold the "2022 National Day Fireworks in Chiayi" event.
  8. Sponsored the filming of the "Artisan Soul" series by the General Association of Chinese Culture to promote cultural heritage.
  9. Sponsored SET TV Co., Ltd. to broadcast the "Defending the Homeland Together - TAIWAN NATIONAL DAY 2022" National Day Evening Party event held by the Taoyuan City Government.
  10. Participated in the "2022 Taiwan Lantern Festival Sponsored Mini Lanterns" event organized by the Tourism Bureau of the Ministry of Transportation and Communications, and donated mini lanterns to welfare organizations, and spread the culture and spirit of the Lantern Festival.
- d. Promote academic/industrial development and enhance sustainable competitiveness of enterprises
  1. Sponsored the Taiwanese Sociological Association's "2022 Annual Meeting of the Taiwanese Sociological Association" to support academic research in sociology in Taiwan and promote long-term social development.
  2. Sponsored "Taiwan Economic Research Outstanding Dissertation Award" in 2022 by Taiwan Economic Association.
  3. Sponsored the Independent Directors Association Taiwan's "2022 Board of Directors Promoting ESG Sustainable Development Forum".
  4. Participated in the "34<sup>th</sup> Accounting Elite Cup Debate Competition" of the Accounting Research and Development Foundation of the Republic of China to nurture accounting professionals in Taiwan.
  5. Participated in the "6<sup>th</sup> Star of Entrepreneurship Contest" of Economic Daily News to identify the most promising future stars of Taiwan's industries and to promote the information exchange and development of industry innovation.
  6. Sponsored the "Taiwan Listed and OTC Companies Association and Modern Law Joint Seminar" under current laws and the "Our Country's Journey towards Net Zero Carbon Emission - ESG Carbon Reduction" forum.
  7. In 2022, donated NT\$113,621,577 to the SMEs Credit Guarantee Fund of Taiwan to assist SMEs in obtaining financial assistance from financial institutions to facilitate economic growth and social stability in Taiwan.
  8. In 2022, in line with the government's policy, the Bank signed a "Financial Competitiveness Enhancement Project for SMEs" with the Taiwan SMEs Counseling Foundation, spending NT\$899,000 to help SMEs improve their financial structure and improve their business structure in order to enhance their competitiveness.
- e. Supporting government policies and implementing financial-friendly services.
  1. Participated in the "4<sup>th</sup> Unsafe and Old Buildings + Urban Renewal Exposition" held by Wealth Magazine Co., Ltd. to let the public understand and make good use of the government's policies on citizens and urban renewal to improve the quality and safety of living.
  2. Responding to national policies and supporting the development of local agriculture, we have purchased 1,940 boxes of custard apples, as well as 1,400 boxes of Yunlin Douliu pomelos.
  3. In cooperation with the competent authority's promotion of financial education and popularization policies, we have appointed seed instructors to participate in "Go to Campus and Community Financial Knowledge Promotion Activity" to promote and enhance public financial literacy.

4. To facilitate the use of financial services by customers with hearing and speech impairments, our Bank has collaborated with the Taiwanese Association of Sign Language Translation Interpreters to provide pre-booked on-site sign language interpretation or sign language video interpretation services by real interpreters.
5. The Bank has completed the establishment of 80 bilingual branches to provide bilingual financial services to foreign nationals, in order to connect with the international community.

#### D. Number of Non-managerial Full-time Employees, Average, Median of Full-time Employees' Salary, and the Differences from the Previous Year.

Unit: Person/NT\$ thousand

Non-managerial full-time employees	Year	2022	2021	Increase (Decrease)
Number of Employees		6,225	6,162	63
Average Salary		1,338	1,285	53
Median Salary		1,253	1,194	59

Note 1: Reference to "Non-managerial, full-time employee salary information declaration explanation" jointly promulgated by TWSE and TPEX.

Note 2: "Non-managerial, full-time employee" mentioned here refers to full-time employees (including local and foreign nationals) excluded employees in managerial position, part-time employees, overseas employees, and employees who meet the standard of excluded exemption; "Number of employees" is calculated by yearly average number.

#### E. IT Equipment

- a. The main information system hardware and software configuration and maintenance

1. Configuration:

- (1) Mainframe hardware (Core banking system): Using Unisys mainframe, the service area covers both domestic and overseas, processing deposits, loans, remittance, foreign exchange, import and export, etc. The system has an operating capacity of 7 days x 24 hours.
- (2) Open system server: Including virtual machine (VM) and physical machine.
- (3) Open system storage: Using SAN and Storage for centralized management by IBM SAN Volume Controller (SVC) and DELL EMC VPLEX to reduce the space of individual storage equipment management.
- (4) Open system backup equipment: Using Data Domain and NBU (Net Backup) backup system.
- (5) Network equipment: The Bank's network structure includes core networks and branch networks. The core networks connect core firewall and core router through core switch. Separate different network segments according to different properties of the system to protect systems safety by firewall policy and various security systems. The core network architecture is high availability (HA) to prevent a single node failure. The branch networks include domestic branches and overseas branches. The branches use dedicated lines of operation and backup for data transmission, and data exchange and backup are carried out through the hub to ensure the maintenance of daily operations.
- (6) Database: DB2, MS SQL, Oracle, Sybase, Teradata.

2. Maintenance:

The Bank has entered into maintenance agreements with manufacturers, which will provide both on-demand repair services and regular maintenance services to ensure that the Bank's IT systems are operating satisfactorily and without interruption.

- b. Future development or acquisition plans:

Information systems planned to be built in 2023 include: The second-stage conversion and building project of the new generation eLoan credit automation system 2.0, branch network update and security protection enhancement project (second-stage), branch terminal system upgrade and function promotion, upgrading the EAI system, upgrading the STM system, derivative financial product trading and risk management system version upgrade and feature amendment project, upgrading the message notification system, upgrading the telephone outbound management and sales loan system, implementing a cybersecurity threat intelligence analysis system and interception equipment, and upgrading the friendly user interface for internet banking (including the mobile App).

c. Emergency backup and security measures

1. Operation of emergency backup center:

The Bank's information center is located in Taipei and the off-site redundancy center is located in Taichung. The Bank normally uses the super high-speed network (OTN) to synchronize data redundancy to the off-site redundancy center, and when the information center is unable to perform operations due to a disaster, the information system is transferred to the redundancy center for operation in accordance with the Bank's "Information Operation Disaster Redundancy Plan." In principle, off-site backup drills are carried out twice a year or once each in the same location and off-site to ensure that backup operations can be carried out in the event of a disaster.

2. Strengthen information security:

- (1) Improve the security and control strength of the information system: Independent SWIFT host segment, recover the highest privilege of the host, and manage the security and control parameters of the host to improve the overall security and control strength of the host.
- (2) Comply with laws and regulations: Modify the information system structure, management system and procedures to meet the expectations of regulatory authorities and international organizations (e.g. SWIFT, etc.).
- (3) Establish detection and warning mechanisms, implement information security incident handling and follow-up tracking: Using different information security detection tools (e.g. internal threat monitoring system, privileged account tracing system, endpoint detection response (EDR), etc.), the Bank establishes detection and warning mechanisms to immediately detect potential intrusions and properly conduct follow-up handling to reduce information security risks.
- (4) Conduct regular situational and backup drills: To familiarize employees with incident response procedures, conduct regular situational drills and information system backup drills to improve employees' response capabilities.
- (5) Carry out centralized storage and management of system logs, and establish an analysis and early warning mechanism, in order to meet the requirements of laws and supervision authorities.
- (6) Following the revision of domestic and international laws and regulations and the application of emerging technologies, we are constantly adjusting our cybersecurity-related regulations and management procedures.
- (7) Utilize multi-level security devices and collaborative operation to establish protection and monitoring mechanisms, and actively cooperate with cyber security alliance operations, effectively utilize and share cyber security information.
- (8) Continuously enhancing our information security protection, we plan to expand our cybersecurity event management system, upgrade our internet behavior management system, and expand our database auditing management system in 2023 to strengthen our Bank's defense in depth mechanism.
- (9) Regular emergency drills and social engineering exercises are conducted to enhance employees' ability to respond to information security incidents and their awareness of information security.

## F. Cyber Security Management

a. Cyber security risk management framework, cyber security policy, specific management plan and resources invested in cyber security management.

1. Cyber security risk management framework:

- (1) In order to effectively implement internal control of information security, the Bank adopts a management framework of three lines of defense for internal control of information security. The first line of defense is to implement information security operations by all units and information offices of the Bank, and the Information Security Division is responsible for the second line of defense to monitor and manage the implementation of the information security policy and its derived information security risks, plan, monitor and execute information security management operations. The third line of defense is the inspection by the Internal Auditing Division.
- (2) Established an Executive Vice President-level, the Chief Information Security Officer to coordinate the implementation of the Bank's information security policies and resource allocation. Assigned the SVP &

Division Head of Information Security Division to serve as the dedicated supervisor for information security, responsible for supervising and implementing information security policies, coordinating and promoting information security management operations, reports to the Board of Directors on the overall execution and management of information security on an annual basis.

## 2. Cyber security policy:

- (1) In order to strengthen information security management, ensure the confidentiality, integrity and availability of information, the reliability of information equipment and network systems, and the awareness of all personnel in the Bank on information security, and make sure that the above resources are free from any interference, damage, intrusion or any unfavorable behavior and attempt, the Bank hereby formulates the information security policy.
- (2) The objective of information security is to ensure authorized access to the Bank's information, to provide a complete and reliable information system operation and to maintain the normal operation of its business processes in the face of possible internal and external threats. In the event of an accident, take prompt and necessary measures to minimize the possible damage caused by the accident.
- (3) The scope of the information security policy covers all the information of software, hardware and peripheral facilities of the Bank, and in respect of the division of responsibilities for information security, human security management, computer system security management, network security management, system access management, system acquisition, development and maintenance management, information asset security management, data privacy management, physical and environmental security management, information security management of third-party manufacturers and third-party suppliers, information security risk assessment management, information security audit management, information security education and training, and other information security management matters, relevant management standards are hereby formulated to implement the overall information security protection plan.
- (4) Annually review the information security policy and submit it to the Board of Directors for approval before implementation.

## 3. Specific management plan:

- (1) The Bank continues to maintain the validity of the ISO 27001 Information Security Management System, ISO 22301 Business Continuity Management System, and BS 10012 Personal Information Management System certificates.
- (2) Cybersecurity awareness training and social engineering drills are held annually.
- (3) The reporting and management of information security incidents are carried out in accordance with the "Implementation Rules for Information Security Incident Reporting and Management" of our Bank.
- (4) Utilize multi-layered information security equipment and establish protection and monitoring mechanisms.
- (5) Regularly conduct various security checks, emergency response drills, and system backup drills.
- (6) Actively engaging in cybersecurity joint defense, effectively utilizing and sharing cybersecurity information through the Financial Information Sharing and Analysis Center (F-ISAC).
- (7) We use automated methods for 24/7 monitoring, detection, and tracking of fake websites and mobile applications that impersonate our Bank and take necessary actions against such fraudulent activities.
- (8) Every year, the Bank conducts penetration testing on its mobile applications (Apps) and undergoes voluntary security self-assessment by the Industrial Development Bureau of the Ministry of Economic Affairs. All mobile applications of the Bank have obtained the qualified certificate and certification mark from the Industrial Development Bureau.
- (9) Regularly review the status of information equipment and conduct business impact analysis.
- (10) Information security personnel receive professional cybersecurity training every year, and employees are encouraged and subsidized to obtain international cybersecurity certifications.

#### 4. Resources invested in cyber security management:

Implementation results of information security measures in 2022:

##### (1) Information security

- ① The Bank's mobile applications (App) have all been granted the certificate of compliance and certification mark (MAS) by Industrial Development Bureau.
- ② Perform various security tests regularly, such as penetration test, vulnerability scan, malicious program detection, etc.
- ③ Chinese and English training courses on information security in 2022, with a total of 6,413 employees (overseas branches included) completing the training.
- ④ Announce information on the Bulletin Board of the intranet from time to time to strengthen the awareness of the information security of colleagues of domestic and overseas. Conduct quarterly social engineering drills, including Chinese and English letters, to improve alertness of colleagues and reduce the chance of being attacked by social engineering.
- ⑤ The result of the settlement of the information sharing points for being a member of the F-ISAC of the Financial Supervisory Commission showed that we achieved the best performance and were rated as excellent.

##### (2) International standard certification

- ① Passed the ISO 27001:2013 Information Security Management System certification (certificate validity period: 2020/11/8~2023/11/7).
- ② Passed the ISO 22301:2019 Business Continuity Management System certification (certificate validity period: 2021/4/24~2024/4/23).
- ③ Passed the BS 10012:2017 Personal Information Management System certification (certificate validity period: 2022/3/31~2025/3/30).

#### b. Losses, possible impacts and countermeasures to major information and communications security incidents suffered in the most recent year and as of the published date of Annual Report:

No major information security incidents in 2022.

## G. Labor-Management Relations

#### a. The Bank's employee welfare measures, retirement system and implementation status, as well as the agreements between employers and employees and measures to protect the rights and interests of employees.

##### 1. Welfare Measures:

##### (1) Labor insurance:

For all employees, the government pays 10% of the premium, the Bank pays 70%, and the employees pay 20%.

##### (2) National health insurance:

For all employees and their dependents, the government pays 10% of the premium, the Bank pays 60%, and the employees pay 30%.

##### (3) Health checkups:

Regular health checkups are conducted for employees, and for those with "major abnormalities" in the checkup results, the Bank arranges doctors to visit the Bank to provide health guidance and follow up management to protect employees' health. In order to take care of the mental health of employees, professional psychological counseling institutions are also entrusted to provide psychological counseling for employees of the Bank.

##### (4) Employee childcare:

The Bank sign a corporate childcare contract with a childcare school to provide employees with preferential childcare program services for employees in need to choose.

##### (5) Special leave:

The Bank entitles employees to special leave ranging from 3 to 30 days according to the length of service of at least half a year.

## (6) Sports and recreational activities:

A sports committee is set up to hold sports, hiking and leisure activities, and artistic activities every year, in order to recover employees' body and mind and relieve work pressure.

## (7) Employee Welfare Committee:

The committee is responsible for the planning, storage and utilization of welfare benefits and other employee welfare matters. The Bank has established an employee commissary providing daily necessities.

## (8) Employee stock ownership trust:

In order to take care of employees and encourage them to save for the long term, the Bank officially launched the Employee Stock Ownership Trust in September 2019. In addition, to encourage employees to participate, the Bank provides an incentive payment of NT\$1,000 or NT\$1,500 based on the amount withdrawn by the participating employees to enhance their motivation.

## (9) Library:

A library is set up in the Taipei Building with Chinese and foreign newspapers, journals, magazines, and various books for employees to borrow to facilitate their knowledge and self-continuing education.

## (10) Online English learning:

In line with the national policy of bilingualism and to enhance the English proficiency of our employees, the Bank provides free online courses for employees to take the "Studio Classroom" e-learning program and sends magazines for those reach the standard of learning hours to encourage employees to learn on their own and participate in the English test in order to cultivate international financial talents and promote internalization of financial services.

## 2. Retirement regulation and implementation status:

(1) The Bank stipulated "Employee Retirement Pension and Severance Regulation", matters related to retirement, pension (including occupational disaster compensation) and lay off of employees shall be handled in accordance with the regulation and Labor Standards Act and related law. Employees of the Bank who reach the age of 65 should retire, those who have served in the Bank for more than 5 years, and have reached the age of 55 or who have served the Bank for more than 20 years can apply for retirement. In 2022, 123 employees were retired. (Including 51 people who applied for retirement and 72 people who retire over the retirement age).

(2) According to the Bank's "Rules Governing Organization of Labor Retirement Reserve Supervisory Committee", the Labor Retirement Reserve Supervisory Committee is composed of representatives both from the labor and employer. A total of 9 members are appointed, including 6 labor representatives and 3 employer representatives. The meeting is held once every 3 months and an interim meeting may be held when required. The task of the Labor Retirement Reserve Supervisory Committee is to handle the deliberation of the suspension of the "Labor Retirement Reserve", the audit of the amount allocated, the audit of deposit and expenditure, the audit of the payment amount, and other related labor retirement supervision matters.

(3) For employees with the old pension system, the Bank provides monthly retirement allowance to the account of "Labor Retirement Reserve Supervisory Committee", in the Bank of Taiwan at the rate of 10% of the total monthly salary; and the Bank provides monthly retirement allowance at the rate of 6% for employees with new pension system.

## 3. Employee safety and security measures:

(1) Insured employees with an "Employer's Accidental Liability Insurance" so that employees are protected while carrying out duties. The premium is entirely covered by the Bank.

(2) The Bank has stipulated an "Anti-Coronavirus Pneumonia Epidemic Prevention Plan" and established an epidemic command team. The President serves as the convener to coordinate and supervise epidemic prevention matters, adjust the Bank's epidemic prevention measures on a roll planning basis, and implement rapid epidemic prevention response at the first moment. In addition, in order to strengthen the health protection of employees, the bank provides relevant epidemic prevention materials (such as protective masks,



partitions, rapid antigen test, etc.) to employees, encourages employees to complete COVID-19 vaccination, and provides "home care packages" to employees who have been diagnosed to show care and support.

- (3) The Bank has stipulated an "Automatic Inspection Plan of Safety and Health" to ensure that the Bank's equipment be maintained normal operation and reduce the incidence of accidents.
- (4) In order to prevent occupational hazards in the workplace, our employees are required to complete an online self-reported questionnaire called the "Nordic Musculoskeletal Questionnaire (NMQ)". A physician will then conduct a face-to-face or telephone interview to understand the cause and provide appropriate improvement recommendations.
- (5) The Bank's buildings and premises are equipped with first aid medicine and appliance, the Bank also monitored the indoor "carbon dioxide" and "lighting" of every unit by professionals outside the Bank every six months to provide employees with a safe and healthy work environment.
- (6) Hold safety maintenance meetings and employee self-defense group drills are held every half year to strengthen safety protection in every unit.
- (7) According to the needs of each unit, the Bank requests security companies and alarm, surveillance system contractors to actively cooperate in improving related protective equipment.
- (8) To appoint security companies to send security personnel to every unit to perform security work, and to provide quarterly on-the-job training and supervision assessment. In addition, assign all of the Bank's outbound money replenishment operations to security companies or to collaborate with them.
- (9) In accordance with the relevant provisions of fire services acts and regulations, supervise the units to strengthen the maintenance and management of fire safety and escape facilities, and cooperate with the implementation of safety inspection and training.

#### 4. Employer-employee agreements:

- (1) In order to enhance harmonious employer-employee relations and promote the Bank's business development and employee welfare, the Bank and CHB Labor Union signed another group agreement in May 2018, and signed group agreement supplementary contract on July 30, 2020.
- (2) In accordance with the Bank's "Implementation Guidelines for Labor-Management Meetings", regular labor-management meetings are held for both parties to discuss and negotiate on various issues, 4 meetings were held in 2022.

#### 5. Measures to protect employees' rights and interests:

In order to clearly regulate the rights and obligations of employees, the Bank has stipulated the "Work Rules" and other personnel regulations, and all matters such as employment, service regulations, working hours, leave and attendance, appraisal and punishment, remuneration and benefits are handled in accordance with the relevant regulations.

#### b. Labor inspection results violation of Labor Standards Act

None.

#### c. Losses suffered due to labor-management disputes in the most recent year and as of the published date of Annual Report, and the estimated amount expected to be incurred for the present and future and their countermeasures.

None.

## H. Important Contracts

Contract Type	Counterparty	Term of Contract	Major Contents	Restrictive Covenants
Outsourcing Contract	Beltom Technology Corp.	2022/08/01~2023/07/31	Credit card related document printing, sealing and mailing	Terms of Confidentiality
Outsourcing Contract	Yung Shing Ent. Co., Ltd.	2022/08/28~2023/08/27	Printing and mailing of fund statements and statements of account	
Outsourcing Contract	Han-Yeh Business Form Corporation	2021/12/15~2024/12/14	Printing, packaging and mailing of insurance business advice letters and transaction statements	
Outsourcing Contract	Taiwan Security Co., Ltd. Lan-An Service Co., Ltd.	2022/12/16~2023/12/15	Entrust the exchange and replenishment of banknotes at out-of-bank ATMs and troubleshooting	
Outsourcing Contract	Chung Hwa Express Corp.	2022/12/10~2023/12/09	Entrust the courier service for bills and related documents	
Outsourcing Contract	LeeBao Security Co., Ltd.	2023/01/01~2023/12/31	Entrust Cash escort service	
Outsourcing Contract	Yuen Foong Paper Co., Ltd.	2022/11/21~2023/11/20	Entrust Bill printing, sealing and mailing	
Outsourcing Contract	Taiwan Mobile Payment Co., Ltd.	2022/01/01~2023/12/31	Card life cycle and other data processing services for mobile payment tools	
Outsourcing Contract	Financial Information Service Co., Ltd.	2022/01/01~2023/12/31	International card-related service operations	
Authorized Card Issuance Contract	EasyCard Corporation	2021/07/01~2024/06/30	Authorize the issuance of e-cards with EasyCard function	
Authorized Card Issuance Contract	iPASS Corporation	2020/01/23~2025/01/22	Authorize the issuance of e-cards with iPASS function	
Computer Installment Contract	Dynasafe Technologies, Inc.	2022/11/25~2024/05/24	Update and integrate the branch network service platform to improve system performance and stability.	
Computer Installment Contract	JC Software Services Inc.	2021/11/10~2025/02/09	Improve the efficiency of the Bank's credit application and accelerate business development	

## I. Types and the Related Information Regarding Securitization Products Approved under the Financial Asset Securitization Act and the Clauses of the Real Estate Securitization Act in the Most Recent Year.

None.

# VI | Financial Overview

## A. Condensed Balance Sheets and Income Statements for the Past Five Years

### a. Condensed Balance Sheets:

Unit: NT\$ thousand

Item	Year	Consolidated Financial Information for the Past Five Years				
		2022	2021	2020	2019	2018
Cash, cash equivalents, due from the Central Bank and call loans to banks		201,746,719	290,701,939	262,191,956	199,335,770	249,015,779
Financial assets at fair value through profit or loss		31,485,681	56,611,729	14,581,474	11,483,389	10,917,490
Financial assets at fair value through other comprehensive income		214,615,957	174,195,003	122,695,821	116,296,139	91,938,199
Investments in debt instruments at amortized cost		485,011,259	405,256,329	345,283,447	276,058,976	268,059,805
Financial assets for hedging		-	147,321	231,693	247,375	244,763
Securities purchased under resell agreements		-	-	-	-	-
Receivables, net		22,446,573	22,928,736	21,481,338	23,201,037	29,933,985
Current tax assets		44,675	344,089	396,516	207,520	289,771
Assets classified as held for sale, net		-	-	-	-	-
Discounts and loans, net		1,685,320,445	1,554,775,087	1,477,886,845	1,427,350,947	1,336,701,095
Investments accounted for using equity method, net		-	-	-	-	-
Restricted assets		-	-	-	-	-
Other financial assets, net		1,768,723	3,857,675	25,590,786	40,133,881	55,045,230
Property and equipment, net		21,030,975	20,979,380	20,908,603	20,739,036	21,071,298
Right-of-use assets, net		1,954,493	1,941,510	1,519,247	1,620,404	-
Investment property, net		13,845,593	13,852,096	13,858,910	13,872,790	13,742,376
Intangible assets, net		1,121,815	595,639	687,613	720,656	731,364
Deferred tax assets, net		3,390,756	3,455,911	3,379,099	3,312,325	3,120,664
Other assets		1,068,655	1,464,053	2,746,871	1,062,958	999,851
<b>Total assets</b>		<b>2,684,852,319</b>	<b>2,551,106,497</b>	<b>2,313,440,219</b>	<b>2,135,643,203</b>	<b>2,081,811,670</b>
Deposits from the Central Bank and banks		52,877,055	72,221,898	103,221,627	102,305,626	113,038,541
Due to the Central Bank and banks		-	27,667,470	14,829,050	-	-
Financial liabilities at fair value through profit or loss		6,920,062	3,150,309	7,293,565	4,247,279	11,047,488
Financial liabilities for hedging		-	-	-	-	-
Securities sold under repurchase agreement		941,013	1,372,860	1,226,633	1,547,291	5,285,890
Payables		31,965,424	36,770,068	22,237,409	21,846,910	36,677,779
Current tax liabilities		896,855	318,060	841,436	507,880	241,285
Liabilities related to assets classified as held for sale		-	-	-	-	-
Deposits and remittances		2,349,882,620	2,167,441,232	1,917,987,149	1,765,948,203	1,689,581,112
Bank notes payable		51,219,465	51,278,335	61,351,032	55,521,014	49,549,055
Preferred stock liabilities		-	-	-	-	-
Other financial liabilities		858,883	1,001,902	1,949,149	4,274,900	4,387,078
Reserve for liabilities		3,023,164	4,694,126	5,316,038	5,340,555	5,296,332
Lease liabilities		1,794,804	1,770,490	1,343,548	1,420,392	-
Deferred tax liabilities		9,430,267	8,818,712	8,301,861	7,902,609	7,352,277
Other liabilities		6,014,489	3,148,580	2,487,932	2,543,349	2,793,202
Total liabilities	Before distribution	2,515,824,101	2,379,654,042	2,148,386,429	1,973,406,008	1,925,250,039
	After distribution (Note)	2,521,650,502	2,384,898,327	2,152,124,929	1,977,400,132	1,931,515,332
Equity attributable to owners of the parent company		169,028,218	171,452,455	165,053,790	162,237,195	156,561,631
Capital stock	Before distribution	105,934,566	104,885,708	103,847,236	99,853,111	97,895,207
	After distribution (Note)	108,582,930	105,934,566	104,885,708	103,847,236	99,853,111
Capital surplus		-	-	-	-	-
Retained earnings	Before distribution	67,464,069	61,652,938	57,352,741	58,495,437	55,271,433
	After distribution (Note)	58,989,304	55,359,796	52,575,769	50,507,189	47,048,236
Other equity		(4,370,417)	4,913,809	3,853,813	3,888,647	3,394,991
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	169,028,218	171,452,455	165,053,790	162,237,195	156,561,631
	After distribution (Note)	163,201,817	166,208,170	161,315,290	158,243,071	150,296,338

Note: The 2022 earnings allocation has not yet been ratified by the 2023 Shareholders' Meeting.

Unit: NT\$ thousand

Item	Year	Individual Financial Information for the Past Five Years				
		2022	2021	2020	2019	2018
Cash, cash equivalents, due from Central Bank and call loans to banks		193,926,520	285,121,852	257,414,954	193,321,396	247,107,964
Financial assets at fair value through profit or loss		30,893,372	55,409,052	14,463,858	11,483,389	10,917,490
Financial assets at fair value through other comprehensive income		208,955,699	166,225,320	116,479,219	111,610,083	90,390,520
Investments in debt instruments at amortized cost		485,011,259	405,256,329	345,283,447	276,058,976	268,059,805
Financial assets for hedging		-	147,321	231,693	247,375	244,763
Securities purchased under resell agreements		-	-	-	-	-
Receivables, net		22,348,157	22,814,357	21,300,335	22,979,066	28,984,785
Current tax assets		44,675	344,089	396,258	207,398	289,771
Assets classified as held for sale, net		-	-	-	-	-
Discounts and loans, net		1,665,842,407	1,538,006,854	1,463,024,593	1,412,641,860	1,320,077,226
Investments accounted for using equity method, net		14,761,811	13,868,146	13,511,768	13,087,475	12,536,866
Restricted assets		-	-	-	-	-
Other financial assets, net		7,061,923	12,539,676	29,915,786	44,428,881	51,821,709
Property and equipment, net		20,281,431	20,250,352	20,160,372	19,995,240	20,200,024
Right-of-use assets, net		1,950,552	1,929,117	1,500,974	1,601,174	-
Investment property, net		13,845,593	13,852,096	13,858,910	13,872,790	13,742,376
Intangible assets, net		1,062,279	541,517	608,517	645,360	714,842
Deferred tax assets, net		3,272,664	3,339,503	3,245,453	3,197,348	3,001,405
Other assets		1,062,118	1,445,218	2,727,131	1,051,475	990,474
<b>Total assets</b>		<b>2,670,320,460</b>	<b>2,541,090,799</b>	<b>2,304,123,268</b>	<b>2,126,429,286</b>	<b>2,069,080,020</b>
Deposits from the Central Bank and banks		51,518,491	71,909,828	102,193,025	102,187,587	110,858,179
Due to the Central Bank and banks		-	27,667,470	14,829,050	-	-
Financial liabilities at fair value through profit or loss		6,920,062	3,150,309	7,293,565	4,247,279	11,047,488
Financial liabilities for hedging		-	-	-	-	-
Securities sold under repurchase agreement		941,013	1,372,860	1,226,633	1,547,291	5,285,890
Payables		31,716,456	36,527,049	21,966,509	21,676,201	35,699,603
Current tax liabilities		873,126	344,773	829,711	465,752	218,866
Liabilities related to assets classified as held for sale		-	-	-	-	-
Deposits and remittances		2,337,077,054	2,158,023,777	1,910,034,360	1,757,136,850	1,680,087,976
Bank notes payable		51,219,465	51,278,335	61,351,032	55,521,014	49,549,055
Preferred stock liabilities		-	-	-	-	-
Other financial liabilities		858,883	1,001,902	1,949,149	4,274,900	4,387,078
Reserve for liabilities		3,019,679	4,687,052	5,306,731	5,322,733	5,272,477
Lease liabilities		1,791,821	1,757,768	1,325,275	1,401,162	-
Deferred tax liabilities		9,418,151	8,802,086	8,294,747	7,892,389	7,350,045
Other liabilities		5,938,041	3,115,135	2,469,691	2,518,933	2,761,732
Total liabilities	Before distribution	2,501,292,242	2,369,638,344	2,139,069,478	1,964,192,091	1,912,518,389
	After distribution (Note)	2,507,118,643	2,374,882,629	2,142,807,978	1,968,186,215	1,918,783,682
Equity attributable to owners of the parent company		169,028,218	171,452,455	165,053,790	162,237,195	156,561,631
Capital stock	Before distribution	105,934,566	104,885,708	103,847,236	99,853,111	97,895,207
	After distribution (Note)	108,582,930	105,934,566	104,885,708	103,847,236	99,853,111
Capital surplus		-	-	-	-	-
Retained earnings	Before distribution	67,464,069	61,652,938	57,352,741	58,495,437	55,271,433
	After distribution (Note)	58,989,304	55,359,796	52,575,769	50,507,189	47,048,236
Other equity		(4,370,417)	4,913,809	3,853,813	3,888,647	3,394,991
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	169,028,218	171,452,455	165,053,790	162,237,195	156,561,631
	After distribution (Note)	163,201,817	166,208,170	161,315,290	158,243,071	150,296,338

Note: The 2022 earnings allocation has not yet been ratified by the 2023 Shareholders' Meeting.

## b. Condensed income statement:

Unit: NT\$ thousand

Item	Year	Consolidated Financial Information for the Past Five Years				
		2022	2021	2020	2019	2018
Interest income		41,611,955	27,492,016	29,816,159	39,190,235	38,422,200
Interest expense		16,966,652	7,026,311	10,675,907	16,340,528	15,232,556
Net income of interest		24,645,303	20,465,705	19,140,252	22,849,707	23,189,644
Net non-interest income		9,493,287	8,220,253	8,176,840	9,228,646	9,918,545
Net revenue and gains		34,138,590	28,685,958	27,317,092	32,078,353	33,108,189
Bad debts expense, commitment and guarantee liability provision		3,319,215	1,793,845	2,836,199	2,136,395	2,203,252
Operating expenses		17,768,647	16,771,674	16,170,327	16,421,666	16,194,853
Income before income tax from continuing operations		13,050,728	10,120,439	8,310,566	13,520,292	14,710,084
Income tax (expense) benefit		(2,079,577)	(1,316,636)	(1,269,639)	(1,948,510)	(2,063,549)
Net income from continuing operations		10,971,151	8,803,803	7,040,927	11,571,782	12,646,535
Income (loss) from discontinued operations		-	-	-	-	-
Net income (loss)		10,971,151	8,803,803	7,040,927	11,571,782	12,646,535
Other comprehensive income (loss)		(8,151,103)	1,333,363	(230,208)	369,075	109,534
Total comprehensive income		2,820,048	10,137,166	6,810,719	11,940,857	12,756,069
Net income attributed to owners of the Bank		10,971,151	8,803,803	7,040,927	11,571,782	12,646,535
Net income attributed to non-controlling interests		-	-	-	-	-
Total comprehensive income attributed to owners of the Bank		2,820,048	10,137,166	6,810,719	11,940,857	12,756,069
Total comprehensive income attributed to non-controlling interests		-	-	-	-	-
Basic EPS (NT\$) (Note)		1.04	0.83	0.66	1.09	1.19
Diluted EPS (NT\$) (Note)		1.03	0.83	0.66	1.09	1.19

Note: EPS is in NT\$, and the effect of stock dividends has been adjusted retrospectively.

Unit: NT\$ thousand

Item	Year	Individual Financial Information for the Past Five Years				
		2022	2021	2020	2019	2018
Interest income		40,723,269	26,677,281	28,936,758	38,189,030	38,335,813
Interest expense		16,747,760	6,853,773	10,495,056	16,118,024	15,210,271
Net income of interest		23,975,509	19,823,508	18,441,702	22,071,006	23,125,542
Net non-interest income		9,560,754	8,303,011	8,471,996	9,641,018	9,870,554
Net revenue and gains		33,536,263	28,126,519	26,913,698	31,712,024	32,996,096
Bad debts expense, commitment and guarantee liability provision		3,300,068	1,693,169	2,841,478	2,148,065	2,213,028
Operating expenses		17,262,096	16,318,134	15,760,721	16,051,483	16,076,534
Income before income tax from continuing operations		12,974,099	10,115,216	8,311,499	13,512,476	14,706,534
Income tax (expense) benefit		(2,002,948)	(1,311,413)	(1,270,572)	(1,940,694)	(2,059,999)
Net income from continuing operations		10,971,151	8,803,803	7,040,927	11,571,782	12,646,535
Income (loss) from discontinued operations		-	-	-	-	-
Net income (loss)		10,971,151	8,803,803	7,040,927	11,571,782	12,646,535
Other comprehensive income (loss)		(8,151,103)	1,333,363	(230,208)	369,075	109,534
Total comprehensive income		2,820,048	10,137,166	6,810,719	11,940,857	12,756,069
Net income attributed to owners of the Bank		10,971,151	8,803,803	7,040,927	11,571,782	12,646,535
Net income attributed to non-controlling interests		-	-	-	-	-
Total comprehensive income attributed to owners of the Bank		2,820,048	10,137,166	6,810,719	11,940,857	12,756,069
Total comprehensive income attributed to non-controlling interests		-	-	-	-	-
Basic EPS (NT\$) (Note)		1.04	0.83	0.66	1.09	1.19
Diluted EPS (NT\$) (Note)		1.03	0.83	0.66	1.09	1.19

Note: EPS is in NT\$, and the effect of stock dividends has been adjusted retrospectively.

## c. Name of CPAs and their audit opinions:

Item	Year	2022	2021	2020	2019	2018
Accounting firm		Deloitte & Touche				
CPA		Amanda Wu, Titan Lee		Jimmy S. Wu, Titan Lee		Jerry Gung, Titan Lee
Audit Opinion		Standard Unqualified Opinions				

## B. Financial Analysis for the Past Five Years

### a. Financial analysis:

Unit: NT\$ thousand

Item (Note)	Year	Consolidated Financial Analysis for the Past Five Years				
		2022	2021	2020	2019	2018
Operating ability	Ratio of loans to deposits	73.93	75.96	80.69	80.93	81.82
	Ratio of non-performing loan	0.20	0.33	0.38	0.34	0.32
	Ratio of interest expense to annual average deposits	0.63	0.29	0.48	0.73	0.69
	Ratio of interest income to annual average lending	1.92	1.47	1.62	2.06	2.09
	Total assets turnover ratio (times)	0.013	0.012	0.012	0.015	0.016
	Average revenue per employee	4,957	4,217	3,988	4,726	5,016
	Average profit per employee	1,593	1,294	1,028	1,705	1,916
Profitability	Return on Tier I capital	7.35	5.79	5.04	8.86	10.57
	Return on assets	0.42	0.36	0.32	0.55	0.61
	Return on equity	6.44	5.23	4.30	7.26	8.39
	Profit margin	32.14	30.69	25.77	36.07	38.20
	Basic EPS (NT\$)	1.04	0.83	0.66	1.09	1.19
	Diluted EPS (NT\$)	1.03	0.83	0.66	1.09	1.19
Financial structure	Ratio of liabilities to assets	93.70	93.28	92.87	92.40	92.48
	Ratio of real estate and equipment to equity	12.44	12.24	12.67	12.78	13.46
Growth rate	Ratio of asset growth	5.24	10.27	8.33	2.59	2.24
	Ratio of profit growth	28.95	21.78	-38.53	-8.09	3.71
Cash flow	Ratio of cash flow	-40.67	37.39	16.80	-36.42	-2.53
	Cash flow adequacy ratio	-36.43	217.95	194.33	371.01	631.61
	Cash flow satisfaction ratio	2,489	-7,219	-2,922	4,566	242
Ratio of liquid reserve		25.85	26.00	23.56	19.03	19.00
Related party secured loan		42,640,601	40,602,363	42,982,515	41,193,710	41,166,929
Ratio of related party secured loan of total loan		2.40	2.45	2.73	2.71	2.89
Operating scale	Market share of assets	4.27	4.29	4.15	4.15	4.23
	Market share of net worth	3.96	4.02	3.99	4.07	4.23
	Market share of deposits	4.40	4.32	4.22	4.21	4.24
	Market share of lending	4.44	4.45	4.47	4.55	4.48

Reasons for changes in the financial ratios in the most recent two years:

- The 2022 non-performing loan ratio is lower than that in 2021. This is mainly due to the Bank's active dealing with non-performing loans to improve asset quality.
- The 2022 interest expenses account for a higher percentage in average savings balance than that in 2021; interest income accounts for a higher percentage in average credit balance than that in 2021. This is mainly due to the interest increase of Central Bank of the Republic of China in 2022.
- The 2022 average earnings per employee, return on tier 1 capital, return on equity, earnings per share, and profitability growth are higher than those in 2021. This is mainly due to an increase in net profit in 2022 from 2021.
- The 2022 asset growth rate is lower than that in 2021. This is mainly due to a lower increase rate in net investment growth in 2022 compared to that in 2021.
- The changes in cash flow-related ratios are higher than 20% in 2022. This is mainly due to an increase in net cash outflow from operating activities in 2022 from 2021.

Note: The explanation and calculation in this table:

#### 1. Operating ability:

- Ratio of loans to deposits = Total loans / Total deposits
- Ratio of non-performing loan = Non-performing loan / Total loans
- Ratio of interest expense to annual average deposits = Interest expense related to deposits / Annual average deposits
- Ratio of interest income to annual average lending = Interest income related to lending / Annual average lending
- Total assets turnover ratio = Net revenue / Average total assets
- Average revenue per employee = Net revenue / Number of employees
- Average profit per employee = After-tax net income / Total number of employees

#### 2. Profitability:

- Return on Tier I capital = Before-tax earnings or losses / Net average Tier I capital
- Return on assets = Net income / Average total assets
- Return on equity = Net income / Average total equity
- Profit margin = After-tax net income / Net revenue
- EPS = (Equity attributable to owners of the parent company - Preferred stock dividend) / Average weighted outstanding stock

#### 3. Financial structure:

- Ratio of liabilities to assets = Total liabilities / Total assets
- Ratio of real estate and equipment to equity = Real estate and equipment / Equity

#### 4. Growth rate:

- Ratio of asset growth = (Total assets of the year - Total assets of previous year) / Total assets of previous year
- Ratio of profit growth = (Income before-tax - Income before-tax of previous year) / Income before-tax of previous year

#### 5. Cash flow:

- Ratio of cash flow = Net cash flow from business activities / (Call loans to banks and banks overdrafts + Commercial paper payable + Financial liabilities at fair value through profit or loss + Changes in notes and bonds issued under repurchase agreement + Accounts payable due in 1 year)
- Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditures + Cash dividends) for the past five years
- Cash flow satisfaction ratio = Net cash flow from operating activities / Net cash flow from investing activities



6. Ratio of liquid reserve = Liquid assets regulated by Central Bank/All liability need liquid reserve

7. Operating scale:

(1) Market share of assets = Total assets / Total assets of all financial institutions allowed to operate deposit/lending business

(2) Market share of net worth = Total equity / Total equity of all financial institutions allowed to operate deposit/lending business

(3) Market share of deposits = Total deposits / Total deposits of all financial institutions allowed to operate deposit/lending business

(4) Market share of lending = Total lending / Total lending of the all financial institutions allowed to operate deposit/lending business

Unit: NT\$ thousand

Item (Note)	Year	Individual Financial Analysis for the Past Five Years				
		2022	2021	2020	2019	2018
Operating ability	Ratio of loans to deposits	73.45	75.51	80.26	80.39	81.78
	Ratio of non-performing loan	0.20	0.33	0.38	0.34	0.32
	Ratio of interest expense to annual average deposits	0.63	0.28	0.47	0.73	0.69
	Ratio of interest income to annual average lending	1.89	1.44	1.59	2.03	2.08
	Total assets turnover ratio (times)	0.013	0.012	0.012	0.015	0.016
	Average revenue per employee	5,022	4,255	4,031	4,787	5,033
	Average profit per employee	1,643	1,332	1,055	1,747	1,929
Profitability	Return on Tier 1 capital	7.44	6.01	5.24	9.23	10.81
	Return on assets	0.42	0.36	0.32	0.55	0.62
	Return on equity	6.44	5.23	4.30	7.26	8.39
	Profit margin	32.71	31.30	26.16	36.49	38.33
	Basic EPS (NT\$)	1.04	0.83	0.66	1.09	1.19
	Diluted EPS (NT\$)	1.03	0.83	0.66	1.09	1.19
Financial structure	Ratio of liabilities to assets	93.67	93.25	92.84	92.37	92.43
	Ratio of real estate and equipment to equity	12.00	11.81	12.21	12.32	12.90
Growth rate	Ratio of asset growth	5.09	10.28	8.36	2.77	1.61
	Ratio of profit growth	28.26	21.70	-38.49	-8.12	3.68
Cash flow	Ratio of cash flow	-41.47	36.39	18.61	-40.28	0.85
	Cash flow adequacy ratio	-35.03	225.84	208.27	380.02	671.60
	Cash flow satisfaction ratio	2,051	7,156	-3,437	3,238	-9
Ratio of liquid reserve		25.85	26.00	23.56	19.03	19.00
Related party secured loan		42,640,601	40,602,363	42,982,515	41,193,710	41,166,929
Ratio of related party secured loan of total loan		2.40	2.45	2.73	2.71	2.89
Operating scale	Market share of assets	4.27	4.29	4.15	4.15	4.23
	Market share of net worth	3.96	4.02	3.99	4.07	4.23
	Market share of deposits	4.40	4.32	4.22	4.21	4.24
	Market share of lending	4.44	4.45	4.47	4.55	4.48

Reasons for changes in the financial ratios in the most recent two years:

1. The 2022 non-performing loan ratio is lower than that in 2021. This is mainly due to the Bank's active dealing with non-performing loans to improve asset quality.
2. The 2022 interest expenses account for a higher percentage in average savings balance than that in 2021; interest income accounts for a higher percentage in average credit balance than that in 2021. This is mainly due to the interest increase of Central Bank of the Republic of China in 2022.
3. The 2022 average earnings per employee, return on tier 1 capital, return on equity, earnings per share, and profitability growth are higher than those in 2021. This is mainly due to an increase in net profit in 2022 from 2021.
4. The 2022 asset growth rate is lower than that in 2021. This is mainly due to a lower increase rate in net investment growth in 2022 compared to that in 2021.
5. The changes in cash flow-related ratios are higher than 20% in 2022. This is mainly due to an increase in net cash outflow from operating activities in 2022 from 2021.

Note: Explanation and calculation are the same as the previous table.

## b. Capital adequacy:

Unit: NT\$ thousand

Item (Note 2)	Year	Consolidated Capital Adequacy Ratio for the Past Five Years (Note 1)					
		2022	2021	2020	2019	2018	
Self-owned capital	Common equity Tier I	151,058,270	150,992,088	145,659,743	140,790,667	136,278,731	
	Other Tier I capital	26,800,000	26,415,100	26,422,600	16,874,772	11,398,831	
	Tier II capital	44,588,149	47,630,296	48,629,424	54,231,213	57,012,582	
	Self-owned capital	222,446,419	225,037,484	220,711,767	211,896,652	204,690,144	
Risk-weighted assets	Credit risk	Standardized approach	1,465,675,556	1,356,082,940	1,390,652,840	1,360,106,227	1,302,768,815
		IRB	-	-	-	-	-
		Securitization	4,048,285	3,727,948	533,801	-	133,357
	Operation risk	Basic indicator approach	-	-	-	-	-
		Standardized approach/ optional standard	54,322,617	51,808,367	55,422,259	57,819,213	57,297,063
		Advanced internal rating based approach	-	-	-	-	-
	Market price risk	Standardized approach	24,075,092	22,422,633	14,806,764	22,515,159	19,340,309
		Internal model approach	-	-	-	-	-
	Total		1,548,121,550	1,434,041,888	1,461,415,664	1,440,440,599	1,379,539,544
	Capital adequacy ratio (%)		14.37	15.69	15.10	14.71	14.84
Tier I capital to risk-weighted assets ratio (%)		11.49	12.37	11.78	10.95	10.70	
Common equity Tier I to risk-weighted assets ratio (%)		9.76	10.53	9.97	9.77	9.88	
Leverage ratio (%)		6.23	6.51	6.94	6.90	6.62	
Reason for changes in capital adequacy ratio in the most recent 2 years: None.							

Note 1: The ratios are calculated in accordance with the Regulations Governing the Capital Adequacy and Capital category of Banks.

Note 2: Formula:

- Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital
- Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5
- Capital adequacy = Self-owned capital ÷ Risk-weighted assets
- Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets
- Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets
- Leverage ratio = Tier I capital ÷ Adjusted average assets

Unit: NT\$ thousand

Item (Note 2)	Year	Individual Capital Adequacy Ratio for the Past Five Years (Note 1)					
		2022	2021	2020	2019	2018	
Self-owned capital	Common equity Tier I	151,087,455	147,811,903	142,528,000	137,632,587	133,169,964	
	Other Tier I capital	26,800,000	23,112,609	23,190,418	13,602,903	8,264,615	
	Tier II capital	44,729,315	40,719,243	41,899,481	47,495,511	50,502,460	
	Self-owned capital	222,616,770	211,643,755	207,617,899	198,731,001	191,937,039	
Risk-weighted assets	Credit risk	Standardized approach	1,478,748,906	1,341,705,186	1,377,562,106	1,346,134,887	1,283,755,061
		IRB	-	-	-	-	-
		Securitization	4,048,285	3,727,948	533,801	-	133,357
	Operation risk	Basic indicator approach	-	-	-	-	-
		Standardized approach/ optional standard	53,254,318	50,940,357	54,834,257	57,479,000	57,175,125
		Advanced internal rating based approach	-	-	-	-	-
	Market price risk	Standardized approach	20,328,112	17,132,475	10,967,292	19,495,451	18,998,850
		Internal model approach	-	-	-	-	-
	Total		1,556,379,621	1,413,505,966	1,443,897,456	1,423,109,338	1,360,062,393
	Capital adequacy ratio (%)		14.30	14.97	14.38	13.96	14.11
Tier I capital to risk-weighted assets ratio (%)		11.43	12.09	11.48	10.63	10.40	
Common equity Tier I to risk-weighted assets ratio (%)		9.71	10.46	9.87	9.67	9.79	
Leverage ratio (%)		6.26	6.31	6.73	6.67	6.40	
Reason for changes in capital adequacy ratio in the most recent 2 years: None.							

Note 1 and 2: Explanation and calculation are the same as the previous table.

### C. In the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report, Any Financial Difficulties Experienced, and How the Said Difficulties Affect the Bank's Financial Status:

None.

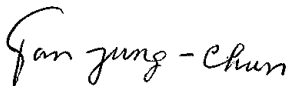
## D. Audit Committee's Audit Report on the Financial Statements in the Most Recent Fiscal Year

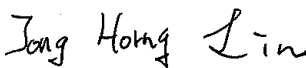
Chang Hwa Commercial Bank, Ltd.  
Audit Report of Audit Committee  
February 23, 2023


### To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2022 Report on Business Operations and various financial statements (including Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, and Cash Flow Statement). All the financial statements (including consolidated basis) have been certified by Amanda Wu, CPA and Titan Lee, CPA of Deloitte & Touche, and upon which a Standard Unqualified Opinion has been issued. These statements referred to above present fairly the financial position as of December 31, 2022 and the operation results and cash flows in 2022 of the company. The Audit Committee has reviewed the above-mentioned statements in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and hereby provides such audit report.

The Audit Committee, Chang Hwa Commercial Bank, Ltd.

Independent Director & Chairman : Jung-Chun Pan 

Independent Director : Jong-Hong Lin 

Independent Director : Chih-Jong Suen 

Chang Hwa Commercial Bank, Ltd.  
Audit Report of Audit Committee  
April 26, 2023

**To: Shareholders of Chang Hwa Commercial Bank, Ltd.**

The Board of Directors has prepared the 2022 Earnings Distribution Proposal. The Audit Committee has reviewed the aforementioned Proposal in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and confirmed its consistency with related laws and rules. The Audit Committee hereby provides the said audit report.

The Audit Committee, Chang Hwa Commercial Bank, Ltd.

Independent Director & Chairman : Jung-Chun Pan *Jung-Chun Pan*

Independent Director : Jong-Horng Lin *Jong-Horng Lin*

Independent Director : Chih-Jong Suen *Chih-Jong Suen*

## E. Financial Statements in the Most Recent Fiscal Year

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Chang Hwa Commercial Bank, Ltd.

#### Opinion

We have audited the accompanying consolidated financial statements of Chang Hwa Commercial Bank, Ltd. (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years 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 Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following is the description for the key audit matter in the audit of the consolidated financial statements of the Group for the year ended December 31, 2022.

#### Impairment Assessment of Loans

Loans are the most important assets of the Group. As of December 31, 2022, the balance of the Group's loans totaled \$1,685,320,445 thousand, accounting for 63% of the Group's total consolidated assets. The Group assessed the impairment on loans in accordance with IFRS 9 and with relevant regulations on recognizing allowance for loans. As the assessment of the impairment on the aforementioned assets involves the management's critical judgments, estimations and assumptions, we considered the impairment assessment on loans as a key audit matter. Refer to Notes 4, 5 and 12 to the Group's consolidated financial statements for related information.

Our main audit procedures performed in response to the key audit matter described above were as follows:

When assessing the appropriateness of the impairment on loans, we understood and tested the internal controls relevant to the lending process and assessment of loan impairment. We tested whether the expected credit loss was calculated by loans grouped by borrowers and credit risk characteristics. We further verified whether the parameters utilized in the impairment loss model (including the probability of default adjusted for forward-looking factors, loss given default, and exposure at default) to reflect the actual situation, and we recalculated the impairment loss on loans, examined the classification of loan credit assets, and assessed the loan provisions in compliance with relevant regulations.

#### **Other Matter**

We have also audited the financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

#### **Responsibilities of Management and Those Charged with Governance for 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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.



## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Mei Hui Wu and Tung Feng Lee.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 23, 2023

#### Notice to Readers

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

*For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.*

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(In Thousands of New Taiwan Dollars)

	2022		2021	
	Amount	%	Amount	%
<b>ASSETS</b>				
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 51,758,581	2	\$ 41,507,576	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	149,988,138	6	249,194,363	10
Financial assets at fair value through profit or loss (Notes 4, 7, 34, 36 and 37)	31,485,681	1	56,611,729	2
Financial assets at fair value through other comprehensive income (Notes 4, 8, 10, 34 and 37)	214,615,957	8	174,195,003	7
Financial assets for hedging (Notes 4 and 13)	-	-	147,321	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 10, 34 and 37)	485,011,259	18	405,256,329	16
Receivables, net (Notes 4, 11 and 12)	22,446,573	1	22,928,736	1
Current tax assets (Notes 4 and 31)	44,675	-	344,089	-
Discounts and loans, net (Notes 4, 5, 12, 34, 35 and 36)	1,685,320,445	63	1,554,775,087	61
Other financial assets, net (Notes 4, 14 and 37)	1,768,723	-	3,857,675	-
Property and equipment, net (Notes 4 and 16)	21,030,975	1	20,979,380	1
Right-of-use assets, net (Notes 4 and 17)	1,954,493	-	1,941,510	-
Investment properties, net (Notes 4 and 18)	13,845,593	-	13,852,096	-
Intangible assets, net (Notes 4 and 19)	1,121,815	-	595,639	-
Deferred tax assets (Notes 4 and 31)	3,390,756	-	3,455,911	-
Other assets, net (Notes 20 and 37)	<u>1,068,655</u>	<u>-</u>	<u>1,464,053</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 2,684,852,319</u></b>	<b><u>100</u></b>	<b><u>\$ 2,551,106,497</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND EQUITY</b>				
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	\$ 52,877,055	2	\$ 72,221,898	3
Due to the Central Bank and banks (Notes 6 and 37)	-	-	27,667,470	1
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 36)	6,920,062	-	3,150,309	-
Securities sold under repurchase agreements (Note 4)	941,013	-	1,372,860	-
Payables (Notes 4, 22 and 29)	31,965,424	1	36,770,068	2
Current tax liabilities (Notes 4 and 31)	896,855	-	318,060	-
Deposits and remittances (Notes 4, 23 and 36)	2,349,882,620	88	2,167,441,232	85
Bank notes payable (Notes 4, 24 and 34)	51,219,465	2	51,278,335	2
Other financial liabilities (Notes 4 and 25)	858,883	-	1,001,902	-
Reserve for liabilities (Notes 4, 5, 27 and 28)	3,023,164	-	4,694,126	-
Lease liabilities (Notes 4 and 17)	1,794,804	-	1,770,490	-
Deferred tax liabilities (Notes 4 and 31)	9,430,267	1	8,818,712	-
Other liabilities (Notes 4, 16 and 26)	<u>6,014,489</u>	<u>-</u>	<u>3,148,580</u>	<u>-</u>
Total liabilities	<u>2,515,824,101</u>	<u>94</u>	<u>2,379,654,042</u>	<u>93</u>
<b>EQUITY (Notes 4, 29 and 31)</b>				
Capital stock				
Common stock	105,934,566	4	104,885,708	4
Retained earnings				
Legal reserve	43,043,607	2	40,320,456	2
Special reserve	12,201,590	-	12,201,590	1
Unappropriated earnings	12,218,872	-	9,130,892	-
Other equity	<u>(4,370,417)</u>	<u>-</u>	<u>4,913,809</u>	<u>-</u>
Total equity	<u>169,028,218</u>	<u>6</u>	<u>171,452,455</u>	<u>7</u>
<b>TOTAL</b>	<b><u>\$ 2,684,852,319</u></b>	<b><u>100</u></b>	<b><u>\$ 2,551,106,497</u></b>	<b><u>100</u></b>

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

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
INTEREST INCOME (Notes 4, 30 and 40)	\$ 41,611,955	122	\$ 27,492,016	96	51
INTEREST EXPENSE (Notes 30, 36 and 40)	<u>(16,966,652)</u>	<u>(50)</u>	<u>(7,026,311)</u>	<u>(25)</u>	141
NET INCOME OF INTEREST	<u>24,645,303</u>	<u>72</u>	<u>20,465,705</u>	<u>71</u>	20
NET NON-INTEREST INCOME					
Net service fee income (Notes 4 and 30)	4,256,183	12	4,554,268	16	(7)
Gain on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	3,311,935	10	1,237,708	4	168
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 30)	70,374	-	1,483,220	5	(95)
(Loss) gain arising from derecognition of financial assets at amortized cost	(1,637)	-	29	-	(5,745)
Foreign exchange gain (Notes 4 and 34)	1,640,408	5	494,694	2	232
Net other non-interest income (Notes 13 and 15)	<u>216,024</u>	<u>1</u>	<u>450,334</u>	<u>2</u>	(52)
Net non-interest income	<u>9,493,287</u>	<u>28</u>	<u>8,220,253</u>	<u>29</u>	15
NET REVENUE AND GAINS	<u>34,138,590</u>	<u>100</u>	<u>28,685,958</u>	<u>100</u>	19
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	<u>(3,319,215)</u>	<u>(10)</u>	<u>(1,793,845)</u>	<u>(6)</u>	85
OPERATING EXPENSES					
Employee benefits expenses (Notes 4 and 30)	(11,721,438)	(34)	(11,408,544)	(40)	3
Depreciation and amortization expenses (Notes 4 and 30)	(1,570,762)	(5)	(1,420,297)	(5)	11
Other general and administrative expenses	<u>(4,476,447)</u>	<u>(13)</u>	<u>(3,942,833)</u>	<u>(14)</u>	14

(Continued)

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Total operating expenses	<u>\$ (17,768,647)</u>	<u>(52)</u>	<u>\$ (16,771,674)</u>	<u>(59)</u>	6
INCOME BEFORE INCOME TAX	13,050,728	38	10,120,439	35	29
INCOME TAX EXPENSE (Notes 4 and 31)	<u>(2,079,577)</u>	<u>(6)</u>	<u>(1,316,636)</u>	<u>(4)</u>	58
NET INCOME	<u>10,971,151</u>	<u>32</u>	<u>8,803,803</u>	<u>31</u>	25
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified to profit or loss, net of tax:					
Remeasurement of defined benefit plans (Notes 4 and 28)	1,371,103	4	325,487	1	321
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	(4,665,626)	(14)	2,941,694	10	(259)
Income tax related to items that will not be reclassified to profit or loss (Notes 4 and 31)	(274,226)	(1)	(65,126)	-	321
Items that will be reclassified to profit or loss, net of tax:					
Exchange differences on translation (Note 4)	2,565,408	8	(516,997)	(2)	596
Revaluation losses on investments in debt instruments measured at fair value through other comprehensive income	(7,112,627)	(21)	(1,438,153)	(5)	395
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(2,037)	-	14,282	-	(114)
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	<u>(33,098)</u>	<u>-</u>	<u>72,176</u>	<u>-</u>	(146)
Other comprehensive (loss) income, net of tax	<u>(8,151,103)</u>	<u>(24)</u>	<u>1,333,363</u>	<u>4</u>	(711)

(Continued)

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,820,048</u>	<u>8</u>	<u>\$ 10,137,166</u>	<u>35</u>	(72)
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	<u>\$ 10,971,151</u>	<u>32</u>	<u>\$ 8,803,803</u>	<u>31</u>	25
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	<u>\$ 2,820,048</u>	<u>8</u>	<u>\$ 10,137,166</u>	<u>35</u>	(72)
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	-
EARNINGS PER SHARE (Note 32)					
Basic	<u>\$1.04</u>		<u>\$0.83</u>		
Diluted	<u>\$1.03</u>		<u>\$0.83</u>		

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

(Concluded)



## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank						Other Equity		Total Equity
	Common Stock (In Thousands)	Capital Stock Amount	Legal Reserve	Retained Earnings Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income		
BALANCE, JANUARY 1, 2021	10,384,724	\$ 103,847,236	\$ 38,266,789	\$ 12,201,590	\$ 6,884,362	\$ (2,870,996)	\$ 6,724,809	\$ 165,053,790	
Appropriation of 2020 earnings	-	-	-	-	(2,053,667)	-	-	-	
Legal reserve appropriated	-	-	2,053,667	-	(3,738,501)	-	-	(3,738,501)	
Cash dividends	-	-	-	-	(1,038,472)	-	-	-	
Stock dividends	103,847	1,038,472	-	-	-	-	-	-	
Net income for the year ended December 31, 2021	-	-	-	-	8,803,803	-	-	8,803,803	
Other comprehensive income (loss) for the year ended December 31, 2021, net of tax	-	-	-	-	260,361	(442,670)	1,515,672	1,333,363	
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	9,064,164	(442,670)	1,515,672	10,137,166	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	13,006	-	(13,006)	-	
BALANCE, DECEMBER 31, 2021	10,488,571	104,885,708	40,320,456	12,201,590	9,130,892	(3,313,666)	8,227,475	171,452,455	
Appropriation of 2021 earnings	-	-	-	-	(2,723,151)	-	-	-	
Legal reserve appropriated	-	-	2,723,151	-	(5,244,285)	-	-	(5,244,285)	
Cash dividends	-	-	-	-	(1,048,858)	-	-	-	
Stock dividends	104,886	1,048,858	-	-	-	-	-	-	
Net income for the year ended December 31, 2022	-	-	-	-	10,971,151	-	-	10,971,151	
Other comprehensive income (loss) for the year ended December 31, 2022, net of tax	-	-	-	-	1,096,877	2,397,452	(11,645,432)	(8,151,103)	
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	12,068,028	2,397,452	(11,645,432)	2,820,048	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	36,246	-	(36,246)	-	
BALANCE, DECEMBER 31, 2022	10,593,457	\$ 105,934,566	\$ 43,043,607	\$ 12,201,590	\$ 12,218,872	\$ (916,214)	\$ (3,454,203)	\$ 169,028,218	

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

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Net cash flows (use in) generated from operating activities		
Net income before income tax	\$ 13,050,728	\$ 10,120,439
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	3,319,215	1,793,845
Depreciation expense	1,214,075	1,159,730
Amortization expense	356,687	260,567
Interest income	(41,611,955)	(27,492,016)
Dividend income	(1,367,402)	(1,069,138)
Interest expense	16,966,652	7,026,311
Net gain on financial assets or liabilities at fair value through profit or loss	(4,437,335)	(1,719,437)
Loss (gain) on disposal of investments	1,290,412	(416,179)
Unrealized foreign exchange loss	1,125,400	481,729
Other adjustments	491,723	(26,172)
Changes in operating assets and liabilities		
Increase in due from the Central Bank	(731,356)	(9,457,993)
Decrease (increase) financial assets at fair value through profit or loss	31,550,272	(45,392,998)
Decrease (increase) in receivables	3,243,582	(1,556,137)
Increase in discounts and loans	(133,764,597)	(78,989,768)
Increase in financial assets at fair value through other comprehensive income	(53,490,019)	(49,565,209)
Increase in investments in debt instruments at amortized cost	(79,754,815)	(59,972,853)
Decrease in other financial assets	2,082,292	21,830,480
Decrease in other assets	402,771	1,281,191
Decrease in deposits from the Central Bank and banks	(109,878)	(58,641)
Increase in deposits and remittances	182,441,388	249,454,083
(Decrease) increase in payables	(6,594,343)	14,909,065
Increase in financial liabilities at fair value through profit or loss	318,497	312,195
Decrease in reserve for liabilities	(297,401)	(127,003)
Decrease in other financial liabilities	(143,019)	(947,247)
Increase in other liabilities	<u>2,831,851</u>	<u>661,567</u>
Cash flows (use in) generated from operations	(61,616,575)	32,500,411
Interest received	39,123,285	27,785,977
Dividends received	1,370,152	1,068,888
Interest paid	(15,243,031)	(7,401,446)
Income taxes paid	<u>(1,131,396)</u>	<u>(1,392,924)</u>
Net cash flows (use in) generated from operating activities	<u>(37,497,565)</u>	<u>52,560,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(741,531)	(574,604)
Acquisition of intangible assets	(765,280)	(153,424)
Acquisition of investment properties	-	(91)
Proceeds from disposal of properties	<u>19</u>	<u>-</u>

(Continued)

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Net cash flows used in investing activities	<u>\$ (1,506,792)</u>	<u>\$ (728,119)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in due to the Central Bank and banks	(46,902,435)	(18,102,668)
Repayments of bank notes	-	(10,000,000)
(Decrease) increase in securities sold under repurchase agreement	(431,847)	146,227
Repayment of the principal portion of lease liabilities	(669,060)	(568,858)
Cash dividends paid	<u>(5,244,285)</u>	<u>(3,738,501)</u>
Net cash flows used in financing activities	<u>(53,247,627)</u>	<u>(32,263,800)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>2,565,408</u>	<u>(516,997)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(89,686,576)	19,051,990
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>194,506,675</u>	<u>175,454,685</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 104,820,099</u>	<u>\$ 194,506,675</u>
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents in the consolidated balance sheets	\$ 51,758,581	\$ 41,507,576
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>53,061,518</u>	<u>152,999,099</u>
Cash and cash equivalents at end of year	<u>\$ 104,820,099</u>	<u>\$ 194,506,675</u>

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

(Concluded)

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

#### 1. ORGANIZATION AND BUSINESS SCOPE

Chang Hwa Commercial Bank, Ltd. (the "Bank") was incorporated under Banking Law, Securities and Exchange Law and Taiwan Company Law on March 1, 1947 and obtained its banking license from the Ministry of Economic Affairs in July 1950. The Bank's shares have been listed and traded on the Taiwan Stock Exchange (TWSE) since February 1962.

The Bank mainly engages in the following business:

- All commercial banking operations allowed by the Banking Law;
- Trust operations;
- International banking operations;
- Overseas branch operations authorized by the respective foreign governments; and
- Other operations authorized by the central authority.

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

#### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors on February 23, 2023.

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

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

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

- Annual Improvements to IFRS Standards 2018-2020

Several standards were amended in the annual improvements and in which the Group applied the amendments to IFRS 9 to modifications and exchanges of financial liabilities that occur on or after January 1, 2022. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

- Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

The Group elected to apply the practical expedient provided in the amendments to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Group applies the amendment from January 1, 2022 and recognizes the cumulative effect of retrospective application in retained earnings on January 1, 2022.

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

	New IFRSs	Effective Date Announced by IASB
	Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
	Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
	Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023 (Note 3)
	Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.	
	Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.	
	Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.	

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 will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

	New IFRSs	Effective Date Announced by IASB (Note 1)
	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
	Amendments to IFRS 16 "Leases titled Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
	IFRS 17 "Insurance Contracts"	January 1, 2023
	Amendments to IFRS 17	January 1, 2023
	Amendments to IFRS 17 "Initial Application of IFRS 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 "Regarding the Classification of 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 will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed and issued into effect by the FSC.

##### Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values, 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:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. 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
- c. Level 3 inputs are unobservable inputs for an asset or liability.

##### Current/Noncurrent Assets and Liabilities

Because of its business characteristics, assets and liabilities of the Group are classified according to their liquidity rather than classified as current or noncurrent assets or liabilities.

##### Basis of Consolidation

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 Bank.

See Note 15 and Table 1 for detailed information on subsidiaries (including percentages of ownership and main businesses).

##### Foreign Currencies

In preparing the Group's financial statements, transactions in currencies other than the Group's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the functional currencies of the Group are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

##### Property and Equipment

Property and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property and equipment when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

##### Investment Properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

## Intangible Assets

- a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

- b. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

## Impairment of Property and Equipment, Right-of-use Assets, Tangible and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## Financial Instruments

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

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

- a. Financial assets

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

## 1) Measurement categories

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

- a) Financial assets at FVTPL

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

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, and dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 3.4.

- b) Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or



Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

### 3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

### b. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

### c. Financial liabilities

#### 1) Subsequent measurement

Except for the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

#### a) Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

iv. The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

### c) Investments in debt instruments designated at FVTOCI

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

i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

### d) Investments in equity instruments designated at FVTOCI

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

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

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

### 2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

#### **Bonds or Securities Purchased/Sold under Specific Agreements**

Bonds or securities sold under repurchase agreement are recorded at sale price. Interest revenues and expenses are recorded on accrual basis.

#### **Hedge Accounting**

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges. Hedges of foreign exchange risk on firm commitments are accounted for as fair value hedges.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date on which the hedge accounting is discontinued. The adjustment is based on a recalculated effective interest rate at the date on which amortization begins and will be amortized fully upon maturity of the financial instrument.

#### **Reserve for Liabilities**

Reserve for liabilities, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **Revenue Recognition**

- a. Dividend and interest income

Dividend income from investments is recognized when the stockholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the applicable effective interest rate. When the loans become past due and are considered uncollectible, the principal and interest receivable are

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

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

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividends paid on such financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 34.

#### b) Financial guarantee contracts

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

- i. The amount of the loss allowance reflecting expected credit losses; and
- ii. The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

#### 2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### d. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, FX swap, cross currency swap, interest rate swaps and currency option.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

transferred to delinquent loan accounts, and the accrual of interest income is stopped. Interest income will be recognized when the delinquent interest is collected.

If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue, classified into other liability and recognized as income when collected.

A single or a group of financial assets are written off due to impairment loss, the subsequent recognition of interest income is calculated by using the interest rate used by discount future cash flows when measuring impairment loss.

b. Service fee

Service revenue and real estate management service revenue are recognized at once after providing loans or other services. If the service revenue belongs to several significant items, it is recognized when the significant items are accomplished, such as the service revenue which the lead arranger bank of syndication loan received. If the service revenue is for further loan service and of significant amount, it is allocated during the period of the service or included in the base of calculation the effective interest rate of loans and receivables.

**Leases**

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Group as lessor

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

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

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

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Bank accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occur and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

**Employee Benefits**

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest cost) and net interest on the net defined benefit liability are recognized as employee benefits expense in the period in which they occur. Remeasurement,

comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

The Group provides employees with high-yield savings account. The premium interest rate applies to a fixed amount of principal and the interest is paid to present employees (within employment and retirement) and retired employees. The difference between the premium rate and the market rate is classified as employee benefits.

According to the "Regulations Governing the Preparation of Financial Reports by Public Banks," Rule No. 28, the premium interest resulting from the yield between the premium rate and the general market rate shall immediately be actuarially calculated based on the FSC-recognized IAS 19 when employees retire. However, if there are authorized regulations from the government regarding the actuarial assumption parameters, the regulations shall prevail. Actuarial benefits and service cost from prior periods are recognized as profit or loss when they are incurred.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

##### b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

##### c. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations 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 continuously 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.

#### Key Sources of Estimation Uncertainty

##### Estimated impairment of financial assets

The provision for impairment of loans trade receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, which are based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 8, 9, 11, 12 and 27. Where the actual future cash inflows are less than the Bank's expectation, a material impairment loss may arise.



6. CASH AND CASH EQUIVALENTS/DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS/DUE TO THE CENTRAL BANK AND BANKS

a. Cash and cash equivalents

	December 31	
	2022	2021
Cash on hand	\$ 22,729,933	\$ 11,986,278
Checks for clearing	13,974,453	14,552,468
Due from banks	13,382,702	13,433,148
Foreign currencies on hand	1,671,493	1,535,682
	<u>\$ 51,758,581</u>	<u>\$ 41,507,576</u>

b. Due from the Central Bank and call loans to banks

	December 31	
	2022	2021
Call loans to banks	\$ 53,061,518	\$ 152,999,099
Reserve for checking accounts	14,710,869	24,508,522
Reserve for demand accounts	62,702,031	54,264,266
Reserve for foreign deposits	680,352	598,428
Others	18,833,368	16,824,048
	<u>\$ 149,988,138</u>	<u>\$ 249,194,363</u>

Cash and cash equivalents and due from the Central Bank and call loans to banks are assessed for impairment using an approach similar to those used for investments in debt instruments (refer to Note 10). The Group considers its cash and cash equivalents to have low credit risk so its credit loss evaluation is on a 12-month expected credit loss basis.

c. Due to the Central Bank and banks

	December 31	
	2022	2021
Other dues to the Central Bank	\$ -	\$ 27,667,470

The Group has set aside \$35,000,000 thousand in 2021 in the Central Bank as reserve for demand accounts in accordance with the Central Bank's regulations on capital requirements as a response to the COVID-19.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial Assets at Fair Value through Profit or Loss (FVTPL)

	December 31	
	2022	2021
Financial assets mandatorily classified at FVTPL		
Derivative financial assets (not under hedge accounting)		
Futures	\$ 1,099,905	\$ 159,609
Forward exchange contracts	133,047	86,476
Interest rate swaps	240,578	128,448
Currency swaps	7,782,948	1,728,652
Currency call option premiums	46,904	32,426
Non-derivative financial assets		
Investment in bills	15,170,225	50,539,806
Domestic listed stock	97,948	23,166
Domestic unquoted stock	474,967	331,681
Funds	53,708	12,000
Bank notes	-	858,997
Government bonds	3,621,274	440,518
Corporate bonds	2,764,177	2,269,950
	<u>\$ 31,485,681</u>	<u>\$ 56,611,729</u>

The par values of notes provided for transactions with repurchase agreements were \$433,500 thousand as of December 31, 2021.

Financial Liabilities at FVTPL

	December 31	
	2022	2021
Financial liabilities held for trading		
Derivative financial liabilities (not applying hedge accounting)		
Forward exchange contracts	\$ 75,175	\$ 28,402
Interest rate swaps	213,693	128,981
Currency swaps	6,584,287	2,960,496
Currency put option premiums	46,907	32,430
	<u>\$ 6,920,062</u>	<u>\$ 3,150,309</u>

The Group entered into derivative contracts during the years ended December 31, 2022 and 2021 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Group is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of December 31, 2022 and 2021 were as follows:

	December 31	
	2022	2021
Currency swaps	\$ 539,973,723	\$ 671,334,286
Currency options	16,582,846	14,821,235
Forward exchange contracts	10,225,060	14,430,824
Interest rate swaps	62,923,726	107,323,685

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

	December 31	
	2022	2021
Investments in equity instruments at FVTOCI		
Domestic listed stocks	\$ 13,905,929	\$ 15,814,451
Domestic unquoted stocks	8,438,981	11,494,597
Beneficiary and asset-based securities	<u>232,875</u>	<u>233,100</u>
	<u>22,577,785</u>	<u>27,542,148</u>
Investments in debt instruments at FVTOCI		
Government bonds	51,802,752	27,322,940
Corporate bonds	70,619,681	51,529,797
Bank notes	61,770,611	61,181,463
Bonds issued by international organizations	2,845,119	850,502
Beneficiary and asset-based securities	3,831,173	4,651,193
Investments in bills	<u>1,168,836</u>	<u>1,116,960</u>
	<u>192,038,172</u>	<u>146,652,855</u>
	<u>\$ 2,114,615,957</u>	<u>\$ 1,774,195,003</u>

A portion of investments in equity instruments is for strategic instruments and are not held for trading, the management designated these investments as at FVTOCI.

- Refer to Note 10 for information relating to their credit risk management and impairment.
- The par values of bonds provided for transactions with repurchase agreement were \$852,800 thousand and \$852,600 thousand as of December 31, 2022 and 2021, respectively.
- Government bonds placed as deposits in courts amounted to \$237,600 thousand and \$249,300 thousand as of December 31, 2022 and 2021, respectively. Government bonds placed as operating deposits amounted to \$330,000 thousand; government bonds placed as a reserve fund for trust compensation amounted to \$220,000 thousand; overseas branches' bonds provided as collateral for operations were \$420,637 thousand and \$217,887 thousand as of December 31, 2022 and 2021, respectively. On December 31, 2021, the amount of government bonds provided by the Central Bank as collateral for treasury business was \$5,600,000 thousand. Refer to Note 37 for information relating to investments in debt instruments at FVTOCI pledged as security.

## 9. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2022	2021
Investments in bills	\$ 363,113,218	\$ 360,215,104
Bank notes	45,936,665	11,339,437
Corporate bonds	7,908,926	3,652,914
Government bonds	40,542,330	11,243,118
Bonds issued by international organization	11,583,998	5,323,099
Beneficiary and asset-based securities	<u>15,926,122</u>	<u>13,482,657</u>
	<u>\$ 485,011,259</u>	<u>\$ 405,256,329</u>

- Refer to Note 10 for information relating to their credit risk management and impairment.

b. The amounts of the overseas branches' bonds provided as collateral for operations were \$153,625 thousand and \$138,275 thousand as of December 31, 2022 and 2021, respectively.

c. Certificates of deposit placed as reserves for clearing at the Central Bank amounted to \$36,000,000 thousand; certificates of deposit which were issued by the Central Bank and pledged for call loans from banks amounted to \$5,300,000 thousand as of December 31, 2022 and 2021.

- Refer to Note 37 for information relating to investments in debt instruments at amortized cost pledged as security.

## 10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at FVTOCI and as at amortized cost.

	December 31, 2022		December 31, 2021	
	At FVTOCI	At Amortized Cost	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 199,910,577	\$ 485,024,340	\$ 199,910,577	\$ 485,024,340
Less: Allowance for impairment loss	<u>(51,619)</u>	<u>(13,081)</u>	<u>(51,619)</u>	<u>(13,081)</u>
Amortized cost	199,858,958	485,011,259	199,858,958	485,011,259
Adjustment to fair value	<u>(7,820,786)</u>	<u>(7,820,786)</u>	<u>(7,820,786)</u>	<u>(7,820,786)</u>
	<u>\$ 192,038,172</u>	<u>\$ 477,190,473</u>	<u>\$ 192,038,172</u>	<u>\$ 477,190,473</u>

December 31, 2021

	December 31, 2021		December 31, 2021	
	At FVTOCI	At Amortized Cost	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 147,412,633	\$ 405,260,925	\$ 147,412,633	\$ 405,260,925
Less: Allowance for impairment loss	<u>(53,656)</u>	<u>(4,596)</u>	<u>(53,656)</u>	<u>(4,596)</u>
Amortized cost	147,358,977	405,256,329	147,358,977	405,256,329
Adjustment to fair value	<u>(706,122)</u>	<u>(706,122)</u>	<u>(706,122)</u>	<u>(706,122)</u>
	<u>\$ 146,652,855</u>	<u>\$ 404,550,207</u>	<u>\$ 146,652,855</u>	<u>\$ 404,550,207</u>

The Group only invests in debt instruments that are rated as investment grade or higher and are assessed as having low credit impairment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored and assessed for whether there has been a significant increase in credit risk since the last period to the reporting date.



The Group considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses	At Amortized Cost
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs	
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit impaired	
Defaulted	There is evidence indicating that the asset is credit impaired	Lifetime ECLs - credit impaired	
Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:			
<u>December 31, 2022</u>			
Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3076%	\$ 199,910,577	\$ 485,024,340
<u>December 31, 2021</u>			
Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3396%	\$ 147,412,633	\$ 405,260,925
<u>At FVTOCI</u>			

At amortized cost

Allowance for Impairment Loss	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	
Balance at January 1, 2022	\$ 4,596	\$ -	\$ -	\$ 4,596
Purchase of investments in debt instruments	9,472	-	-	9,472
Change in exchange rates or others	(987)	-	-	(987)
Balance at December 31, 2022	\$ 13,081	\$ -	\$ -	\$ 13,081
Balance at January 1, 2021	\$ 1,787	\$ -	\$ -	\$ 1,787
Purchase of investments in debt instruments	4,402	-	-	4,402
Derecognition	(1,785)	-	-	(1,785)
Change in exchange rates or others	192	-	-	192
Balance at December 31, 2021	\$ 4,596	\$ -	\$ -	\$ 4,596

11. RECEIVABLES, NET

a. Details of receivables

	December 31	
	2022	2021
Accounts receivable	\$ 7,972,996	\$ 9,987,264
Accrued incomes	9,408	11,666
Interests receivable	5,849,600	2,987,905
Acceptances receivable	4,665,622	5,033,937
Credit cards accounts receivable	2,919,757	3,565,790
Settlement price	475,381	790,929
Accounts receivable for settlement	674,056	606,377
Other receivables	280,392	252,121
	22,847,212	23,235,989
	(400,639)	(307,253)
Less: Allowance for bad debts, receivables	\$ 22,446,573	\$ 22,928,736

b. Allowance for receivables

1) Movements in the allowance for receivables

	For the Year Ended December 31, 2022					For the Year Ended December 31, 2021					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing Loans and Bad Debts	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing Loans and Bad Debts	Total
Receivables											
Beginning balance	\$ 10,978	\$ 2,223	\$ 153,817	\$ 167,018	\$ 140,235	\$ 20,940	\$ 5,234	\$ 28,420	\$ 54,594	\$ 245,993	\$ 300,587
Changes from financial instruments											
recognized at the beginning of the period:											
Transfers to lifetime expected credit losses	(577)	680	(103)	-	-	(8)	130	(122)	-	-	-
Transfers to credit-impaired financial assets	(307)	(247)	554	-	-	(1)	(437)	438	-	-	-
Transfers to 12-months expected credit losses	388	(243)	(145)	-	-	446	(437)	(9)	-	-	-
Financial assets derecognized for the period	(9,553)	(879)	(130,759)	(141,191)	-	(20,131)	(3,258)	(5,316)	(28,705)	-	(28,705)
Purchased or originated financial assets	10,713	1,514	135,940	148,167	-	9,740	992	149,890	160,622	-	160,622
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	(20,412)	(20,412)	106,461	-	-	(19,453)	(19,453)	(105,758)	(105,758)
Doubtful debts written off or others	88	16	257	361	-	(8)	(1)	(31)	(40)	-	(40)
Ending balance	\$ 11,730	\$ 3,064	\$ 139,149	\$ 153,943	\$ 246,696	\$ 10,978	\$ 2,223	\$ 153,817	\$ 167,018	\$ 140,235	\$ 307,553

2) Movements in the total carrying amount of receivables

	For the Year Ended December 31, 2022			
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 22,630,646	\$ 172,155	\$ 433,188	\$ 23,235,989
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(22,845)	23,247	(402)	-
Transfers to credit-impaired financial assets	(8,014)	(3,712)	11,726	-
Transfers to 12-month expected credit losses	10,323	(7,696)	(2,627)	-
Purchased or originated financial assets	12,661,162	103,761	215,556	12,980,479
Derecognized	(12,853,858)	(145,276)	(386,401)	(13,385,535)
Doubtful debts written off	-	-	(20,412)	(20,412)
Changes in exchange rates or others	34,634	1,737	320	36,691
Ending balance	\$ 22,452,048	\$ 144,216	\$ 250,948	\$ 22,847,212

For the Year Ended December 31, 2021

	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 21,406,829	\$ 253,128	\$ 121,968	\$ 21,781,925
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(6,800)	7,064	(264)	-
Transfers to credit-impaired financial assets	(1,210)	(4,102)	5,312	-
Transfers to 12-month expected credit losses	15,522	(15,413)	(109)	-
Purchased or originated financial assets	13,232,477	142,671	403,213	13,778,361
Derecognized	(12,012,670)	(210,958)	(77,429)	(12,301,057)
Doubtful debts written off	-	-	(19,453)	(19,453)
Changes in exchange rates or others	(3,502)	(235)	(50)	(3,787)
Ending balance	\$ 22,630,646	\$ 172,155	\$ 433,188	\$ 23,235,989

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

	2022	December 31 2021
Negotiated and discounted Overdrafts	\$ 2,043,136	\$ 3,844,746
Short-term loans	1,140,736	1,239,708
Margin loans receivable	371,217,024	364,723,764
Medium-term loans	203,307	400,141
Long-term loans	571,256,827	461,290,174
Overdue loans	758,023,442	739,420,363
	3,473,480	4,152,236
	1,707,357,952	1,575,071,132
Less: Allowance for loan losses	(22,037,507)	(20,296,045)
	\$ 1,685,320,445	\$ 1,554,775,087

Loans of which the accrual of interest income had ceased internally as of December 31, 2022 and 2021 were \$3,473,480 thousand and \$4,152,236 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the years ended December 31, 2022 and 2021 were \$101,426 thousand and \$106,712 thousand, respectively.

The Group did not write off any loans without legal claims process during the years ended December 31, 2022 and 2021.

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

	For the Year Ended December 31, 2022					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Interest Income Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Liabilities Not-performing Loans and Bad Debts	Total
Loans	\$ 2,104,357	\$ 2,116,708	\$ 5,294,105	\$ 9,315,170	\$ 10,780,875	\$ 20,296,045
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(66,493)	73,858	(4,365)	-	-	-
Transfers to credit-impaired financial assets	(2,039)	(13,031)	15,070	-	-	-
Transfers to 12-month expected credit losses	416,233	(415,176)	(1,057)	-	-	-
Financial assets derecognized for the period	(1,011,447)	(806,964)	(1,232,763)	(3,051,174)	-	(3,051,174)
Purchased or originated financial assets	1,203,127	1,893,825	2,348,938	5,305,890	-	5,305,890

(Continued)

2) Movements in the total carrying amount of discounts and loans

	For the Year Ended December 31, 2022		
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses
Beginning balance	\$ 1,500,208,565	\$ 60,475,732	\$ 14,386,835
Changes from financial instruments recognized at the beginning of the period:			
Transfers to lifetime expected credit losses	(19,453,773)	19,481,496	(27,723)
Transfers to credit-impaired financial assets	(1,521,407)	(1,185,153)	2,706,560
Transfers to 12-month expected credit losses	8,241,100	(8,229,803)	(11,297)
Financial assets derecognized for the period	(648,893,211)	(36,621,575)	(7,501,844)
Purchased or originated financial assets	776,165,982	38,590,882	4,734,831
Doubtful debts written off	-	-	(2,450,669)
Changes in exchange rates or others	7,561,746	523,478	177,200
Ending balance	\$ 1,622,309,002	\$ 73,035,057	\$ 12,013,893

	For the Year Ended December 31, 2021		
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses
Beginning balance	\$ 1,412,549,836	\$ 69,691,173	\$ 14,594,110
Changes from financial instruments recognized at the beginning of the period:			
Transfers to lifetime expected credit losses	(10,506,051)	11,320,539	(814,488)
Transfers to credit-impaired financial assets	(620,585)	(1,837,171)	2,457,756
Transfers to 12-month expected credit losses	12,010,460	(11,959,454)	(51,006)
Financial assets derecognized for the period	(665,823,567)	(40,775,425)	(6,275,637)
Purchased or originated financial assets	754,895,995	34,188,405	6,343,716
Doubtful debts written off	-	-	(1,812,505)
Changes in exchange rates or others	(2,297,523)	(152,335)	(65,111)
Ending balance	\$ 1,500,208,565	\$ 60,475,732	\$ 14,386,835

	For the Year Ended December 31, 2022		
	12-Month Expected Credit Losses	Loss Recognized Based on IFRS 9	Realized Credit Impairment
Recognized impairment difference based on Regulations of the Prudential Supervision and Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts			
Recognized impairment difference based on the Regulations of the Prudential Supervision and Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	\$ -	\$ -	\$ 1,584,385
Changes in exchange rates or others	20,331	12,108	(2,450,669)
Ending balance	\$ 2,721,069	\$ 2,861,328	\$ 1,584,385

	For the Year Ended December 31, 2021		
	12-Month Expected Credit Losses	Loss Recognized Based on IFRS 9	Realized Credit Impairment
Recognized impairment difference based on Regulations of the Prudential Supervision and Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts			
Recognized impairment difference based on the Regulations of the Prudential Supervision and Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	\$ -	\$ -	\$ 1,299,554
Changes in exchange rates or others	20,331	12,108	(2,450,669)
Ending balance	\$ 2,721,069	\$ 2,861,328	\$ 1,299,554

	For the Year Ended December 31, 2022		
	12-Month Expected Credit Losses	Loss Recognized Based on IFRS 9	Realized Credit Impairment
Recognized impairment difference based on Regulations of the Prudential Supervision and Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts			
Recognized impairment difference based on the Regulations of the Prudential Supervision and Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	\$ -	\$ -	\$ 1,299,554
Changes in exchange rates or others	20,331	12,108	(2,450,669)
Ending balance	\$ 2,721,069	\$ 2,861,328	\$ 1,299,554

	For the Year Ended December 31, 2021		
	12-Month Expected Credit Losses	Loss Recognized Based on IFRS 9	Realized Credit Impairment
Recognized impairment difference based on Regulations of the Prudential Supervision and Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts			
Recognized impairment difference based on the Regulations of the Prudential Supervision and Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	\$ -	\$ -	\$ 1,299,554
Changes in exchange rates or others	20,331	12,108	(2,450,669)
Ending balance	\$ 2,721,069	\$ 2,861,328	\$ 1,299,554

c. Details of provision for bad debts expense, commitment and guarantee for the years ended December 31, 2022 and 2021

	For the Year Ended December 31	
	2022	2021
Provision for receivable and loan (including overdue loan) losses	\$ 3,321,673	\$ 1,963,267
Provision (reversal) for loan commitment	35,189	(158,654)
Reversal for guarantee liability	(23,961)	(20,428)
(Reversal) provision for others	(13,686)	9,660
	<u>\$ 3,319,215</u>	<u>\$ 1,793,845</u>

13. FINANCIAL ASSETS FOR HEDGING

Financial assets for hedging  
Fair value hedges - interest rate swaps

	December 31	
	2022	2021
	\$ -	\$ 147,321

The Group used interest rate swaps to minimize its exposure to the fair value fluctuations of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes that the interest rate swaps are highly effective hedging instruments. The respective, nominal principal amount of the Group's outstanding interest rate swaps as of December 31, 2021 were \$6,000,000 thousand. The maturity period is from September 27, 2023 to September 27, 2026.

The fixed-to-floating interest swaps were designated and effective fair value hedging instruments. During the years ended December 31, 2021, the swaps were effective in hedging the fair value exposure to interest rate movements, and as a result, the carrying amounts of the fixed-rate borrowings were adjusted by \$178,335 thousand as of December 31, 2021; these amounts were included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

The information of hedging transactions is as follows:

- Hedging type: Fair value hedging.
- Hedging objective: To minimize the Group's risks from changes in fair value due to fluctuating interest rates, by converting fixed-rate notes to floating-rate notes.
- Hedging method: By signing interest rate swap contracts, which pay floating rates (interest rate: 0.4799%) and charge fixed rates (interest rate range: 1.2900%-1.6075%).
- Hedging effect: The results of hedging are all in the line with the effective range of hedge accounting as defined by IFRSs.

	December 31	
	2022	2021
Hedging instrument (loss) profit	\$ -	\$ (12,097)
Fair-value hedging profit	\$ -	\$ 72,698

The realized gains or losses from hedging instruments and the realized gains or losses from fair-value hedging were accounted for as net other non-interest income or loss.

14. OTHER FINANCIAL ASSETS

	December 31	
	2022	2021
Time deposits with original maturities of more than 3 months	\$ 1,764,400	\$ 3,689,850
Exchange bills negotiated	3,863	21,242
Overdue receivables	4,932	12,557
Call loan to security brokers	-	138,275
Less: Allowance for bad debts	(4,472)	(4,249)
	<u>\$ 1,768,723</u>	<u>\$ 3,857,675</u>

The market rates of time deposits with original maturities of more than 3 months were ranging from 2.35%-3.15% and 2.65%-3.00% for the years ended December 31, 2022 and 2021, respectively.

15. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership	
			December 31, 2022	2021
The Bank	Chang Hua Commercial Bank, Ltd.	Banking	100	100
The Bank	Chang Hwa Bank Venture Capital Co., Ltd.	Investing	100	100

16. PROPERTY AND EQUIPMENT

	December 31	
	2022	2021
Assets used by the Group	\$ 20,828,724	\$ 20,769,319
Assets leased under operating leases	202,251	210,061
	<u>\$ 21,030,975</u>	<u>\$ 20,979,380</u>

a. Asset used by the Group

Cost	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Construction in Progress for Building and Equipment	Total
Balance at January 1, 2022	\$ 14,817,873	\$ 9,335,623	\$ 4,810,890	\$ 738,667	\$ 1,521,271	\$ 991,535	\$ 399,782	\$ 32,666,041
Disposals	-	(179,299)	(58,121)	(14,700)	(24,000)	8,993	30,501	(177,826)
Revaluation	-	5,609	(3,270)	4,591	26,248	-	-	(14,995)
Effect of foreign currency exchange differences	-	(1,024)	3,328	877	(3,311)	(4,024)	451	(3,324)
Balance at December 31, 2022	<u>\$ 14,817,873</u>	<u>\$ 9,152,909</u>	<u>\$ 4,749,898</u>	<u>\$ 724,847</u>	<u>\$ 1,517,608</u>	<u>\$ 1,012,509</u>	<u>\$ 430,283</u>	<u>\$ 32,456,935</u>

(Continued)

Operating leases relate to buildings owned by the Group with lease terms between 1 and 20 years without an option to extend lease terms. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments for property used by the Group was as follows:

	December 31	2021
Year 1	\$ 63,842	\$ 58,417
Year 2	58,972	52,096
Year 3	28,000	15,014
Year 4	14,279	8,060
Year 5	7,659	6,405
Year 6 onwards	7,619	13,878
	<u>\$ 180,371</u>	<u>\$ 153,870</u>

The above items of property and equipment leased under operating leases are depreciated on a straight-line basis over the estimated useful lives of the assets:

Building	
Main buildings	20-60 years
Air-conditioning	5-10 years
Machinery equipment	4-16 years
Transportation equipment	2-10 years
Miscellaneous equipment	3-10 years
Leasehold improvements	5 years

## 17. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	2021
Carrying amounts		
Land	\$ 1,694	\$ 2,045
Buildings	1,867,689	1,854,103
Transportation equipment	74,353	71,645
Miscellaneous equipment	10,757	13,717
	<u>\$ 1,954,493</u>	<u>\$ 1,941,510</u>

Accumulated depreciation and impairment	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Construction in Progress for Building and Equipment	Total
Balance at January 1, 2022	\$ 4,785,940	\$ 4,109,468	\$ 648,801	\$ 1,374,975	\$ 880,748	\$ -	\$ 11,700,922
Additions	175,881	175,881	38,790	5,324	29,256	-	395,232
Depreciation expense	(186,107)	(220,585)	(24,790)	(5,324)	(29,256)	-	(465,982)
Effect of foreign currency exchange differences	1,314	(7,125)	(660)	2,182	4,682	-	1,011
Balance at December 31, 2022	<u>\$ 4,801,428</u>	<u>\$ 3,997,629</u>	<u>\$ 659,685</u>	<u>\$ 1,800,549</u>	<u>\$ 977,663</u>	<u>\$ -</u>	<u>\$ 11,682,114</u>
Carrying amount at December 31, 2022	<u>\$ 4,135,669</u>	<u>\$ 295,411</u>	<u>\$ 15,115</u>	<u>\$ 161,115</u>	<u>\$ 101,028</u>	<u>\$ 528,825</u>	<u>\$ 3,303,922</u>
Carrying amount at January 1, 2021	\$ 9,853,976	\$ 4,726,066	\$ 715,039	\$ 1,501,196	\$ 974,085	\$ 110,107	\$ 22,195,982
Additions	20,236	20,236	5,846	6,846	6,846	-	50,811
Depreciation expense	(3,014,111)	(3,014,111)	(34,994)	(72,210)	(25,951)	-	(6,177,276)
Transfers to assets based under operating leases	(41,795)	-	-	-	38,231	-	(3,564)
Reclassification	-	10,245	-	2,524	-	(62,716)	(49,947)
Effect of foreign currency exchange differences	2,626	(1,012)	(565)	(720)	-	(113)	(1,455)
Balance at December 31, 2021	<u>\$ 9,335,623</u>	<u>\$ 4,410,820</u>	<u>\$ 738,667</u>	<u>\$ 1,803,129</u>	<u>\$ 990,335</u>	<u>\$ 399,782</u>	<u>\$ 30,566,011</u>
Carrying amount at December 31, 2021	<u>\$ 4,955,870</u>	<u>\$ 4,011,255</u>	<u>\$ 615,124</u>	<u>\$ 1,347,571</u>	<u>\$ 891,451</u>	<u>\$ -</u>	<u>\$ 11,680,111</u>
Additions	188,714	188,714	23,727	4,453	26,077	-	243,685
Depreciation expense	(15,954)	(106)	(322)	-	(1,074)	-	(1,502)
Transfers to assets based under operating leases	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	311	(109,468)	(618,891)	1,374,975	-	-	(15,954)
Balance at December 31, 2021	<u>\$ 4,765,940</u>	<u>\$ 4,109,468</u>	<u>\$ 618,891</u>	<u>\$ 1,800,549</u>	<u>\$ 890,388</u>	<u>\$ -</u>	<u>\$ 11,700,922</u>
Carrying amount at December 31, 2021	<u>\$ 4,566,683</u>	<u>\$ 291,222</u>	<u>\$ 101,282</u>	<u>\$ 169,296</u>	<u>\$ 97,287</u>	<u>\$ 10,282</u>	<u>\$ 3,303,922</u>

(Concluded)

b. Assets leased under operating leases

Buildings	Buildings
Cost	\$ 426,505
Balance at January 1 and December 31, 2022	\$ 216,444
Accumulated depreciation and impairment	7,810
Balance at January 1, 2022	\$ 224,254
Depreciation expense	202,251
Balance at December 31, 2022	\$ 216,444
Carrying amount at December 31, 2022	\$ 210,061

Buildings	Buildings
Cost	\$ 385,210
Balance at January 1, 2021	41,295
Transfers from assets used by the Group	426,505
Balance at December 31, 2021	\$ 216,444
Accumulated depreciation and impairment	192,558
Balance at January 1, 2021	7,932
Depreciation expense	15,954
Transfers from assets used by the Group	216,444
Balance at December 31, 2021	\$ 210,061



d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties and freehold property, plant and equipment are set out in Notes 16 and 18.

	For the Year Ended December 31 2022	2021
Expenses relating to short-term leases	\$ 35,032	\$ 44,797
Expenses relating to low-value asset leases	<u>\$ 18,687</u>	<u>\$ 27,683</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 190,589	\$ 171,831
Total cash outflow for leases	<u>\$ (244,308)</u>	<u>\$ (244,311)</u>

The Group's leases of certain land, buildings, transportation equipment and miscellaneous equipment qualify as short-term leases and leases of certain land, machinery equipment and miscellaneous 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.

All lease commitments with lease terms commencing after the balance sheet dates are as follows:

	December 31 2022	2021
Lease commitments	<u>\$ 32,827</u>	<u>\$ 28,083</u>

18. INVESTMENT PROPERTY

	Completed Investment Property
Balance at January 1 and December 31, 2022	<u>\$ 14,233,604</u>
Accumulated depreciation and impairment	
Balance at January 1, 2022	\$ 381,508
Depreciation expense	<u>6,503</u>
Balance at December 31, 2022	<u>\$ 388,011</u>
Carrying amount at December 31, 2022	<u>\$ 13,845,593</u>

Cost

Balance at January 1 and December 31, 2022

Accumulated depreciation and impairment

Balance at January 1, 2022

Depreciation expense

Balance at December 31, 2022

Carrying amount at December 31, 2022

	For the Year Ended December 31 2022	2021
Additions to right-of-use assets	<u>\$ 752,752</u>	<u>\$ 586,849</u>
Depreciation charge for right-of-use assets		
Land	\$ 917	\$ 933
Buildings	649,001	615,417
Machinery equipment	-	35
Transportation equipment	37,355	38,620
Miscellaneous equipment	<u>8,687</u>	<u>8,785</u>
	<u>\$ 695,960</u>	<u>\$ 663,790</u>

b. Lease liabilities

	December 31 2022	2021
Carrying amount	<u>\$ 1,794,804</u>	<u>\$ 1,770,490</u>

Range of discount rates for lease liabilities was as follows:

	December 31 2022	2021
Land	0.30%-1.23%	0.30%-0.91%
Buildings	0.20%-4.82%	0.20%-3.53%
Machinery equipment	0.31%-2.89%	0.31%-2.89%
Transportation equipment	0.26%-3.53%	0.34%-3.53%
Miscellaneous equipment	0.23%-3.54%	0.26%-2.89%

c. Material lease-in activities and terms

The Group leases certain buildings for operations of branches with lease terms from 3 to 15 years. The lease contract for offices located in New York specifies that lease payments are subject to 4 modifications during the lease terms and the Group can sublease the underlying assets. The lease contracts for offices located in Hong Kong and Taiwan specify that the premium for lease was \$47,999 thousand and lease payments will be adjusted each year. In addition, the Group was prohibited from subleasing all or any portion of the underlying assets.

The Group did not have significant acquisition of lease contracts for the years ended December 31, 2022 and 2021.

Rental income and direct operating expenses generated by the investment property for the years ended December 31, 2022 and 2021 were as follows:

	For the Year Ended December 31	
	2022	2021
Rental incomes	\$ 157,888	\$ 175,393
Direct operating expenses	<u>\$ 101,596</u>	<u>\$ 98,955</u>

#### 19. INTANGIBLE ASSETS

		Computer Software
<u>Cost</u>		
Balance at January 1, 2022	\$ 595,639	
Additions	765,280	
Amortization expense	(356,190)	
Reclassification	116,100	
Effect of foreign currency exchange differences and others	986	
Balance at December 31, 2022	<u>\$ 1,121,815</u>	

The intangible asset mentioned above is amortized on a straight-line basis over the estimated useful life of 3 to 5 years.

	December 31	
	2022	2021
Refundable deposits	\$ 917,270	\$ 1,325,277
Assumed collateral and residuals	23,418	23,418
Less: Accumulated impairment	(23,418)	(23,418)
Prepayments	150,261	138,022
Others	<u>1,124</u>	<u>754</u>
	<u>\$ 1,068,655</u>	<u>\$ 1,464,053</u>

#### 20. OTHER ASSETS

	December 31	
	2022	2021
Balance at January 1, 2021	\$ 687,613	
Additions	153,424	
Amortization expense	(260,211)	
Reclassification	14,716	
Effect of foreign currency exchange differences and others	97	
Balance at December 31, 2021	<u>\$ 595,639</u>	

#### Completed Investment Property

<u>Cost</u>	
Balance at January 1, 2021	\$ 14,233,513
Additions	<u>91</u>
Balance at December 31, 2021	<u>\$ 14,233,604</u>

#### Accumulated depreciation and impairment

Balance at January 1, 2021	\$ 374,603
Depreciation expense	<u>6,905</u>
Balance at December 31, 2021	<u>\$ 381,508</u>
Carrying amount at December 31, 2021	<u>\$ 13,852,096</u> (Concluded)

Operating leases relate to the investment property owned by the Group with lease terms between 1 and 20 years, with no option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2022 and 2021 was as follows:

	December 31	2021
	2022	2021
Year 1	\$ 176,307	\$ 183,334
Year 2	160,873	175,262
Year 3	115,011	129,046
Year 4	98,794	103,365
Year 5	92,461	97,836
Year 6 onwards	<u>130,232</u>	<u>140,988</u>
	<u>\$ 773,678</u>	<u>\$ 829,831</u>

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

Main buildings	20-60 years
Air-conditioning units	5-10 years

The investment properties are measured and stated at cost in the consolidated balance sheets. For management's purpose, the Group periodically measures the fair value of investment properties in accordance with the Group's internal rules and procedures. The Group conducts valuation process regularly, which is measured by Level 3 inputs. The fair values were \$30,390,299 thousand and \$30,164,147 thousand as of December 31, 2022 and 2021, respectively.

All investment properties are own right and interest.

## 21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	2021
	2022	
Deposits from the Central Bank	\$ 28,790	\$ 27,112
Deposits from banks	275,336	335,965
Overdrafts on banks	335,724	19,725
Call loans from banks	52,036,391	71,587,355
Deposits transferred from Chungghwa Post Co., Ltd.	<u>200,814</u>	<u>251,741</u>
	<u>\$ 52,877,055</u>	<u>\$ 72,221,898</u>

## 22. PAYABLES

	December 31	2021
	2022	
Checks issued to payees for clearing	\$ 14,700,835	\$ 15,243,021
Accounts payable	1,769,376	3,721,750
Accrued expenses	2,726,462	2,402,083
Accrued interests	3,206,271	1,416,572
Acceptances	4,821,600	5,248,034
Others	<u>4,740,880</u>	<u>8,738,608</u>
	<u>\$ 31,965,424</u>	<u>\$ 36,770,068</u>

## 23. DEPOSITS AND REMITTANCES

	December 31	2021
	2022	
Checking account deposits	\$ 50,326,098	\$ 48,561,432
Demand deposits	577,033,413	601,485,748
Time deposits	658,000,012	488,772,705
Negotiable certificates of deposit	3,993,710	2,793,315
Savings account deposits	1,058,786,678	1,024,182,439
Remittances	<u>1,742,709</u>	<u>1,645,593</u>
	<u>\$ 2,349,882,620</u>	<u>\$ 2,167,441,232</u>

## 24. BANK NOTES PAYABLE

The Group has issued bank notes to enhance its capital adequacy ratio and raise medium to long-term operating funds. The information of the bank notes is as follows:

The Group issued \$2,200 million subordinated bank notes A 103-1 with 7-year term on April 16, 2014. The bank notes had been redeemed on April 16, 2021.

The Group issued \$5,300 million subordinated bank notes B 103-1 with 10-year term on April 16, 2014.

The Group issued \$2,500 million subordinated bank notes C 103-1 with 10-year term on April 16, 2014.

The Group issued \$3,000 million subordinated bank notes A 105-1 with 7-year term on September 27, 2016.

The Group issued \$3,300 million subordinated bank notes B 105-1 with 10-year term on September 27, 2016.

The Group issued \$1,530 million subordinated bank notes A 106-1 with 7-year term on March 29, 2017.

The Group issued \$8,670 million subordinated bank notes B 106-1 with 10-year term on March 29, 2017.

The Group issued \$7,000 million perpetual subordinated bank notes 107-1 on April 26, 2018. Callable 5 years and 3 months after issue date.

The Group issued \$3,000 million perpetual subordinated bank notes 107-2 on November 8, 2018. Callable 5 years and 1 month after issue date.

The Group issued \$5,960 million perpetual subordinated bank notes 108-1 on June 27, 2019. Callable 5 years and 1 month after issue date.

The Group issued \$4,040 million perpetual subordinated bank notes 109-1 on May 27, 2020. Callable 5 years and 1 month after issue date.

The Group issued \$6,800 million perpetual subordinated bank notes 109-2 on December 25, 2020. Callable 5 years and 1 month after issue date.

The outstanding balance and details of subordinated bank notes are as follows:

Bank Note, Interest Rate and Maturity Date	December 31	
	2022	2021
<u>Hedged financial liabilities at fair value</u>		
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	\$ -	\$ 3,000,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	-	1,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	-	2,000,000
Valuation adjustment	-	<u>178,335</u>
		<u>6,178,335</u>
<u>Non-hedged bank notes payable</u>		
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	5,300,000	2,300,000
103-1 Note C, 10-year term, interest payable annually, floating rate, maturity date: April 16, 2024	2,500,000	2,500,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	3,000,000	2,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	3,300,000	1,300,000
106-1 Note A, 7-year term, interest payable annually, interest rate 1.50%, maturity date: March 29, 2024	1,530,000	1,530,000
106-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: March 29, 2027	8,670,000	8,670,000
107-1, no maturity date, interest payable annually, interest rate 2.66%	7,000,000	7,000,000
107-2, no maturity date, interest payable annually, interest rate 2.30%	3,000,000	3,000,000
108-1, no maturity date, interest payable annually, interest rate 1.90%	5,960,000	5,960,000
109-1, no maturity date, interest payable annually, interest rate 1.40%	4,040,000	4,040,000
109-2, no maturity date, interest payable annually, interest rate 1.25%	6,800,000	6,800,000
Valuation adjustment	<u>119,465</u>	<u>45,100,000</u>
	<u>\$ 51,219,465</u>	<u>\$ 51,278,335</u>

The Group engaged in derivative transactions as hedging instruments for the 103-1 Note B, 105-1 Note A and 105-1 Note B fixed interest rate bank notes to avoid fair value risks due to changes in interest rates. The nominal principal of interest rate swaps was accounted as hedging derivative financial assets. (Refer to Note 13).

## 25. OTHER FINANCIAL LIABILITIES

	December 31	
	2022	2021
Principal received on structured notes	\$ 592,873	\$ 576,199
Appropriations for loans	<u>266,010</u>	<u>425,703</u>
	\$ 858,883	\$ 1,001,902

The principals received on structured notes were the hybrid instruments issued at fixed income. The related income of structured notes was determined by the interest rates linked to targets.

## 26. OTHER LIABILITIES

	December 31	
	2022	2021
Advance receipts	\$ 798,263	\$ 634,407
Guarantee deposits	<u>5,207,067</u>	<u>2,504,955</u>
Deferred revenue	9,159	9,218
	\$ 6,014,489	\$ 3,148,580

## 27. RESERVE FOR LIABILITIES

	December 31	
	2022	2021
Reserve for employee benefits (Note 28)	\$ 2,100,080	\$ 3,769,721
Reserve for guarantee liabilities	654,446	657,449
Reserve for loan commitments	191,042	156,217
Reserve for decommissioning restoration and rehabilitation costs	45,944	49,959
Others	<u>31,652</u>	<u>60,780</u>
	\$ 3,023,164	\$ 4,694,126

Movements in reserve for guarantee liabilities, reserve for loans commitments and reserve for others were as follows:

	For the Year Ended December 31, 2022					
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	Total
Beginning balance	\$ 361,875	\$ 13,495	\$ 23,531	\$ 398,901	\$ 475,545	\$ 874,446
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(2,011)	2,011	-	-	-	-
Transfers to credit-impaired financial assets	(14)	-	14	-	-	-
Transfers to 12-month expected credit losses	1,712	(1,712)	-	-	-	-
Financial assets derecognize for the period	(192,456)	(9,320)	(2,729)	(304,505)	-	(204,505)

The amounts included in the balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 8,220,462	\$ 9,383,544
Fair value of plan assets	(7,719,255)	(7,260,262)
Deficit	501,207	2,123,282
Others	14,732	14,098
Net defined benefit liability	<u>\$ 515,939</u>	<u>\$ 2,137,380</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2022	\$ 9,383,544	\$ 7,260,262	\$ 2,123,282
Service cost	209,070	-	209,070
Current service cost	45,652	35,739	9,913
Net interest in profit or loss	254,722	35,739	218,983
Remeasurement	-	-	-
Return on plan assets (excluding amounts included in net interest)	-	582,950	(582,950)
Actuarial loss - changes in financial assumptions	(951,865)	-	(951,865)
Actuarial gain - experience adjustments	163,824	-	163,824
Recognized in other comprehensive income	(788,041)	582,950	(1,370,991)
Contributions from the employer	-	470,067	(470,067)
Benefits paid	(629,763)	(629,763)	-
Balance at December 31, 2022	<u>\$ 8,220,462</u>	<u>\$ 7,719,255</u>	<u>\$ 501,207</u>
Balance at January 1, 2021	\$ 9,980,084	\$ 7,231,186	\$ 2,748,898
Service cost	229,160	-	229,160
Current service cost	29,720	21,928	7,792
Net interest in profit or loss	258,880	21,928	236,952
Remeasurement	-	-	-
Return on plan assets (excluding amounts included in net interest)	-	107,799	(107,799)
Actuarial gain - population changes assumption	15,719	-	15,719
Actuarial loss - changes in financial assumptions	(180,914)	-	(180,914)
Actuarial loss - experience adjustments	(52,014)	-	(52,014)
Recognized in other comprehensive income	(217,209)	107,799	(325,008)
Contributions from the employer	-	537,560	(537,560)
Benefits paid	(638,211)	(638,211)	-
Balance at December 31, 2021	<u>\$ 9,383,544</u>	<u>\$ 7,260,262</u>	<u>\$ 2,123,282</u>

	For the Year Ended December 31, 2022			Total
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Loss Recognized Based on IFRS 9	
Purchased or originated financial assets	\$ 182,167	\$ 34,796	\$ 1,440	\$ 218,403
Recognized impairment difference based on the Laws or others	-	-	-	(12,044)
Changes in exchange rates or others	831	9	8,40	840
Ending balance	<u>\$ 352,104</u>	<u>\$ 39,279</u>	<u>\$ 22,256</u>	<u>\$ 874,140</u>

(Concluded)

	For the Year Ended December 31, 2021			Total
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Loss Recognized Based on IFRS 9	
Beginning balance	\$ 416,984	\$ 82,185	\$ 33,457	\$ 517,416
Changes from financial instruments recognized at the beginning of the period:	-	-	-	-
Transfers to lifetime expected credit losses	(1,635)	1,635	-	-
Transfers to 12-month expected credit losses	13,303	(13,303)	-	-
Financial assets derecognize for the period	(257,047)	(63,595)	(11,265)	(332,507)
Purchased or originated financial assets	191,063	6,578	1,340	198,981
Recognized impairment difference based on the Laws or others	(193)	(5)	(1)	(41,871)
Ending balance	<u>\$ 361,875</u>	<u>\$ 13,495</u>	<u>\$ 23,531</u>	<u>\$ 874,446</u>

## 28. RETIREMENT-BENEFIT PLANS

### a. 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, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plans

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

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate(s)	1.75%	0.50%
Expected rate(s) of salary increase	2.05%	2.05%

If possible reasonable change in each of the significant actuarial assumptions occurs and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2022	2021
Discount rate(s)		
0.25% increase	\$ (172,540)	\$ (219,177)
0.25% decrease	\$ 178,165	\$ 226,939
Expected rate(s) of salary increase		
0.25% increase	\$ 177,192	\$ 222,877
0.25% decrease	\$ (172,457)	\$ (216,425)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2022	2021
The expected contributions to the plan for the next year	\$ 276,744	\$ 281,664
The average duration of the defined benefit obligation	10 years	10 years

c. Plan of high-yield savings account for employee

The Group has the obligation to pay premium interest on the high-yield savings account of its present employees and retired employees. Such obligation is recognized based on its internal guidelines in the Rules of Employee Preferential Deposit for Retired Employees. Refer to Note 30 for information on related expenses.

- 1) Reconciliation of assets and liabilities at the end of the reporting period with the present value of defined benefit obligation and the fair value of plan assets was as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 1,584,141	\$ 1,632,342
Less: Fair value of defined benefit plan assets	-	-
Assets and liabilities at the end of the reporting period	<u>\$ 1,584,141</u>	<u>\$ 1,632,342</u>

- 2) Analysis of defined benefit obligation

	December 31	
	2022	2021
All or part of defined benefit obligation contributed	\$ -	\$ -
Defined benefit obligation not contributed	<u>1,584,141</u>	<u>1,632,342</u>
	<u>\$ 1,584,141</u>	<u>\$ 1,632,342</u>

- 3) Movements of the present value of defined benefit obligation

	For the Year Ended December 31	
	2022	2021
Balance, January 1	\$ 1,632,342	\$ 1,445,445
Interest cost	62,200	54,787
Actuarial gains and losses	184,499	428,724
Benefits paid	<u>(294,900)</u>	<u>(296,614)</u>
Balance, December 31	<u>\$ 1,584,141</u>	<u>\$ 1,632,342</u>

- 4) Movements of the fair value of plan assets

	For the Year Ended December 31	
	2022	2021
Balance, January 1	\$ -	\$ -
Contribution by employers	294,900	296,614
Benefits paid	<u>(294,900)</u>	<u>(296,614)</u>
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>



## 5) Details of gains and losses recognized in expenses

	For the Year Ended December 31	
	2022	2021
Interest cost	\$ 62,200	\$ 54,787
Actuarial gains and losses	184,499	272,048
Actuarial gain or loss recognized in other comprehensive profit or loss	-	156,676
	<u>\$ 246,699</u>	<u>\$ 483,511</u>

## 6) Main actuarial assumptions

	For the Year Ended December 31	
	2022	2021
Discount rate of high-yield savings account for employee	4.00%	4.00%
Return rate of funds deposited	2.00%	2.00%
Account balance decrease rate per year	1.00%	1.00%
Probability of future high-yield savings account system change	50.00%	50.00%
Mortality rate		
Based on Taiwan		Based on Taiwan
Life Insurance		Life Insurance
Industry		Industry
Mortality Tables 6	1.38%-1.52%	Mortality Tables 5
		0.84%-1.05%

Rate provided to ordinary clients for similar deposit

## 29. EQUITY

## a. Capital

## Common stock

	December 31	
	2022	2021
Shares authorized (in thousands)	<u>12,000,000</u>	<u>12,000,000</u>
Capital authorized	<u>\$ 120,000,000</u>	<u>\$ 120,000,000</u>
Shares issued and fully paid (in thousands)	<u>10,593,457</u>	<u>10,488,571</u>
Capital stock issued	<u>\$ 105,934,566</u>	<u>\$ 104,885,708</u>

Fully paid common stocks, which have a par value of \$10, carry one vote per stock and carry a right to dividends.

As of January 1, 2021, the Bank's authorized and registered capital was \$110,000,000 thousand divided into 11,000,000 thousand shares at \$10 par value; the total paid-in capital was \$103,847,436 thousand. The Bank's authorized capital was increased by \$10,000,000 thousand in August 2021. In August 2022 and September 2021, the paid-in capital was increased by \$1,048,858 thousand and \$1,038,472 thousand, respectively. As of December 31, 2022 and 2021, the Bank's authorized capital was both of \$120,000,000 thousand; the number of authorized shares was both of 12,000,000 thousand shares, and the paid-in capital was \$105,934,566 thousand and \$104,885,708 thousand, representing 10,593,457 thousand shares and 10,488,571 thousand shares, respectively, both of which are ordinary shares with a par value of \$10 per share.

## b. Distribution of earnings and dividend policy

Under the dividend policy as set forth in the Bank's amended Articles of Incorporation, where the Bank generates profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, setting aside or reversing 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 distribution plan, and 30% to 100% of the basis for proposing distribution plan should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of compensation of employees and remuneration of directors after amendment, refer to Note 30 (g) "compensation of employees and remuneration of directors".

To ensure the Bank has sufficient cash for present and future expansion plans and to enhance the profitability, the Bank prefers to distribute more stock dividends, but cash dividends shall not be less than 10% of total dividends distributed. If the cash dividends are less than \$0.1 per share, the Bank will not distribute any cash dividends, unless otherwise adopted in the stockholders' meeting.

Appropriation of earnings to legal reserve shall be made until the balance of legal reserve reaches the Bank's paid-in capital. Legal reserve may be used to offset deficit. 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.

The amendments explicitly stipulate that when a special reserve is appropriated for cumulative net debit balance reserves from prior period, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient. Before the amendment of the Articles, the special reserve is appropriated from the prior unappropriated earnings.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, the Bank should appropriate 0.5%-1.0% net income as a special reserve when distributing surplus earnings for 2016, 2017 and 2018. Since 2017, the Bank should reverse an amount which is the same as the distributed surplus earnings mentioned above for the expense of employees' bridging-over arrangements and settlements caused by the development of financial technology.

The Bank cannot distribute cash dividends or purchase treasury stocks if the Bank has any of the situations cited in Item 1, Section 1, Article 44 of the Banking Law.

The maximum amount of cash dividends cannot exceed 15% of the Bank's total capital if the Bank's capital surplus is less than the capital based on Section 1.

The restriction of the cash dividends stated above does not apply if the Bank's capital surplus exceeds the capital or the Bank's financial position satisfied the criteria from the authority and also the Bank appropriates the legal reserve based on the Banking Law.

The appropriations of earnings for 2021 and 2020 were approved in the stockholders' meetings on June 17, 2022 and July 20, 2021, respectively. The appropriations of earnings and dividends per stock were as follows:

	Appropriation of Earnings	
	2021	2020
Legal reserve	\$ 2,723,151	\$ 2,053,667
Cash dividends	\$ 5,244,285	\$ 3,738,501
Share dividends	<u>\$ 1,048,858</u>	<u>\$ 1,038,472</u>
Cash dividends per share (NT\$)	\$ 0.50	\$ 0.36
Share dividends per share (NT\$)	0.10	0.10

The appropriation of earnings for 2022 is subject to the resolution of shareholders in the shareholders' meeting to be held in June 2023.

c. Special reserve

	December 31 2022	2021
Balance at January 1	\$ 12,201,590	\$ 12,201,590
Initial application of IFRSs		

The special reserve relating to land may be reversed on the disposal or reclassification of the related assets. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

30. NET INCOME

a. Net interest income

	For the Year Ended December 31 2022	2021
Interest income		
Loans	\$ 32,588,969	\$ 23,219,870
Due from and call loans to banks	2,018,253	750,633
Investments in marketable securities	6,842,231	3,411,553
Others	162,502	109,960
	<u>41,611,955</u>	<u>27,492,016</u>
Interest expense		
Deposits	(14,412,179)	(5,876,038)
Due to Central Bank and call loans from banks	(1,420,868)	(175,225)
Others	(1,133,605)	(975,048)
	<u>(16,966,652)</u>	<u>(7,026,311)</u>
Net interest income	<u>\$ 24,645,303</u>	<u>\$ 20,465,705</u>

b. Net service fee income

	For the Year Ended December 31 2022	2021
Service fee income		
Fees from import and export	\$ 253,724	\$ 281,533
Remittance fees	350,242	358,763
Loan fees	703,189	631,400
Fees from trust	820,544	1,128,765
Fees from trust business	420,583	451,485
Fees from insurance agency	1,582,641	1,532,489
Others (1) (2)	1,354,213	1,266,154
	<u>5,485,136</u>	<u>5,650,589</u>

(Continued)

For the Year Ended December 31  
2022

Service charge		
Interbank charges	\$ (165,706)	\$ (150,261)
Charges from trust	(2,040)	(11,584)
Custodian fees	(114,274)	(125,890)
Charges from insurance agency	(201,383)	(146,321)
Others	(745,550)	(662,265)
	<u>(1,228,953)</u>	<u>(1,096,321)</u>
Net service fee income	<u>\$ 4,256,183</u>	<u>\$ 4,554,268</u>
		(Concluded)

1) The service fee income from electronic payment business was \$538 thousand and \$673 thousand for the years ended December 31, 2022 and 2021, respectively.

2) In accordance with "Regulation Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions", the yield income from electronic payment business was both of \$0.1 thousand for the years ended December 31, 2022 and 2021.

c. Gain (loss) on financial assets or liabilities measured at FVTPL

	For the Year Ended December 31 2022	2021
Realized gain (loss) on financial assets or liabilities measured at FVTPL		
Stock and mutual funds	\$ 8,119	\$ 25,231
Bonds	(166)	3,070
Bills	(1,427)	(70)
Derivative financial instruments	1,567,648	774,158
Net interest gain	338,967	145,000
Stock dividends and bonus	8,253	2,069
	<u>1,921,394</u>	<u>949,458</u>
Valuation gain (loss) on financial assets or liabilities measured at FVTPL		
Stock and mutual funds	59,090	40,233
Bonds	92,062	161,120
Bills	10,374	(8,211)
Derivative financial instruments	1,229,015	95,108
	<u>1,390,541</u>	<u>288,250</u>
	<u>\$ 3,311,935</u>	<u>\$ 1,237,708</u>

d. Realized gain (loss) on financial assets at FVTOCI

	<u>For the Year Ended December 31</u>	<u>2021</u>
Stock dividends and bonus	\$ 1,359,149	\$ 1,067,069
Disposal gains		
Beneficiary securities	-	9,077
Bonds	254,174	602,940
Disposal losses		
Beneficiary securities	-	(3,861)
Bonds	(1,542,949)	(192,005)
	<u>\$ 70,374</u>	<u>\$ 1,483,220</u>

e. Depreciation and amortization expense

	<u>For the Year Ended December 31</u>	<u>2021</u>
Property and equipment	\$ 511,612	\$ 489,035
Investment property	6,503	6,905
Right-of-use assets	695,960	663,790
Intangible assets and other deferred assets	356,687	260,567
	<u>\$ 1,570,762</u>	<u>\$ 1,420,297</u>

f. Employee benefits expenses

	<u>For the Year Ended December 31</u>	<u>2021</u>
Short-term employee benefits	\$ 10,579,492	\$ 10,065,678
Post-employment benefits		
Defined contribution plans	280,129	224,886
Defined benefit plans	218,983	236,952
High-yield savings account for employees	246,699	483,511
Other post-employment benefits	391,309	383,559
Termination benefits	4,826	13,958
	<u>\$ 11,721,438</u>	<u>\$ 11,408,544</u>

Salary adjustments for 2022:

1) As recognition of the employees' dedication and hard work and to boost employee morale, the Bank made an adjustment to annual salary in 2022 and implemented overall evaluation on April 1, 2022.

2) In order to continuously implement the differentiated salary adjustment based on performance and take care of the basic living expenses of grass-roots employees, the Bank's 2022 annual salary adjustment method is a combination of "comparing with civil servants salary increase" and "annual salary adjustment":

a) Comparing with civil servants' salary increase:

In response to rising prices and in response to the 4% salary increase for civil servants in 2022, and taking into account the practice of financial peers, those who scored 1 to 6 in the performance appraisal in 2022 will be increased by 4% of their monthly salary.

b) Annual salary adjustment

In order to continuously implement performance-differentiated salary adjustments and at the same time take care of the basic living expenses of grass-roots employees, this salary adjustment method is proposed to be handled in a combination of "performance salary adjustment" and "fixed salary adjustment":

i. Performance salary adjustment: Based on the employee's personal annual performance appraisal rating in 2021 as the standard, the performance appraisal rating of 6 will add 3.3% of the monthly salary, the 5A rating will add 2.5% of the monthly salary, the 5B rating will add 2.3% of the monthly salary, the 4A ratings will add 1.8% of the monthly basic salary, the 4B rating will add 1.6% of the monthly salary, the 4C rating will add 1.4% of the monthly salary, 1% of the monthly basic salary for those rated 3.

ii. Fixed salary adjustment: NT\$500 per person per month (same below).

3) The annual salary adjustment in 2022 was implemented on April 1, 2022. The average salary increase of all employees was 6.02%, and the maximum salary increase can reach 8.46%. In spite of the environment continuously affected by COVID-19 and the low profit, the salary adjustments show the determination of the Bank to fulfill the duty of care towards its employees and implement corporate social responsibility.

Level	2022		
	Comparing with civil Servants Salary Increase	All Members Salary Adjustment	Employee Annual Salary Adjustment
Rating	Salary Adjustment	Fixed Salary Adjustment	Performance Salary Adjustment
6 (premium)			3.3%
5A (excellent)			2.5%
5B (excellent)			2.3%
4A (good)	4%	500	1.8%
4B (well)			1.6%
4C (normal)			1.4%
3 (qualified)			1.0%
2 (unqualified)		0	
1 (unqualified)		0	
Average		6.02%	

g. Compensation of employees and remuneration of directors

The Bank accrued compensation of employees and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Group's board of directors on March 2023 and March 29, 2022, respectively, are as follows:

Accrual rate	For the Year Ended December 31	
	2022 (Expected)	2021
Compensation of employees	5.00%	5.00%
Remuneration of directors	0.40%	0.40%

Amount	For the Year Ended December 31	
	2022 (Expected)	2021
Compensation of employees	\$ 692,192	\$ 534,849
Remuneration of directors	55,000	42,788

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

Due to changes in accounting estimates, the actual amount of compensation of employees and directors' remuneration, which was resolved in the meeting of the board of directors dated on March 29, 2022 and March 26, 2021 differs from what was accrued in the consolidated financial statements for 2021 and 2020. The difference was then adjusted to profit and loss for 2022 and 2021.

	For the Year Ended December 31, 2021	
	Compensation of Employees	Remuneration of Directors
Amounts approved in the board of directors' meeting	\$ 534,849	\$ 42,788
Amounts recognized in the annual consolidated financial statements	\$ 537,415	\$ 42,707
Differences	\$ (2,566)	\$ 81

	For the Year Ended December 31, 2020	
	Compensation of Employees	Remuneration of Directors
Amounts approved in the board of directors' meeting	\$ 360,242	\$ 28,995
Amounts recognized in the annual consolidated financial statements	\$ 447,199	\$ 35,200
Differences	\$ (86,957)	\$ (6,205)

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

31. INCOME TAX

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Current income tax	\$ 1,704,214	\$ 883,993
In respect of the current period	3,044	280
Income tax on unappropriated earnings		
Deferred income tax	372,319	432,363
In respect of the current period		
Income tax expense recognized in profit or loss	\$ 2,079,577	\$ 1,316,636

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Profit before tax	\$ 13,050,728	\$ 10,120,439
Income tax expense calculated at the statutory rate	\$ 2,610,145	\$ 2,024,088
Non-deductible expenses in determining taxable income	17,178	4,122
Income tax on unappropriated earning	3,044	280
Overseas branch's additional income of deferred tax effect	28,601	85,837
Tax-exempt income	(743,156)	(740,396)
Non-deductible tax of overseas branches	119,201	-
Adjustments for prior years' tax	(118,956)	(211,396)
Others	163,520	154,101
Income tax expense recognized in profit or loss	\$ 2,079,577	\$ 1,316,636

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Deferred tax		
In respect of the current year:		
Exchange differences on translation	\$ 167,956	\$ (74,327)
Unrealized gains (losses) on financial assets at FVTOCI	(134,858)	2,151
Actuarial gains (losses) on defined benefit plan	274,226	65,126
Total income tax benefit recognized in other comprehensive income	\$ 307,324	\$ (7,050)

## c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets	\$ 44,675	\$ 344,089
Others		
Current tax liabilities	\$ 896,855	\$ 318,060
Income tax payable		

## d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>				
Temporary differences	\$ 970,050	\$ (21,194)	\$ -	\$ 948,856
Doubtful debts	2,485,861	263,363	(307,324)	2,441,900
Others	3,455,911	242,169	(307,324)	3,390,756
	<u>\$ 6,154,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,154,216</u>
<u>Deferred tax liabilities</u>				
Land value increment tax	2,664,496	611,555	-	3,276,051
Temporary differences	8,818,712	611,555	-	9,430,267
	<u>\$ 1,242,885</u>	<u>\$ (272,835)</u>	<u>\$ -</u>	<u>\$ 970,050</u>
	<u>\$ 2,156,214</u>	<u>\$ 356,697</u>	<u>\$ (7,050)</u>	<u>\$ 2,485,861</u>
	<u>\$ 3,379,099</u>	<u>\$ 83,862</u>	<u>\$ (7,050)</u>	<u>\$ 3,455,911</u>

For the year ended December 31, 2021

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>				
Temporary differences	\$ 1,242,885	\$ (272,835)	\$ -	\$ 970,050
Doubtful debts	2,156,214	356,697	(7,050)	2,485,861
Others	3,379,099	83,862	(7,050)	3,455,911
	<u>\$ 6,154,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,154,216</u>
<u>Deferred tax liabilities</u>				
Land value increment tax	2,147,645	516,851	-	2,664,496
Temporary differences	8,301,861	516,851	-	8,818,712
	<u>\$ 8,818,712</u>	<u>\$ 516,851</u>	<u>\$ -</u>	<u>\$ 9,335,563</u>

## e. Income tax assessments

The Bank's income tax returns through 2019 have been examined and cleared by the tax authority.

The income tax returns of Chang Hwa Bank Venture Capital Co., Ltd. through 2020 have been examined and cleared by the tax authority.

## 32. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 17, 2022. The basic and diluted after-tax earnings per stock of 2021 were adjusted retrospectively as follows:

	Unit: NT\$ Per Share	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per stock	\$ 0.84	\$ 0.83
Diluted earnings per stock	\$ 0.84	\$ 0.83

The earnings and weighted average number of common stock outstanding in the computation of earnings per stock were as follows:

	For the Year Ended December 31	2021
Net profit for the year	\$ 10,971,151	\$ 8,803,803

The weighted average number of common stocks outstanding (in thousands of stocks) is as follows:

	For the Year Ended December 31	2022	2021
Weighted average number of common stock used in the computation of basic earnings per stock	10,593,457	10,593,457	
Effect of potentially dilutive common stock:			
Compensation of employees issued	47,156	35,946	
Weighted average number of common stock used in the computation of diluted earnings per stock	<u>10,640,613</u>	<u>10,629,403</u>	

The Group may settle compensation or bonuses paid to employees in cash or stock; therefore, the Group assumes that the entire amount of the compensation or bonus will be settled in stocks and the resulting potential stocks will be included in the weighted average number of stocks outstanding used in the computation of diluted earnings per stock, as the effect is dilutive. Such dilutive effect of the potential stock is included in the computation of diluted earnings per stock until the number of stocks to be distributed to employees is resolved in the following year.

### 33. CAPITAL RISK MANAGEMENT

#### a. Summary

The Group's goals in capital management are as follows:

- 1) The Group's qualified regulatory capital should meet the requirement of capital adequacy regulations, and reached the minimum capital adequacy ratio.
  - 2) To ensure that Group is able to meet the capital needs, it should be evaluated periodically and observed the variation between regulatory capital and risk assets to keep common equity ratio in the interval approved by the board of directors.
  - 3) Related to the calculation of qualified regulatory capital and legal capital were according to the regulation of administration.
- b. Capital management procedures

The Group kept capital adequacy ratio completely to meet the requirement of the administration and declared to the administration quarterly.

In addition, the capital management procedures for the overseas subsidiaries of the Group were carried out according to the regulation of local administrations.

The Group's capital adequacy performance, which was calculated based on Regulations Governing the Capital Adequacy and Capital Category of Banks, was reported to the Asset and Liability Management Committee of the Group periodically. The regulatory capital was classified into Tier 1 Capital, other Tier 1 Capital and Tier 2 Capital.

- 1) Tier 1 Capital: Include Common Equity and other Tier 1 Capital

Common Equity: Include common stock (include capital collected in advance), Capital reserves (exclude additional paid-in capital in excess of par - preferred stock), accumulated profit, reserve and adjusted equity. Deduct: Legal adjustments.

- 2) Other Tier 1 Capital: Include noncumulative perpetual preferred stock, noncumulative perpetual subordinated debts. Deduct: Legal adjustments.

- 3) Tier 2 Capital: Include cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation reserve, long-term subordinated debt, non-perpetual preferred stock include stock issue price 45% of financial assets at fair value through other comprehensive income convertible bonds, operating reserves and allowance for doubtful accounts. Deduct: Legal adjustments.

#### c. Capital adequacy

Item	Period		
	December 31, 2022	December 31, 2021	
Self-owned capital	Common equity Tier I	\$ 151,058,270	\$ 150,992,088
	Other Tier I capital	26,800,000	26,415,100
	Tier II capital	44,588,149	47,630,296
	Self-owned capital	222,446,419	225,037,484
Risk-weighted assets	Standardized approach	1,465,675,556	1,356,082,940
	IRB	-	-
	Securitization	4,048,285	3,727,948
	Basic indicator approach/Standardized approach/optional standard	54,322,617	51,808,367
Operation risk	Advanced internal rating based approach	-	-
	Standardized approach	24,075,092	22,422,633
	Internal model approach	-	-
Market price risk	1,548,121,550	1,434,041,888	
Total	14.37%	15.69%	
Capital adequacy ratio			
Common equity Tier I to risk-weighted assets ratio	9.76%	10.53%	
Tier I capital to risk-weighted assets ratio	11.49%	12.37%	
Leverage ratio	6.23%	6.51%	

Note 1: The ratios are calculated in accordance with the Regulations Governing the Capital Adequacy and Capital category of Banks.

Note 2: Annual financial report should include the capital adequacy ratio in current and previous period. Besides semiannual report should disclose the ratio the end of last year.

Note 3: Formula:

- a. Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital
- b. Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5
- c. Capital adequacy = Self-owned capital ÷ Risk-weighted assets
- d. Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets
- e. Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets
- f. Leverage ratio = Tier I capital ÷ Adjusted average assets



34. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments not measured at fair value

December 31, 2022

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 485,011,259	\$ 91,016,207	\$ 384,038,310	\$ -	\$ 475,054,517
<u>Financial liabilities</u>					
Bank notes payable	51,219,465	-	119,465	51,169,917	51,289,382

December 31, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 405,256,329	\$ 38,553,326	\$ 366,213,556	\$ -	\$ 404,766,882
<u>Financial liabilities</u>					
Bank notes payable	51,278,335	-	6,178,335	46,595,019	52,773,354

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

1) Fair value hierarchy

December 31, 2022

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 3,736,003	\$ 18,050,242	\$ 396,054	\$ 22,182,299
Financial assets mandatorily measured at FVTPL				
Stock and fund investments	119,587	110,982	396,054	626,623
Bond investments	3,616,416	2,769,035	-	6,385,451
Others	-	15,170,225	-	15,170,225
Financial assets at FVTOCI	116,929,758	89,288,691	8,397,508	214,615,957
Stock investments	13,947,402	-	8,397,508	22,344,910
Bond investments	97,749,472	89,288,691	-	187,038,163
Others	5,232,884	-	-	5,232,884
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	1,099,905	8,203,477	-	9,303,382
Liabilities				
Financial liabilities at FVTPL	-	6,920,062	-	6,920,062

December 31, 2021

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 1,416,228	\$ 52,828,375	\$ 231,515	\$ 54,476,118
Financial assets mandatorily measured at FVTPL				
Stock and fund investments	122,247	13,085	231,515	366,847
Bond investments	1,293,981	2,275,484	-	3,569,465
Others	-	50,539,806	-	50,539,806
Financial assets at FVTOCI	101,558,129	61,184,018	11,452,856	174,195,003
Stock investments	15,856,192	-	11,452,856	27,309,048
Bond investments	79,700,684	61,184,018	-	140,884,702
Others	6,001,253	-	-	6,001,253
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	159,609	1,976,002	-	2,135,611
Other financial assets	-	147,321	-	147,321
Liabilities				
Financial liabilities at FVTPL	-	3,150,309	-	3,150,309

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2022

	Financial Assets		Financial Assets at FVTOCI
	Equity Instrument	Financial Assets at FVTPL	
Beginning balance	\$ 231,515	\$ 95,420	\$ 11,452,856
Recognized in profit or loss (loss on financial assets or liabilities at FVTPL)	-	-	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	-	(3,034,808)
Purchase	114,454	-	-
Sell	(6,835)	(38,500)	(20,540)
Transfer out of Level 3	-	-	-
Ending balance	\$ 396,054	\$ 396,054	\$ 8,397,508

For the year ended December 31, 2021

	Financial Assets at FVTPL		Financial Assets at FVTOCI	
	Equity Instrument	Equity Instrument	Equity Instrument	Equity Instrument
Beginning balance	\$ 110,525	\$ 8,830,725		
Recognized in profit or loss (loss on financial assets or liabilities at FVTPL)	(28,380)	-		
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	2,572,387		
Purchase	179,320	49,744		
Transfer out of Level 3	(29,950)	-		
Ending balance	\$ 231,515	\$ 11,452,856		

3) Definition for the hierarchy classifications of fair value measurements

a) Level 1

Level 1 inputs are quoted prices unadjusted in active markets for identical financial instruments. An active market indicates the market that is in conformity with all of the following conditions: The products in the market are identical; it is easy to find a knowledgeable and willing transaction counterparty; and price information is available to the public.

The fair values of the Group investments in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices are included in Level 1.

b) Level 2

Level 2 inputs are inputs other than quoted prices with reference to an active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair values of the Group's investments in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative bank debentures issued by the Group are included in Level 2.

c) Level 3

The input parameters used are not based on observable market data (unobservable input parameters are those such as option pricing models using historical volatility which cannot represent the expected value of all market participants). The fair values of the Group's investments in derivatives and equity investments without an active market are included in Level 3.

4) Valuation techniques and assumptions applied for the purpose of measuring fair value

a) Determination of fair value

A quoted market price is used as the fair value when a financial instrument has an active market. Such market prices are provided by the Stock Exchange Corporation, Bloomberg and Reuters, which are all the foundation of fair values for listed equity securities and debt instruments with a quoted market price in an active market.

If the market quotation from the Stock Exchange Corporation, commission merchants, underwriters or pricing service institutions can be frequently and readily obtained and the price represents actual and frequent at arm's length transactions, then a financial instrument is deemed to have an active market. If the above conditions are not met, the market is deemed inactive. In general, a significant price variance between the purchase price and selling price or a significantly increasing price variance are both indicators of an inactive market.

In addition to the above financial instruments with an active market, other financial instruments at fair value are assessed by valuation techniques or by referencing counterparties with other financial instruments at fair value with similar conditions and characteristics in actual practice, including market information obtained by exercising valuation models at the balance sheet date (such as yield curves used by TPEX and TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation).

When a financial instrument has no standardized valuation and has a greater level of complexity, such as interest rate swaps, currency swaps and options, the Group usually adopts the valuation generally accepted by market users. The inputs used for these financial instruments' valuations are usually observable information in the market.

For financial instruments with greater complexity, the fair value is assessed through the valuation model developed by valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments without quoted market price (including debt instruments of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Group need to make appropriate estimates based on assumptions.

b) The types and nature of the valuation methods for financial instruments used by the Bank and its subsidiaries are as follows:

- i. NTD central government bonds: The bond market rate and theoretical interest rate are price-per-hundred conversions announced by TPEX.
- ii. NTD corporate bonds and bank notes: The corporate bond reference rate is announced by TPEX, and the Group uses the appropriate credit rate and the remaining period to calculate the yield rate and convert it to price-per-hundred.
- iii. NTD convertible corporate bonds: The closing prices of outright purchase/sale trading are listed on TPEX on the valuation day. If the price is not available, the price is referenced from the outright purchase/sale trading information listed on TPEX.
- iv. Securitization instruments: Prices are those quoted from Bloomberg.
- v. NTD short-term bills: The TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation are discounted from future cash flows.
- vi. Foreign securities: The latest prices quoted from Bloomberg, Reuters or other systems on the valuation day are used, if there is no available price or valuation, then the price used is that which is quoted from counterparties.
- vii. Listed stock, call/put warrants and depositary receipts: The closing price listed on TWSE or TPEX is adopted.
- viii. Unlisted stock: The fair value is referenced from related financial information or estimated using the price and parameters of listed companies which have similar service attributes.

ix. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.

x. Derivatives:

- i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.
  - ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.
  - iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.
  - iv) Certain derivatives use the quoted price from counterparties.
- xi. Mixing Tools: The price from the active market, deal brokers and valuation models is used.
- c) Adjustments for credit risks and the definitions are as follows:

Credit valuation adjustment (CVA) is a measurement for derivatives which are not transacted through the stock market, or for over-the-counter derivatives. CVA reflects the fair value should a counterparty default and the possibility of not collecting the derivative's full market value.

CVA is calculated by applying the loss given default (LGD) to the exposure at default (EAD), along with the consideration of the counterparty's probability of default (PD), assuming the condition that the Group does not default.

c. The impact of the interest rate benchmark reform

The financial instruments of the Group affected by the interest rate benchmark reform include loan, floating-rate bonds and asset exchanges. The link of interest rate benchmark is London Interbank Offered Rate (LIBOR). It is expected that LIBOR will be replaced by the alternative interest rate recommended by the interest rate reform group of various countries; the differences of the two rates are discussed in the next paragraph.

LIBOR is a forward-looking interest rate indicator that implies market expectations for future interest rate trends, and includes inter-bank credit discounts. The alternative interest rate recommended by the interest rate reform group of various countries is Overnight Financing Rate (secured or unsecured), which is a retrospective interest rate indicator calculated using actual transaction data, and does not include credit discounts. Therefore, when an existing contract is modified from a linked LIBOR to a linked Overnight Financing 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 plan for LIBOR conversion and exit and has handled risk management policy adjustments, internal process adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues required to match the interest benchmark reform. The Group has identified all the information systems and internal processes that need to be updated, and has updated some of them. The Group has started to discuss with the counterparties of the financial instruments how to amend the affected contracts, which is expected to be completed by December 31, 2021 for the position other than U.S. dollars and by December 31, 2022 for U.S. dollars.

Due to the interest benchmark reform, the Group faces interest rate basis risks. If the Group fails to complete the negotiation with the counterparty in the financial instrument, it will bring about material uncertainty, and trigger exposure to interest rate risk that the Group had not expected.

December 31, 2022

	USD LIBOR			GBP LIBOR			JPY LIBOR			EUR LIBOR		
	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts		
Non-derivative financial assets												
Loans - syndicated loans	\$ 105,617,832	221	\$ -	-	\$ -	-	\$ -	-	\$ -	-	-	
Loans - other loans	10,185,900	15	-	-	-	-	-	-	-	-	-	
Derivative financial assets	6,369,028	27	-	-	-	-	-	-	-	-	-	
ECB asset exchange and structured products	2,458,000	1	-	-	-	-	-	-	-	-	-	

December 31, 2021

	USD LIBOR			GBP LIBOR			JPY LIBOR			EUR LIBOR		
	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts		
Non-derivative financial assets												
Loans - syndicated loans	\$ 223,412,336	308	\$ 900,906	1	\$ -	-	\$ -	-	\$ 6,553	1	-	
Loans - other loans	15,173,857	45	-	-	-	-	-	-	-	-	-	
Holding bonds	13,166,077	62	-	-	-	-	-	-	-	-	-	
Derivative financial assets												
ECB asset exchange and structured products	2,212,400	1	-	-	-	-	-	-	-	-	-	

d. Financial risk management objectives and policies

1) Market risk

a) The source and definition of market risk

Market risk is the uncertainty of changes in fair value of on- and off-balance sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices and commodity prices.

The major market risks of the Group are equity securities price risks, interest rate risks, and exchange rate risks. The majority of equity securities risk includes domestic public stock, over-the-counter stock, emerging market stock, domestic stock index options and stock index futures. The main position of interest rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Group's investments denominated in foreign currencies, such as foreign currency spots, currency futures and foreign currency options.

b) Market risk management policy

The Group classifies the financial instruments held by the Group as trading book and banking book, and determines the market risk as interest rate risk, exchange rate risk, and equity security price risk. The Group establishes "Market Risk Management Regulation", "Derivative Financial Trading Process" and various financial instrument related regulations to manage the market risk of overall foreign exchange position, normal position, interest rate position of trading book and equity security position. The overall interest rate risk management of banking book belongs to assets and liabilities management committee.

The market risk management regulations are as follows:

- i. Establish the market risk management process to ensure the risk would be identified, measured, monitored and reported.
- ii. Measure and monitor the market risk and keep it under the risk limit and minimize unexpected loss from market risk.
- iii. Follow the regulations of Basel Accord.
- iv. Establish the market risk management system and economic capital allocation process.
- v. Monitor the credit line management of financial instrument, sensitivity analysis, stress testing and the calculation of VaR, and report the result of market risk monitoring to risk management committee periodically and board of director quarterly.

c) Market risk management procedures

According to "Whole Risk Management Policy", risk management department is the second line of defense against the market risk. Risk management department performs the market risk management, establishes related management process, and reports to the appropriate level of the management. Besides, risk management department establishes independent risk management process and ensures its effectiveness.

i. Identifying and measuring

The effective market risk management process begins with identifying the inherent risk of operating activities and financial instruments. The Group reviews the risk identifying method timely when the market environment changes and makes necessary adjustment to ensure the effective operation of the market risk management process. The Group's risk management department identifies market risk factors and measures the market risk. The market risk factors refer to the factors which affect the interest rate, exchange rate or the fair value of equity instruments. The market risk factors include the position, profits and loss, loss from stress testing, PVOI, Delta, VaR, etc.

ii. Monitoring and reporting

The Group controls market risk by managing risk limits. The risk management department sets various trading limits, such as position limits, stop-loss limits, and maximum potential loss. The trading limits are implemented only after they are reported to and approved by the board of directors.

The risk management department calculates exposures and estimated gains and losses on positions daily to make sure that the positions held and losses do not exceed the limits approved by the board of directors and prepares reports to the high-level management and the board of directors periodically for their sufficient understanding of the implementation of the market risk management and, if necessary, issuance of additional guidance.

The risk management department reports important market risk issues, such as discovery of possible loss on positions in each trading book or identification of weakness in the market risk management system, to the Risk Management Committee in order to improve the effectiveness of the market risk management.

iii. Stress testing

The stress testing is one of the important tools for risk management. It is used for verifying effects on the investment portfolio due to some extremely disadvantageous but possible stressful events and for analyzing exposure level and risk tolerance in such situations and furthermore evaluating the portfolio loss or the impact on the capital. The Group performs stress testing for forecasting risk and for assessment and reinforcement of statistical models or historical data limitations.

d) Trading book market risk management

The trading book refers to the position of financial instruments held for trading or hedging. The position of financial instruments held for trading refers to the position which earns profits from actual or expected short-term price fluctuations.

i. Strategy

The Group determines the risk limitation of the investment portfolio of trading book by evaluating trading strategy, trading category, and annual performance.

ii. Management policy and procedures

The Group follows "Market Risk Management Rules", "Derivative Financial Trading Process" and various financial instrument related regulations as the important management rules of trading book.

iii. Valuation policy

The trading positions are valued on a real time or daily basis. The hedging derivatives are valued at least twice a month. The resources of fair value of financial instruments are categorized as: (1) those derived from quoted prices in active markets; (2) the latest price without active market; (3) valuation without active market.

iv. Risk measuring methods

i) The sensitivity of the interest rate changes of investment portfolio is measured by DVOI. The sensitivity of the foreign exchange derivatives is measured by the sensitivity factors (Delta, Gamma, and Vega).

ii) With regard to the Group's Value at Risk assumptions and calculation methods, refer to item i.

iii) The Group performs the stress test quarterly and report the result to Risk Management Committee periodically.

e) Trading book interest rate risk management

i. Definition of interest rate risk

Interest rate risk is fair value changes in interest rate risk position held by the Group due to interest rate changes. The risks are mainly in debt securities and interest rate derivatives.

ii. Management procedures on trading book interest rate risk

The Group defines the trading limit of trading book and the stop-loss limit of different financial instruments by assessing the credit and the financial position of the issuers.

- iii. Measuring methods
- The interest rate factor sensitivity of debt securities and interest rate derivatives is measured by DV01. With regard to the Group's Value at Risk assumptions and calculation methods, refer to item i.
- f) Banking book interest rate risk management
- i. Definition of banking book interest rate risk
 

The Group's banking book interest rate risk means the unfavorable change of interest rate of non-trading-book interest rate position which changes the present value of revenue and costs or assets and liabilities and causes a decrease in earnings or impairment of economic value.
  - ii. Management strategy on banking book interest rate risk
 

According to the Group's interest rate risk management policy, the Group has set various measurement indicators and limits on banking book interest rate risk. To pursue profits and steady growth of stockholder value without exposure to extreme loss risks, the Group applies appropriate management strategy including on- and off-balance sheet adjustments and maintains appropriate amounts of assets and liabilities.
  - iii. Banking book interest rate risk report/range of measuring system
 

The Group mainly applies standard method for interest rate risk sensitivity gap analysis to measure banking book interest rate risks. The responsible department periodically measures banking book interest rate risks and reports to related departments and to the asset and liability management committee in order to adopt appropriate strategies for adjusting banking book interest rate risk combinations. Assessment information of banking book interest rate risk would be presented to the board of directors periodically to let the high-level management controls such risks.
- g) Exchange rate risk management
- i. Definition of exchange rate risk
 

Every financial derivative listed in the trading book is affected by changes in exchange rate risk factors that affect the profit and loss of the commodity, and all foreign exchange positions of the Bank must be included in the measurement. The exchange rate risk of the Bank is mainly due to the derivatives business as spot and forward foreign exchange and exchange rate options. Most of the foreign exchange transactions that the Bank engages in are based on the principle of leveling customer positions on the same day. The exchange rate option is based on back-to-back transactions, so the exchange rate risk assumed is relatively small.
  - ii. Exchange rate risk management policy, procedures and measuring methods
 

To control exchange rate risk, the Bank has set operating limits and stop-loss limits for the trading rooms and traders of each unit and keeps losses within an acceptable range.

Exchange rate derivatives use Delta, Gamma, Vega, and other sensitivity factors to measure the sensitivity of such commodities to exchange rates and their volatility.

The exchange rate risk is mainly based on the risk value control basis, refer to item i.
- h) Equity security price risk management
- i. Definition of equity security price risk
 

Equity security price risk is the valuation effect on the position held by the Group when the equity security price changes. The Group's equity security price risk mainly comes from public and over-the-counter stock, index futures and options.
  - ii. Equity security price risk management purpose
 

Avoid drastic fluctuations in the price of equity securities, which may adversely affect the Bank's financial position or suffer loss of earnings and hope to improve the efficiency of capital utilization, and improve business operations.
  - iii. Equity security price risk management procedures
 

The Group sets restrictions on credit extensions with the same person, the same concerned party or the same affiliate to control the risk concentration. Risk management department monitors unrealized gain or loss of the holding position daily. If unrealized loss is over the stop-loss threshold, risk management department would notice the department which holds the position to subject to the related regulations. The department which holds the position should report to risk management committee if unrealized loss is over the stop-loss threshold but the department still holds the position.
  - iv. Measuring methods
 

The equity security price risk of trading book is monitored and controlled by VaR, please refer to item i.

The Group would perform stress testing for the equity security price risk of non-trading position and report the result to risk management committee.
  - i) Market risk measuring method
    - i. Value at Risk, "VaR"
 

The Group uses VaR model and stress testing to evaluate the risk of trading portfolio the market risk and the maximum expected loss of positions held through assumptions of changing market situation. VaR is the statistical estimation of potential losses of existing positions arising from unfavorable market changes. VaR refers to the maximum potential loss that the Group might be exposed to within the confidence interval (99%), which means there is a certain probability (1%) that the actual loss would exceed VaR. Significant loss caused by excessive market volatility could not be avoided by using VaR.

The Group has been using historical simulation method to calculate VaR since January 27, 2014. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Group would use proxy to respond to the limitations mentioned above.



According to the Group's "Risk Management Committee Establishment Points", the risk appetite of trading book market risk, operating limits and VaR limits should be approved by the risk management committee. VaR is an important internal risk control in the Group. The VaR limits of investment portfolio are approved annually by the risk management committee and reported to the board of directors. In addition, the daily actual VaR is monitored by the Group's risk management department.

- ii. As of December 31, 2022 and 2021, the Group's VaR factors based on historical simulation method were as follows:

	For the Year Ended December 31, 2022			For the Year Ended December 31, 2021				
	Average	Highest	Lowest	Ending Balance	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 170,459	\$ 249,923	\$ 109,264	\$ 234,694	\$ 156,023	\$ 204,762	\$ 102,778	\$ 123,113
Interest rate VaR	8,036	31,360	1,452	31,275	6,382	16,927	982	12,458
Equity securities VaR	1,823	3,887	-	-	1,899	8,165	-	991
Value at risk	\$ 180,318	\$ 285,170	\$ 110,716	\$ 265,969	\$ 164,304	\$ 229,854	\$ 103,760	\$ 136,562

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of December 31, 2022 and 2021 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

Financial assets	December 31, 2022			New Taiwan Dollars
	Foreign Currency	Exchange Rate		
Monetary items				
USD	\$ 8,280,071	30.7250	\$ 254,405,181	
GBP	356,134	37.0700	13,201,887	
AUD	2,423,383	20.7800	50,357,899	
HKD	1,028,074	3.9400	4,050,612	
CAD	43,921	22.6800	996,128	
ZAR	4,280,300	1.8090	7,743,063	
JPY	81,087,365	0.2321	18,820,377	
EUR	1,370,384	32.7600	44,893,780	
NZD	230,290	19.4500	4,479,141	
RMB	10,994,419	4.4110	48,496,382	

(Continued)

Financial liabilities

Monetary items	December 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
USD	\$ 15,267,081	30.7250	\$ 469,081,064
GBP	211,420	37.0700	7,837,339
AUD	1,614,432	20.7800	33,547,897
HKD	672,184	3.9400	2,648,405
CAD	64,088	22.6800	1,453,516
ZAR	4,003,323	1.8090	7,242,011
JPY	121,847,302	0.2321	28,280,759
EUR	1,150,183	32.7600	37,679,995
NZD	172,095	19.4500	3,347,248
RMB	10,545,234	4.4110	46,515,027

(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

Financial assets	December 31, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Monetary items			
USD	\$ 8,390,390	27.6550	\$ 232,036,235
GBP	59,616	37.3600	2,227,254
AUD	1,732,166	20.0900	34,799,215
HKD	962,619	3.5460	3,413,447
CAD	107,092	21.6600	2,319,613
ZAR	4,358,966	1.7340	7,558,447
JPY	101,770,867	0.2405	24,475,894
EUR	776,810	31.3800	24,376,298
NZD	4,643	18.9400	87,938
RMB	10,750,297	4.3410	46,667,039

Financial liabilities

Monetary items	December 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
USD	\$ 14,943,696	27.6550	\$ 413,267,913
GBP	61,173	37.3600	2,285,423
AUD	1,147,194	20.0900	23,047,127
HKD	755,514	3.5460	2,679,053
CAD	105,834	21.6600	2,292,364
ZAR	4,139,630	1.7340	7,178,118
JPY	96,515,340	0.2405	23,211,939
EUR	805,792	31.3800	25,285,753
RMB	11,735,341	4.3410	50,943,115



For the years ended December 31, 2022 and 2021, net foreign exchange gains were \$1,640,408 thousand and \$494,694 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Bank and entities under its control.

### 3) Credit risk

#### a) Credit risk source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability to fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility of the collateral and market liquidity risk of the collateral.

#### b) Credit risk management policy

The related mechanism and procedures for monitoring credit risk includes:

- i. The Group continuously improves its credit risk management technology and its efficiency to meet the requirements of internal operations, business scale and management objectives and build up the risk management system that fits the requirement of accuracy and completeness of the Group's risk management technology.
- ii. The Group is building a complete monitoring mechanism, setting up a loan early warning system to track down bad indications and risk changes of high-risk credits, setting up "corporate clients' risk exposure and credit risk quick-search system" to understand the negative reporting and transactions with the Group in order to enhance the credit risk's identification, measurement and monitoring and improve the quality of risk management.
- iii. "Chang Hwa Bank Customer Credit Define Notice and Control Index Notice" has been developed to strengthen the control of customer credit risk and to prevent the Bank's debts from being damaged.
- iv. To control concentration risk, the Group sets limits for statutory single creditors, related companies, stakeholder's limit of the Group, industries, real estate, and high-risk industries in mainland China to monitor and control the overall credit risk. In addition, in order to effectively control the credit risk limit control of the Group's credit, securities investment and derivative financial product transactions with customers, the credit risk limit of the same legal person and group companies are distinguished according to the risk rating, so as to strengthen the Group's management on credit, investment and of derivative financial product transactions.
- v. The Group actively utilizes the database system and related risk quantification tools to identify, measure and monitor risks. The Group also adjusts risk management policies and procedures in a timely manner to implement an independent and professional risk management mechanism, which enhances risk management effectiveness.
- vi. The Group implements strict and forward-looking credit risk stress testing to respond to the events or changes which may be unfavorable to the Group and in compliance with the requirements of the competent authority supervising risk management and improves the effectiveness of the Group's risk management.

vii. The Group is holding sessions and training in risk management to strengthen risk management intelligence and increase the Group's financial institution of loan.

viii. Information on credit risk would be presented to the high-level management periodically.

The Group's expected credit loss and measuring methods for major business operations are described as follows:

#### i. Credit business (including loan commitments and guarantees)

The various types of credit assets of the Group are classified as follows based on credit quality and internal and external ratings.

##### 1) A determined significant increase in credit risk since initial recognition.

At the end of every reporting period, the Group evaluates the risk of default on credit assets occurring over their expected lifetime to determine whether the credit risk has increased significantly since their initial recognition.

For this credit risk evaluation, the Group considers corroborative information (including forward-looking information) which indicates a significant increase in credit risk since initial recognition of the credit assets. The key indicators include:

- Quantitative indicators

A change in internal credit rating

A financial instrument is determined as having a significant increase in credit risk since initial recognition if its internal credit rating is at the level of 16-18 or if the scoring of a housing loan debtor is lower than 340.

- Qualitative indicators

A credit account is rated as ordinary-overdue in accordance with the Group's "Detailed Rules for the Processing of Ordinary-overdue Accounts".

The result of the credit review shows that the credit application and the loan application are inconsistent.

A list of early warning accounts and the latest financial statements show a net worth of less than three-fourths of the share capital.

##### ii) Definition of the credit-impaired financial assets

A credit account that meets one of the following conditions is classified under Stage 3 (Credit-impaired):

- The debtor's payment of the principal or interest is past due for more than 3 months from the end of the credit term; or the Bank has already petitioned or withdrawn the debtor's collateral.
- The case has been agreed to be repaid in installments and is exempt from being listed as an overdue loan.
- The case was negotiated and adopted in accordance with the debt negotiation mechanism set by the Association of Banks in 2006.

- Stage 2, significant increase in credit risk

The Group measures the loss allowance for Stage 2 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its computed outcome which is discounted at the effective interest rate. The computed outcome is the product of the unpaid principal for each year end over instruments expected lifetime, the forward-looking adjusted PD, and the LGD.

- Stage 3, credit impairment

The Group measures the loss allowance for Stage 3 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the asset's EAD carrying amount and the present value of its estimated future cash flows, estimated assuming the credit impairment situation is given and discounted at effective interest rate.

The PD and EAD and LGD are used to measure the impairment loss for financial assets in the credit business:

- PD is meaning of using past credit-impaired situations to predict the probability of credit impairment in normal situation in a year. The PD for Stage 3 financial instruments is determined as 100%. The PD for Stages 1 and 2 are based on the categories and the remaining lifetime for each credit account. The credit accounts are divided into groups by remaining lifetimes. The PD of each group is determined as the PD of each credit quality stage. The Group shall update the probability of default at least once a year.

- The EAD is the total expected exposure amount of default which includes the unsecured line of credit.

- The exposure amount of impairment-tested off-balance sheet assets (i.e. guarantees, letters of credit issued yet unused, irrevocable loan commitments issued, and revocable loan commitments issued) is converted into the equivalent exposure amount of on-balance sheet assets through a credit conversion factor (CCF). The CCF is determined according to the credit risk standardized approach of the Capital Adequacy Ratio as either 0%, 20%, 50% or 100% by referring to the respective off-balance sheet item's characteristics.

- The LGD is one minus the present value of the annual recovery rate. The annual recovery rate refers to the annual recovery amount of principal (including litigation expenses) and interest over non-performing loans plus accrued interest and litigation expenses.

#### iv) Forward-looking information

The Group classifies credit assets as either corporate banking - domestic, corporate banking - overseas, and individual banking business. Macroeconomic indicators for each the above categories are estimated using the domestic economic growth rate, global economic growth rate and the domestic unemployment rate, respectively, and are updated at least once a year.

Macroeconomic indicators include the actual statistical value of the past five years and predicted value of the current year and the next five years at the time of calculation. The forward-looking adjusted PD is adjusted based on the reasonableness of each value's predicted trend.

- The case has been negotiated and agreed upon in accordance with "The Statute for Consumer Debt Clearance" (excluding secured debt fulfilled under the original contractual conditions).

- The case is ruled to undergo restructuring or liquidation by the court.

- The case is ruled to be restricted by the court.

- The case is declared bankrupt by the court.

- The case involves credit accounts of a debtor, excluding credit card accounts, which is partly transferred to class A and B non-performing loans (excluding the sixth item of class B: The credit account is totally guaranteed and the interest payment is not past due during the inheritance period after the death of the debtor and the collateral provider), as well as overdue loans or bad debt loans.

- Enterprises apply to the Ministry of Economic Affairs for credit and debt negotiation in accordance with the "Operating Guidelines for Assisting Enterprises in Bank Credit and Debt Negotiation by the Ministry of Economic Affairs".

- The case involves a credit account which has an internal credit rating at the level of 19-21.

- The case is a mortgage loan credit account of the Group which has no rating score.

- The case is a credit account which is determined as Stage 3 by the internal or external auditors, or the risk management department of the Group.

#### iii) Expected credit loss measurement

The Group classifies credit assets into the following nine categories by the credit risk characteristics of the debtor's industry and organization size:

Business	Combination
Corporate banking loans	Government
	Large enterprise
	Small enterprise
	Overseas credit account
Individual banking loans	Other groups
	Individual-residential loan group
	Individual-other groups (unsecured)
	Individual-other groups (secured)

The Group measures the expected credit loss as follows:

- Stage 1, no significant increase in credit risk

The Group measures the loss allowance for Stage 1 financial instruments at an amount equal to the 12-month ECLs based on past loss experience. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its estimated future cash flows, estimated at the forward-looking adjusted PD and discounted at the effective interest rate.

The total amount of undiscounted ECLs at the time of initial recognition of the credit impaired financial assets - loans which were purchased or originated is as follows:

	December 31 2022	2021
Discounts and Loans	<u>\$ 4,734,831</u>	<u>\$ 6,343,716</u>

ii. Call loans to banks

The Group evaluates the credit status of counterparties before deals are closed. The Group grants different limits to counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Group assesses the credit limits of counterparties by level and financial status; the Group efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reporting. Additionally, in accordance with the application of IFRS 9, the Group performs credit impairment assessments for call loans to banks, transfers the related credit losses to each of the three stages of credit impairment, and measures the related expected credit loss, so as to ensure adequate allowance for losses, in accordance with regulations.

iii. Debt instruments

The Group identifies and manages the credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

The other banks with which the Group conducts derivative transactions are mostly considered investment grade. The Group monitors the credit limits (including lending limits) by counterparties. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

A change in an external credit rating announced by international credit rating institutions (e.g. S&P and Moody's) is one of the quantitative indicators for judging a significant increase in the credit risk of financial assets at amortized cost and investments in debt instruments at FVOCI. The measurement of ECLs is calculated using the PD and LGD announced periodically by international credit rating institutions. The international credit rating institutions consider forward-looking information when establishing credit ratings. Thus, when the Group measures ECLs using such credit ratings, it holds that an adequate evaluation of the forward-looking information, which was used by the institutions for establishing such credit rating, is inherent therein.

c) Credit risk hedging or mitigation policies

i. Collateral

The Group has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, the Group manages and assesses the collateral following the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, the Group stipulates the security mechanism for loans and the conditions and terms for collateral offsetting to state clearly that the Group reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in the Group in order to reduce the Group's credit risks.

ii. Credit line credit risks and control over concentration of credit risks

To avoid the concentration of credit risks, the Group has included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. For the Group's credit extension, securities investment and derivative financial product transactions with customers, the credit risk limit for the same legal person and group company is distinguished according to the risk rating, to manage the concentration risk on the assets, and the Group has set credit limits by industry, conglomerate, real estate loan, and high-risk industries in China to supervise concentration of credit risk in these categories and control single counterparties, related companies, industries, and ultimate risks concentration of various types of credit risk by country. Various credit limits are regularly evaluated and revised in a timely manner based on the economic circumstances, financial environment and business development strategies, etc.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Group's consolidated balance sheets:

	December 31, 2022			
	Carrying Amount	Collateral	Master Netting Arrangement	Other Credit Enhancements
Discounts and loans	\$ 1,707,377,952	\$ 1,189,007,672	-	-
Financial assets at FVTPL	31,485,681	5,204,239	-	-
Investments in debt instruments at FVOCI	192,058,172	6,554,790	-	-
Investments in debt instruments at amortized cost	483,011,259	-	-	-
			Maximum Exposure to Credit Risk Mitigated by	Total
				\$ 1,189,007,672
				5,204,239
				6,554,790
				-
				-

	December 31, 2021			
	Carrying Amount	Collateral	Master Netting Arrangement	Other Credit Enhancements
Discounts and loans	\$ 1,575,071,132	\$ 1,147,138,609	-	-
Financial assets at FVTPL	56,611,259	5,463,610	-	-
Investments in debt instruments at FVOCI	146,632,835	3,073,099	-	-
Investments in debt instruments at amortized cost	403,286,329	-	-	-
			Maximum Exposure to Credit Risk Mitigated by	Total
				\$ 1,147,138,609
				5,463,610
				3,073,099
				-
				-

The carrying amount of financial assets with maximum exposure is as follows:

	Discounts and Loans				
	December 31, 2022	December 31, 2022	December 31, 2022	December 31, 2022	December 31, 2022
	Stage 1	Stage 2	Stage 3		
	12-month	Lifetime Expected	Lifetime Expected	Lifetime Expected	Total
	Expected Credit Losses	Credit Losses	Credit Losses	Credit Losses	
Credit rating					
Levels 1-15	\$ 962,089,541	\$ 25,207,139	\$ 5,101	\$ 5,101	\$ 987,301,781
Levels 16-18	-	45,900,624	1,359,402	1,359,402	47,260,026
Levels 19-21	-	-	8,816,887	8,816,887	8,816,887
No rating	660,219,461	1,927,294	1,832,503	1,832,503	663,979,258
Total carrying amount	<u>\$ 1,622,309,002</u>	<u>\$ 73,035,057</u>	<u>\$ 12,013,893</u>	<u>\$ 12,013,893</u>	<u>\$ 1,707,357,952</u>
Expected credit losses	\$ 2,721,069	\$ 2,861,328	\$ 4,089,850	\$ 4,089,850	\$ 9,672,247
Recognized impairment based on the Regulations of the Institutions for Banking and Finance to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	<u>12,365,260</u>	<u>22,037,507</u>	<u>22,037,507</u>	<u>22,037,507</u>	<u>22,037,507</u>

	Loan Commitments			
	December 31, 2021			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 86,074,519	\$ 1,837,912	\$ -	\$ 87,912,431
Carry amount - cancellable	<u>625,444,091</u>	<u>9,699,276</u>	<u>697,165</u>	<u>635,840,532</u>
	\$ 711,518,610	\$ 11,537,188	\$ 697,165	\$ 723,752,963
Expected credit losses - non-cancellable	\$ 48,862	\$ 10,757	\$ -	\$ 59,619
Expected credit losses - cancellable	<u>94,487</u>	<u>121</u>	<u>136</u>	<u>94,744</u>
	\$ 143,349	\$ 10,878	\$ 136	\$ 154,363

d) Maximum exposure to credit risk

The maximum credit risk exposures of various financial instruments held by the Group are the same as per book amounts. Refer to the notes to the consolidated financial statements.

As of December 31, 2022 and 2021, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrepealably maximum amount of exposure) were as follows:

Financial Instrument Type	2022	2021
	Unused loan commitments (excluding credit card)	\$ 77,169,775
Credit card commitments	197,579	206,280
Unused issued letters of credit	20,282,544	27,312,727
Guarantees issued in guarantee business	55,259,791	57,408,752

e) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Group has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

	Discounts and Loans			
	December 31, 2021			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	\$ 859,314,140	\$ 1,400,133	\$ 7,218	\$ 860,721,491
Levels 16-18	-	55,738,866	2,358,013	58,096,879
Levels 19-21	-	-	9,938,976	9,938,976
No rating	<u>640,894,425</u>	<u>3,336,733</u>	<u>2,082,628</u>	<u>646,313,786</u>
Total carrying amount	\$ 1,500,208,565	\$ 60,475,732	\$ 14,386,835	\$ 1,575,071,132
Expected credit losses	\$ 2,104,357	\$ 2,116,708	\$ 5,294,105	\$ 9,515,170
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				<u>10,780,875</u>
				\$ 20,296,045

Guarantees Issued in Guarantee Business

	December 31, 2022			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 54,986,451	\$ 170,792	\$ 102,548	\$ 55,259,791
Expected credit losses	194,481	3,714	22,132	220,327

Guarantees Issued in Guarantee Business

	December 31, 2021			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 57,101,978	\$ 209,997	\$ 96,777	\$ 57,408,752
Expected credit losses	210,090	2,198	22,221	234,509

Loan Commitments

	December 31, 2022			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 73,162,104	\$ 4,007,305	\$ 366	\$ 77,169,775
Carry amount - cancellable	<u>717,503,378</u>	<u>16,350,083</u>	<u>51,776</u>	<u>733,905,237</u>
	\$ 790,665,482	\$ 20,357,388	\$ 52,142	\$ 811,075,012
Expected credit losses - non-cancellable	\$ 65,088	\$ 35,368	\$ 102	\$ 100,558
Expected credit losses - cancellable	<u>89,059</u>	<u>215</u>	<u>105</u>	<u>89,379</u>
	\$ 154,147	\$ 35,583	\$ 207	\$ 189,937

The Group's information on prominent concentration of credit risk was as follows:

	December 31, 2022	
Industry Type	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 104,954,569	6
Manufacturing	428,945,845	25
Wholesale and retail	157,616,620	9
Real estate and leasing	148,200,505	9
Service	40,961,368	3
Individuals	617,202,084	36
Others	209,476,961	12
	<u>\$ 1,707,357,952</u>	

	December 31, 2021	
Industry Type	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 68,761,893	4
Manufacturing	396,095,884	25
Wholesale and retail	146,156,913	9
Real estate and leasing	116,101,807	8
Service	36,760,527	2
Individuals	614,841,150	39
Others	196,352,958	13
	<u>\$ 1,575,071,132</u>	

	December 31, 2022	
Geographic Location	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,583,399,082	93
America	72,040,281	4
Europe	29,883,525	2
Others	22,035,064	1
	<u>\$ 1,707,357,952</u>	

	December 31, 2021	
Geographic Location	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,487,827,087	94
America	59,710,639	4
Europe	15,729,593	1
Others	11,803,813	1
	<u>\$ 1,575,071,132</u>	

	December 31, 2022	
Securities Type	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 518,350,280	30
Secured		
Properties	1,021,856,695	60
Others	167,150,977	10
	<u>\$ 1,707,357,952</u>	

	December 31, 2021	
Securities Type	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 427,932,523	27
Secured		
Properties	976,753,243	62
Others	170,385,366	11
	<u>\$ 1,575,071,132</u>	

f) Financial assets credit quality and non-performing impairment analysis

A portion of financial assets held by the Group, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, securities investments purchased under resell agreements, refundable deposits, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

4) Liquidity risk management

a) The definition of liquidity risk

Liquidity risk is the potential loss that the Group may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth.

b) Liquidity risk management procedures

According to the Group's liquidity risk management policy, the Group clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and asset and liability committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about the liquidity risk assessment should be reported to the board of directors to let the high-level management understand the Group's funding liquidity.

As of December 31, 2022 and 2021, the ratios of the liquidity reserve were 25.85% and 26.00%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.



c) Maturity analysis of non-derivative financial assets and liabilities

The Group adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to do maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2022					Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	
Major maturity fund inflows	\$ 36,810,790	-	-	-	-	\$ 36,810,790
Cash and cash equivalents	52,332,478	6,785,046	5,523,061	10,018,270	34,693,445	109,332,300
Due from the Central Bank and call loans to banks	19,418,123	-	-	-	-	19,418,123
Financial assets at FVTPL	18,079,086	890,733	729,658	399,852	80,787	20,180,116
Receivables	59,366,288	1,363,514,336	149,994,206	244,601,124	838,856,067	1,449,169,245
Discounts and loans receivables in equity instruments designated at FVTOCI	-	-	-	-	22,577,785	22,577,785
Investments in debt instruments at FVTOCI	-	-	-	199,525	96,263,206	96,462,731
Investments in debt instruments at amortized cost	218,200,000	25,760,000	15,230,000	43,384,313	42,201,947	344,776,460
Other maturity funds inflow items	404,206,765	169,787,215	171,476,925	298,603,208	1,429,636,436	14,296,436
Major maturity fund outflows	-	-	-	-	-	-
Deposits from the Central Bank and banks	286,172	60,616	5,064	149,356	-	501,208
Due to the Central Bank and banks	3,005,000	25,000	-	-	-	3,030,000
Securities sold under repurchase agreements	496,182	444,831	-	-	-	941,013
Payables	28,892,160	2,058,487	488,913	1,501,802	1,507,816	34,449,278
Deposits and remittances to banks	157,361,662	183,078,800	151,457,310	274,677,633	958,143,649	1,774,719,054
Other maturity fund outflow items	29,629	49,670	38,606	359,464	3,379,692	3,857,061
Gap	\$ 190,070,805	\$ 187,717,404	\$ 151,989,893	\$ 289,738,534	\$ 993,402,997	\$ 1,812,919,663
	\$ 2,144,135,960	\$ 17,930,189	\$ 19,487,032	\$ 8,364,824	\$ 75,566,626	\$ 2,194,924,631

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2021					Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	
Major maturity fund inflows	\$ 26,699,287	-	-	-	-	\$ 26,699,287
Cash and cash equivalents	75,976,832	5,901,721	4,675,895	8,091,754	30,672,032	125,318,234
Due from the Central Bank and call loans to banks	51,347,171	-	-	-	-	51,347,171
Financial assets at FVTPL	25,145,289	905,208	500,264	196,204	87,743	26,834,708
Receivables	76,529,787	108,388,729	139,624,212	212,638,856	822,413,018	1,359,014,602
Discounts and loans receivables in equity instruments designated at FVTOCI	-	-	-	-	27,542,148	27,542,148
Investments in debt instruments at FVTOCI	-	-	-	728,190	69,964,173	70,692,363
Investments in debt instruments at amortized cost	235,800,000	22,710,509	7,441,118	30,844,596	30,988,164	327,884,387
Other maturity funds inflow items	491,498,366	137,906,167	152,241,489	252,519,600	14,131,062	1,038,306,624
Major maturity fund outflows	-	-	-	-	-	-
Deposits from the Central Bank and banks	254,509	82,463	8,527	174,145	-	519,644
Due to the Central Bank and banks	10,000	20,000	-	27,667,470	-	27,697,470
Securities sold under repurchase agreements	641,099	731,761	1,568,020	1,218,942	822,588	3,372,860
Payables	29,998,625	701,412	1,568,020	243,210,099	921,455,983	34,909,587
Deposits and remittances to banks	157,824,466	167,767,198	140,541,223	-	511,000,000	1,680,988,071
Other maturity fund outflow items	15,723	70,013	100,269	341,186	5,205,669	5,723,860
Gap	\$ 302,753,944	\$ 131,466,680	\$ 10,024,450	\$ 290,992,242	\$ 17,214,498	\$ 728,433,470

Note: The amounts listed above were the position in N.T. dollars of the Bank

(In Thousands of United States Dollars)

Item	December 31, 2022					Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	
Major maturity fund inflows	\$ 115,098	-	-	-	-	\$ 115,098
Cash and cash equivalents	872,693	42,966	42,625	82,630	26,253	1,069,167
Due from the Central Bank and call loans to banks	89,965	-	-	-	-	89,965
Financial assets at FVTPL	498,265	110,170	150,996	19,334	7,313	786,078
Receivables	649,228	514,054	325,789	332,298	4,139,821	5,961,190
Discounts and loans receivables in equity instruments at FVTOCI	12,973	15,508	117,836	131,499	1,920,155	2,197,971
Investments in debt instruments at amortized cost	-	-	213,859	322,732	2,213,833	2,750,424
Other maturity fund inflow items	2,238,222	682,698	851,105	888,493	14,055	4,664,373
Major maturity fund outflows	-	-	-	-	-	-
Deposits from the Central Bank and banks	6,030	-	-	-	67	6,097
Due to the Central Bank and banks	770,306	584,000	45,000	-	-	1,399,306
Payables	582,619	77,070	11,395	7,742	5	678,831
Deposits and remittances to banks	4,377,154	4,419,470	2,421,743	2,481,751	3,674,591	17,374,709
Other maturity fund outflow items	56,061	2,000	2,478,138	9,500	106,500	166,151
Gap	\$ 13,533,948	\$ 14,399,842	\$ 11,692,033	\$ 11,603,500	\$ 4,563,177	\$ 66,641,446

Note: The amounts listed above were the position in U.S. dollars of the Bank.



e) Maturity analysis of off-balance sheet items

The Group's off-balance sheet items - irrevocable loans, guarantees, and letters of credit presented based on the residual time from the balance sheet date to the maturity date were as follows:

Item	(In Thousands of New Taiwan Dollars)				
	0-30 Days	31-90 Days	91-180 Days	December 31, 2022 181 Days-1 Year	Over 1 Year
Unused loan commitments (excluding credit cards)	\$ 61,360,301	\$ 86,635	\$ 4,489,537	\$ 1,845,706	\$ 9,397,516
Credit card commitments	-	-	104	301	196,573
Unused issued letters of credit	20,034,174	248,370	-	-	-
Guarantees issued in guarantee business	54,992,186	46,687	62,545	71,734	86,639
	\$ 136,386,671	\$ 381,783	\$ 4,552,186	\$ 1,918,021	\$ 9,671,028
					\$ 152,909,689

Item	(In Thousands of New Taiwan Dollars)				
	0-30 Days	31-90 Days	91-180 Days	December 31, 2021 181 Days-1 Year	Over 1 Year
Unused loan commitments (excluding credit cards)	\$ 74,143,110	\$ 1,193,361	\$ 2,275,181	\$ 2,774,392	\$ 7,526,387
Credit card commitments	12	154	129	687	205,298
Unused issued letters of credit	27,144,214	168,513	-	-	-
Guarantees issued in guarantee business	57,044,232	60,495	79,816	149,765	74,444
	\$ 158,331,568	\$ 1,422,523	\$ 2,355,126	\$ 2,924,844	\$ 7,806,129
					\$ 172,840,190

(In Thousands of United States Dollars)

Item	December 31, 2021				
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Major maturity fund inflows	\$ 189,665	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents	3,190,050	511,972	22,785	118,873	14,937
Due to the Central Bank	82,081	-	-	-	-
Financial assets at FVTPL	495,116	139,575	127,593	3,172	3,172
Receivables	940,466	728,238	616,712	439,866	3,203,118
Discounts and loans	-	-	-	-	1,522,874
Investments in debt instruments at FVOCI	-	26,038	34,043	87,208	1,375,585
Investments in debt instruments at amortized cost	-	-	-	-	1,006,044
Other maturity fund inflow items	5,000	4,902,468	801,133	681,389	33,391
	\$ 4,907,468	\$ 1,405,823	\$ 801,133	\$ 681,389	\$ 5,636,247
Major maturity fund outflows	8,169	502	753	1,506	340
Deposits from the Central Bank and banks	2,080,652	170,000	10,000	-	-
Payables	826,334	73,019	3,515	820	1
Deposits and remittances	3,548,363	2,533,875	2,362,091	2,457,608	5,034,632
Other maturity fund outflow items	63,949	2,169	581	189	10,210
	\$ 6,997,567	\$ 2,779,565	\$ 2,376,940	\$ 2,460,123	\$ 5,045,183
Gap	\$ (1,595,199)	\$ (1,373,742)	\$ (1,575,807)	\$ (1,778,734)	\$ 591,064
					\$ (5,739,413)

Note: The amounts listed above were the position in U.S. dollars of the Bank.

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Group, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Item	December 31, 2022				
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Foreign currency derivative instruments	\$ 150,244,570	\$ 241,318,607	\$ 109,107,030	\$ 36,601,301	\$ -
Outflows	130,002,889	244,262,189	109,651,970	36,571,312	-
Interest rate derivative instruments	-	-	-	-	-
Outflows	1,088,772	-	-	-	-
Others	17,251	-	-	-	-
Inflows	\$ 150,244,570	\$ 241,318,607	\$ 109,107,030	\$ 36,601,301	\$ -
Total inflows	\$ 151,108,912	\$ 244,262,189	\$ 109,651,970	\$ 36,571,312	\$ -
Total outflows	\$ -	\$ -	\$ -	\$ -	\$ -
Gap	\$ 151,108,912	\$ 244,262,189	\$ 109,651,970	\$ 36,571,312	\$ -
					\$ 17,251
					\$ 528,261,298
					\$ 531,486,369

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Item	December 31, 2021				
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Foreign currency derivative instruments	\$ 183,810,946	\$ 228,568,500	\$ 138,558,458	\$ 131,047,484	\$ 1,382,750
Outflows	183,006,206	228,316,604	138,273,044	131,266,791	1,376,650
Interest rate derivative instruments	413	-	-	-	30,762
Outflows	116,609	-	-	-	-
Others	18,843	-	-	-	-
Inflows	\$ 183,311,359	\$ 228,568,500	\$ 138,558,458	\$ 131,047,484	\$ 1,413,512
Total inflows	\$ 183,141,658	\$ 228,316,604	\$ 138,273,044	\$ 131,266,791	\$ 1,376,650
Total outflows	\$ -	\$ -	\$ -	\$ -	\$ -
Gap	\$ 183,141,658	\$ 228,316,604	\$ 138,273,044	\$ 131,266,791	\$ 1,376,650
					\$ 683,199,313
					\$ 682,374,747

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type	December 31, 2022				December 31, 2021			
	Non-performing Loans (Note a)	Loans	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Allowance for Loan Losses	Coverage Ratio (Note c)
Corporate	\$ 2,152,905	\$ 571,220,648	\$ 7,213,424	3.3512%	\$ 2,566,731	\$ 533,356,439	\$ 6,170,666	183.535%
Finance	332,152	488,669,553	6,234,627	1.0514%	500,133	409,849,957	3,129,352	875.503%
Consumer	361,111	380,682,031	3,960,691	1.0514%	308,931	358,420,174	3,532,203	1,152.018%
Cash loans (Note d)	6,287	3,669,172	47,556	760.83%	2,522	2,799,615	37,714	1,383.803%
Others (Note f)	255,253	27,891,139	2,727,575	12.287%	701,113	21,643,666	2,727,575	175.843%
Total	3,007,315	1,662,583,295	21,740,885	63.847%	3,179,792	1,355,047,455	20,049,691	366.903%

Business Type	December 31, 2022				December 31, 2021			
	Non-performing Loans (Note a)	Loans	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Allowance for Loan Losses	Coverage Ratio (Note c)
Credit card	\$ 3,693	\$ 2,782,834	\$ 23,323	631.43%	\$ 3,863	\$ 2,389,676	\$ 21,537	553.048%
Non-receivable factoring (Note g)	-	7,182,838	-	-	-	8,292,760	-	-
Total	\$ 3,693	\$ 9,965,672	\$ 23,323	631.43%	\$ 3,863	\$ 10,682,436	\$ 21,537	553.048%

Note a: Non-performing loans are classified in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by the MOF. Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) 0944000378).

Note b: Non-performing loans ratio = Non-performing loans ÷ Loans.

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Non-performing loans.

Note d: Mortgage loans are for borrowers to build or repair buildings, allowing the borrowers, their spouses or their minor children to fully use their buildings as collateral and to mortgage their rights to financial institutions.

Note e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note f: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, excluding mortgage loans, cash loans, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 0940000494), non-receivable factoring are not defined as non-performing loans until compensation from debtors or insurance companies are ascertained to be non-receivable.

Note h: The Bank does not engage in cash card business.

Item	December 31, 2022		December 31, 2021	
	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Business Type				
Negotiated loans transacted in agreement with the agreement and exempted from reporting as non-performing loans (Note a)	\$ -	\$ 283	\$ -	\$ 483
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	702	18,851	379	18,973
Total	702	19,134	379	19,456

Note a: Negotiated loans and accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note b: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

b. Concentration of credit risk

Rank (Note a)	December 31, 2022		As Proportion of Net Equity (%) (Note d)
	Transaction Party (Note b)	Loans (Note c)	
1	A Corporation (railway transportation industry)	\$ 20,371,434	12.05
2	B Group (uncategorized other financial services)	15,547,588	9.20
3	C Group (other holdings industry)	15,018,908	8.89
4	D Group (steel smelting industry)	13,074,879	7.74
5	E Group (airline industry)	12,680,935	7.50
6	F Group (liquid crystal panel and components manufacturing industry)	10,642,737	6.30
7	G Group (integrated circuit manufacturing)	9,829,664	5.82
8	H Group (steel manufacturing industry)	8,103,038	4.79
9	I Group (vessel carriers industry)	7,635,656	4.52
10	J Group (real estate development industry)	7,630,000	4.51

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities =  $\frac{\text{Interest-sensitive assets (N.T. dollars only)}}{\text{Interest-sensitive liabilities}}$

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

Item	December 31, 2022				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 13,445,593	\$ 705,325	\$ 516,568	\$ 3,527,508	\$ 18,194,994
Interest-sensitive liabilities	20,635,711	2,181,705	1,967,327	3,527,508	24,784,743
Interest sensitivity gap	(7,190,118)	(1,476,380)	(1,450,759)	3,527,508	(6,589,749)
Net equity					573,517
Ratio of interest-sensitive assets to liabilities					73.41%
Ratio of interest sensitivity gap to net equity					(1,149.01)%

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

Item	December 31, 2021				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 14,545,894	\$ 694,462	\$ 144,977	\$ 1,863,808	\$ 17,265,141
Interest-sensitive liabilities	19,175,855	1,969,321	1,739,879	1,863,808	22,885,055
Interest sensitivity gap	(4,630,961)	(1,274,859)	(1,594,902)	1,863,808	(5,640,914)
Net equity					649,452
Ratio of interest-sensitive assets to liabilities					75.44%
Ratio of interest sensitivity gap to net equity					(865.33)%

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, offshore banking unit (OBU), and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities =  $\frac{\text{Interest-sensitive assets (U.S. dollars only)}}{\text{Interest-sensitive liabilities}}$

d. Profitability

Item	December 31, 2022		December 31, 2021
	Pretax	After tax	
Return on total assets	0.50%	0.42%	0.42%
Return on net equity	7.67%	6.02%	6.02%
Profit margin	6.44%	5.23%	30.69%

Note a: Return on total assets =  $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity =  $\frac{\text{Income before (after) tax}}{\text{Average net equity}}$

Rank (Note a)	December 31, 2021		As Proportion of Net Equity (%) (Note d)
	Transaction Party (Note b)	Loans (Note c)	
1	A Corporation (railway transportation industry)	\$ 22,877,522	13.34
2	E Group (airline industry)	21,367,459	12.46
3	D Group (steel smelting industry)	17,094,552	9.97
4	B Group (uncategorized other financial services)	15,640,000	9.12
5	C Group (other holdings industry)	13,987,639	8.16
6	K Group (uncategorized other electronic components manufacturing)	8,866,543	5.17
7	H Group (steel manufacturing industry)	8,407,940	4.90
8	I Group (chemical material manufacturing)	6,437,970	3.75
9	L Group (financial leasing industry)	6,314,622	3.68
10	G Group (integrated circuit manufacturing)	6,066,755	3.54

Note a: Sorted by the balance of loans on December 31, 2022 and 2021, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

Note b: Transaction party is in accordance with article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, accounts receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Note d: The percentage of loans to equity for the period: Domestic banks should use bank equity to calculate; the Taiwan branch of foreign banks should use branch's equity to calculate.

c. Interest rate sensitivity

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2022				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 1,723,831,510	\$ 28,194,615	\$ 61,887,025	\$ 212,740,968	\$ 2,026,654,118
Interest-sensitive liabilities	460,738,064	1,128,589,010	85,028,062	51,199,618	1,725,554,754
Interest sensitivity gap	1,263,093,446	(1,100,394,395)	(23,141,037)	161,541,350	301,099,364
Net equity					145,891,689
Ratio of interest-sensitive assets to liabilities					117.45%
Ratio of interest sensitivity gap to net equity					206.39%

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2021				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 1,672,672,463	\$ 43,876,223	\$ 49,178,969	\$ 171,185,747	\$ 1,936,913,402
Interest-sensitive liabilities	378,882,176	1,105,812,367	118,959,750	60,709,834	1,664,364,127
Interest sensitivity gap	1,293,790,287	(1,061,936,144)	(69,780,781)	110,475,913	272,549,275
Net equity					148,085,043
Ratio of interest-sensitive assets to liabilities					116.38%
Ratio of interest sensitivity gap to net equity					184.05%

Note a: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

g. Trust accounts

Under Article 3 of the Trust Law, the Group can offer trust services. The items and amounts of trust accounts as of December 31, 2022 and 2021 were as follows:

	December 31 2022	December 31 2021
Special purpose trust accounts - domestic	\$ 36,374,202	\$ 35,332,088
Special purpose trust accounts - foreign	74,276,891	69,433,908
Insurance trust	9,855	9,792
Retirement and breads trust	947,490	469,848
Umbilical cord blood trust	14,827,483	13,398,917
Money claim and guarantee trust	51,800	53,800
Marketable securities trust	1,647,702	1,599,911
Real estate trust	27,958,276	17,611,862
Securities under custody	278,623,588	269,259,270
Other money trust	2,573,759	2,965,986
	<u>\$ 437,291,046</u>	<u>\$ 410,135,442</u>

h. Disclosures on trust assets and liabilities and assets register as required by Enforcement Rules of ROC Trust Law Article 17 were as follows:

	Balance Sheet of Trust	
	December 31 2022	December 31 2021
<b>Trust Assets</b>		
Bank deposits	\$ 5,026,631	\$ 5,001,811
Insurance claims	51,800	53,800
Financial assets	5,384,097	4,489,515
Common stock	120,366,081	112,146,085
Mutual funds	4,492,791	2,168,259
Bonds	3,845	-
Interest receivable	15,456,039	12,993,462
Land	543,815	543,815
Buildings	7,342,359	3,479,425
Construction in progress	278,623,588	269,259,270
Securities under custody	-	-
<b>Trust Liabilities</b>		
Trust capital	\$ 128,459,307	\$ 121,240,527
Money trust	51,800	53,800
Insurance claims	1,640,284	1,596,332
Marketable securities trust	27,957,778	17,612,800
Real estate trust	-	-
Securities under custody	278,623,588	269,259,270
payable	299	-
Withholding income tax	314,937	94,093
Profit and loss	-	-
Unappropriated retained earnings - realized capital gain/loss	(9,378)	1,783
Unappropriated retained earnings - gain on revenue/expense investment	1,340,123	1,216,709
Unappropriated retained earnings	(1,087,692)	(939,872)
<b>Total trust assets</b>	<u>\$ 437,291,046</u>	<u>\$ 410,135,442</u>
<b>Total trust liabilities</b>	<u>\$ 437,291,046</u>	<u>\$ 410,135,442</u>

Note c: Profit margin =  $\frac{\text{Income after tax}}{\text{Net revenue and gains}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2022 and 2021, respectively.

e. Maturity analysis of assets and liabilities

	(In Thousands of New Taiwan Dollars)				
	December 31, 2022				
	0-10 Days	11-30 Days	Period Remaining until Due Date 31-90 Days	Period Remaining until Due Date 91-180 Days	More Than 1 Year
<b>Total</b>					
Major maturity cash inflows	\$ 2,306,094,030	\$ 195,324,110	\$ 259,257,470	\$ 190,562,686	\$ 309,141,234
Major maturity cash outflows	2,849,482,586	127,546,810	107,184,526	457,116,195	382,618,074
Gap	(543,388,556)	(32,222,700)	(11,927,056)	(197,053,509)	(73,476,840)

	(In Thousands of New Taiwan Dollars)				
	December 31, 2021				
	0-10 Days	11-30 Days	Period Remaining until Due Date 31-90 Days	Period Remaining until Due Date 91-180 Days	More Than 1 Year
<b>Total</b>					
Major maturity cash inflows	\$ 2,315,889,039	\$ 251,993,312	\$ 278,639,240	\$ 248,859,098	\$ 1,031,350,105
Major maturity cash outflows	2,914,807,121	137,695,915	230,111,918	422,515,430	621,609,719
Gap	(598,918,082)	(114,702,603)	(48,472,678)	(173,656,332)	(410,259,614)

Note: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

	(In Thousands of U.S. Dollars)			
	December 31, 2022			
	1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year
<b>Total</b>				
Major maturity cash inflows	\$ 30,662,540	\$ 11,480,936	\$ 5,610,436	\$ 3,537,987
Major maturity cash outflows	36,061,005	13,387,602	7,751,665	4,247,844
Gap	(5,398,465)	(1,906,666)	(2,141,229)	(709,857)

	(In Thousands of U.S. Dollars)			
	December 31, 2021			
	1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year
<b>Total</b>				
Major maturity cash inflows	\$ 32,636,693	\$ 14,105,738	\$ 5,594,662	\$ 3,802,090
Major maturity cash outflows	37,258,437	12,393,915	5,928,287	5,147,960
Gap	(4,621,744)	(1,711,823)	(333,625)	(1,345,870)

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.

f. Non-performing loan selling information

Transaction Date	December 31, 2021				
	Trading Partners	Non-Perform Loan Composition	Book Value	Price	Distribution Profit
2021.10.21	Fitz Walter Capital Partners (Financial Trading) Limited	International lending	\$ 543,227	\$ 554,313	\$ 11,086
			None	None	None

Trust Assets Register

	December 31 2022	2021
<b>Investments</b>		
Bank deposits	\$ 5,026,631	\$ 5,001,811
Insurance claims	51,800	53,800
Financial assets		
Common stock	5,384,097	4,489,515
Mutual funds	120,366,081	112,146,085
Bonds	4,492,791	2,168,259
Land	15,456,039	12,993,462
Buildings	543,815	543,815
Construction in progress	7,342,359	3,479,425
Others	3,845	-
Securities under custody	<u>278,623,588</u>	<u>269,259,270</u>
Total trust assets	<u>\$ 437,291,046</u>	<u>\$ 410,135,442</u>

Income Statement of Trust

	For the Year Ended December 31 2022	2021
<b>Investments</b>		
Revenue		
Interest income	\$ 59,786	\$ 56,687
Dividends	186,288	76,737
Gain on mutual funds	27,445	20,801
Foreign exchange gains	943,610	848,921
Realized capital gain - mutual funds	15,300	5,456
Realized capital gain - bonds	-	6,091
Realized capital gain - quoted stock	-	208
Expense	<u>1,232,429</u>	<u>1,014,901</u>
Maintenance	(3,877)	(3,813)
Tax expense	(5,624)	(3,899)
Others	(447)	(832)
Foreign exchange losses	(898,420)	(882,843)
Realized capital loss - bonds	(3,226)	(13,386)
Realized capital loss - mutual funds	(5,898)	(4,381)
Realized capital loss - quoted stock	<u>(917,492)</u>	<u>(920,808)</u>
	<u>\$ 314,937</u>	<u>\$ 94,093</u>

36. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

Name	Relationship
Director and managers	The Bank's director and managers
Taishin Financial Holding	The Bank's related party in substance
Taishin International Bank	The subsidiary of Bank's related party in substance
Chunghua Post Co., Ltd.	The Bank's corporate director
The Export-Import Bank	Its director is the Bank's corporate director
Land Bank	Its director is the Bank's corporate director
Taiwan Business Bank	Its director is the Bank's corporate director
Taichung Commercial Bank Co., Ltd.	Its director is the spouse of the Bank's manager
Taiwan High Speed Rail Corporation	Its director is the Bank's corporate director
Yang Ming Marine Transport Corporation	Its director is the Bank's corporate director
Unity OPTO Technology Co., Ltd.	Its director is the Bank's corporate director
Powertec Electronical Corporation	Its director is the Bank's corporate director
CSBC Corporation	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
China Airlines, Ltd.	Its director is the Bank's corporate director
Lungteh Shipbuilding Co., Ltd.	Its director is the Bank's corporate director
Others	Other related parties (IAS 24 "Related Party Disclosures")

b. Significant transactions with related parties

1) Loans

	Balance	Percentage of Loans (%)
Balance as of December 31, 2022	\$ 24,136,655	1.43
Balance as of December 31, 2021	26,534,553	1.71

For the years ended December 31, 2022 and 2021, interest rates ranged from 1.26% to 6.51% and from 0.89% to 3.57%, respectively, and interest income amounted to \$501,557 thousand and \$477,003 thousand, respectively.

	December 31, 2022				Difference in Terms of Loans and Collateral Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	
<b>Consumer loans</b>					
42 accounts	\$ 19,774	\$ 21,246	\$ 19,774	\$ -	Credit None
Self-use residential mortgage loans					
246 accounts	1,586,783	1,671,988	1,586,783	-	Real estate None
<b>Others</b>					
Taiwan High Speed Rail Corporation	20,237,161	20,318,882	20,237,161	-	Credit and collateral None
China Airlines, Ltd.	750,000	750,000	750,000	-	Credit and fund guarantee None
Unity Opto Technology Co., Ltd.	633,239	633,886	633,239	-	Credit and land and plant None

(Continued)

	December 31, 2022				Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	
CSBC Corporation	\$ 365,905	\$ 2,007,292	\$ 365,905	\$ -	None
Lungteh Shipbuilding Co., Ltd.	203,326	286,782	203,326	-	Credit and land and plant
Other - 9 corporation accounts (Note 1)	333,610	3,599,491	333,610	-	Credit and fund guarantee and real estate
Other - 6 individual accounts (Note 2)	6,967	8,451	6,967	-	Foreign Currency and deposit

(Concluded)

	December 31, 2021				Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	
Consumer loans					
48 accounts	\$ 26,060	\$ 26,998	\$ 26,060	\$ -	Credit
Self-use residential mortgage loans					
253 accounts	1,606,401	1,646,420	1,606,401	-	Real estate
Others					
Taiwan High Speed Rail Corporation	22,559,661	23,962,050	22,559,661	-	Credit and station equipment
China Airlines, Ltd.	1,000,000	1,000,000	1,000,000	-	Credit and fund guarantee
Unity Opto Technology Co., Ltd.	628,471	629,593	628,471	-	Credit and fund guarantee and plant
Powertelectrical Corporation	266,512	466,027	-	266,512	Plant
Lungteh Shipbuilding Co., Ltd.	108,899	168,705	108,899	-	Credit and land and plant
Other - 11 corporation accounts (Note 1)	338,342	1,765,235	338,342	-	Credit and fund guarantee and real estate
Other - 5 individual accounts (Note 2)	207	414	207	-	Deposit

Note 1: The balance of each corporate entity does not exceed \$0.1 billion.

Note 2: The balance of each single entity does not exceed 1% of the total ending balance.

Mortgage loans to managers within \$8,000 thousand and credit loans within \$800 thousand per person all bore interests were 1.64% and 1.01% in December 31, 2022 and 2021, respectively. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

## 2) Guaranteed loans

	December 31, 2022				Interest Rate (Per-Annium %)	Collateral
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Collateral		
CSBC Corporation	\$ 2,082,149	\$ 2,236,261	\$ 20,821	\$ -	0.50-0.65	None
Yang Ming Marine Transport Corporation	1,514,475	1,514,475	15,145	-	0.80-1.00	None
Lungteh Shipbuilding Co., Ltd.	102,347	127,162	1,023	-	1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	-	0.50	None

	December 31, 2021				Interest Rate (Per-Annium %)	Collateral
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Collateral		
CSBC Corporation	\$ 2,116,261	\$ 2,136,516	\$ 21,163	\$ -	0.50-0.65	None
Yang Ming Marine Transport Corporation	1,514,475	1,514,475	15,145	-	0.80-1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	-	0.50	None
Lungteh Shipbuilding Co., Ltd.	128,642	131,447	1,286	-	1.00	None

## 3) Deposits

	Balance	Percentage of Loans (%)
Balance as of December 31, 2022	\$ 31,117,406	1.32
Balance as of December 31, 2021	52,360,143	2.42

For the years ended December 31, 2022 and 2021, the interest rates intervals were both between 0.00% to 13.00%; the interest expense was \$482,333 thousand and \$74,026 thousand, respectively.

The interest rate for managers' deposits amounting to \$480 thousand per person was 13% per annum. The part of deposit exceeding \$480 thousand will earn interest calculated at the demand savings rate. The interest rates and other terms provided to the other related parties are the same as those offered to general public.

## 4) Transactions of derivative financial products

	December 31, 2022				Subject	Amount
	Contract	Duration	Nominal Principle Amount	Current Valuation Gain (Loss)		
Chunghwa Post Co., Ltd.	Currency swaps	2022.4.7-2023.5.22	\$ 20,524,300	\$ 320,947	Financial assets at fair value through profit or loss	\$ 320,947

(In Thousands of New Taiwan Dollars)

	December 31, 2021				Subject	Amount
	Contract	Duration	Nominal Principle Amount	Current Valuation Gain (Loss)		
Chunghwa Post Co., Ltd.	Currency swaps	2021.7.22-2022.7.22	\$ 13,274,400	\$ (88,984)	Financial liabilities at fair value through profit or loss	\$ 88,984

## 5) Call loans to banks and call loans from banks

### Call loans to banks

	December 31, 2022				Interest Rate (Per-Annium %)	Interest Income
	Name	Department	Currency	Ending Balance		
Land Bank	DBU	NTD	\$ 25,000	\$ 0.08-1.30	\$ 8,198	
	OBU	USD	30,000	0.05-4.28	1,339	
	Hong Kong Branch	USD	26,000	0.23-4.32	1,008	
	Singapore Branch	USD	10,000	4.25	105	



Deposits from banks

	(In Thousands of Original Currencies)			
	December 31, 2021		December 31, 2022	
	Ending Balance	Interest Rate (Per-Annium %)	Ending Balance	Interest Income
Chunghwa Post Co., Ltd	15,000	0.08-0.62	\$ 89	
Land Bank	10,000	0.08-0.47	1,583	
DBU	116,000	0.06-0.33	203	
OBU	20,000	0.18-0.29	19	
London Branch	25,000	0.08-0.48	214	
Hong Kong Branch	30,000	0.06-0.32	22	
Taiwan Business Bank	15,000	0.13-0.53	29	
OBU	900,000	0.15-0.31	1,787	
Taichung Commercial Bank				

Call loans from banks

(In Thousands of Original Currencies)

Name	December 31, 2022		Interest Expense
	Ending Balance	Interest Rate (Per Annium %)	
Land Bank	\$ 5,000	0.08-1.22	\$ 85
DBU			
Name	December 31, 2021		Interest Expense
	Ending Balance	Interest Rate (Per Annium %)	
Land Bank	\$ 5,000	0.08-0.48	\$ 136
DBU	20,000	4.30-5.45	2,133
OBU	8,000	0.19-0.35	12
Taiwan Business Bank	30,000	3.70-6.00	558
Singapore Branch			
Taichung Commercial Bank			

6) Due from banks and deposits from banksDue from banks

Name	Department	Currency	December 31	
			2022	2021
Land Bank	DBU	NTD	\$ 4	\$ 4
Taiwan Business Bank	DBU	NTD	7	11
Chunghwa Post Co., Ltd	DBU	NTD	113	227

(In Thousands of New Taiwan Dollars)

Deposits from banks

	(In Thousands of Original Currencies)			
	December 31, 2021		December 31, 2022	
	Ending Balance	Interest Rate (Per-Annium %)	Ending Balance	Interest Income
Chunghwa Post Co., Ltd	15,000	0.08-0.62	\$ 89	
Land Bank	10,000	0.08-0.47	1,583	
DBU	116,000	0.06-0.33	203	
OBU	20,000	0.18-0.29	19	
London Branch	25,000	0.08-0.48	214	
Hong Kong Branch	30,000	0.06-0.32	22	
Taiwan Business Bank	15,000	0.13-0.53	29	
OBU	900,000	0.15-0.31	1,787	
Taichung Commercial Bank				

Call loans from banks

(In Thousands of Original Currencies)

Name	December 31, 2022		Interest Expense
	Ending Balance	Interest Rate (Per Annium %)	
Land Bank	\$ 5,000	0.08-1.22	\$ 85
DBU			
Name	December 31, 2021		Interest Expense
	Ending Balance	Interest Rate (Per Annium %)	
Land Bank	\$ 5,000	0.08-0.48	\$ 136
DBU	20,000	4.30-5.45	2,133
OBU	8,000	0.19-0.35	12
Taiwan Business Bank	30,000	3.70-6.00	558
Singapore Branch			
Taichung Commercial Bank			

6) Due from banks and deposits from banksDue from banks

Name	Department	Currency	December 31	
			2022	2021
Land Bank	DBU	NTD	\$ 4	\$ 4
Taiwan Business Bank	DBU	NTD	7	11
Chunghwa Post Co., Ltd	DBU	NTD	113	227

(In Thousands of New Taiwan Dollars)

c. Compensation of directors and management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 116,139	\$ 98,771
Post-employment benefits	12,311	11,707
	<u>\$ 128,450</u>	<u>\$ 110,478</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

d. Others

The Bank signed two-year information system service contracts in the amounts of \$2,000 thousand and \$46 thousand each on April 8, 2020 and April 30, 2020, with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hwa Bank Venture Capital Co., Ltd., respectively and in 2022, the Bank recognized other income according to the former contract in the amount of \$1,250 thousand.

The Bank signed three-year legal advice service contract with its subsidiary, Chang Hwa Bank Venture Capital Co., Ltd., on November 26, 2020. Under the contract, the annual service fee is \$68 thousand. In 2022, the Bank recognized other income in the amount of \$65 thousand.

The Bank signed three-year information system service contracts in the amounts of \$4,410 thousand and \$68 thousand each on April 6, 2022 and February 15, 2022, with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hwa Bank Venture Capital Co., Ltd. In 2022, the Bank recognized other income according to the latter contract in the amount of \$21 thousand.

### 37. PLEDGED ASSETS

The summary of the Group's pledged assets as of December 31, 2022 and 2021 is as follows:

Pledged Assets	Description	December 31	
		2022	2021
Investments in debt instruments at FVTOCI	Bonds	\$ 1,208,237	\$ 6,617,187
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,453,625	41,438,275
Refundable deposits	Cash	917,270	1,325,277
Reserves for demand Account	Cash	-	35,000,000

### 38. CONTINGENT LIABILITIES AND COMMITMENTS

a. In addition to those mentioned in Note 7, the Group had the following contingent liabilities and commitments as of December 31, 2022 and 2021:

	December 31	
	2022	2021
Trust liabilities	\$ 437,291,046	\$ 410,135,442
Unused loan commitments (excluding credit cards)	77,169,775	87,912,431
Credit card commitments	197,579	206,280
Unused issued letters of credit	20,282,544	27,312,727
Guarantees issued in guarantee business	55,259,791	57,408,752
Repayment notes and times deposit held for custody	18,843,464	14,130,756
Liabilities on joint loans	271,744	434,699

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, appointment and security service as of December 31, 2022 were \$772,457 thousand, \$73,083 thousand, \$805,782 thousand and \$142,801 thousand, respectively.

b. TDK Corporation filed a legal proceeding against the Bank for damages in the amount of \$45,794 thousand. On April 19, 2017, the Taiwan Superior Court passed a verdict partially in favor of and partially against the Bank, and the Bank shall compensate the damages in the amount of \$11,448 thousand. The Bank appealed to the Supreme Court. The Supreme Court held hearings on September 3, 2019, November 4, 2019, January 14, 2020, May 11, 2020, July 16, 2020, September 30, 2020, November 25, 2020, January 25, 2021, April 12, 2021 and July 26, 2021. On September 7, 2021, the Taiwan Superior Court ruled in favor of the Bank without damages, but on October 26, 2021, TDK Corporation appealed to the Taiwan Superior Court. The Supreme Court convened a mediation court for TDK Corporation on February 8, 2022 and the Court rendered a judgment in favor of the Bank in the form of Supreme Court Judgment No. 1307 of 2022 on July 7, 2022.

c. The Bank's North Taichung branch was fined due to the misappropriation of customers' deposits. The customer filed a lawsuit against the Bank at the Taiwan Taichung District Court on June 25, 2021 regarding the misappropriation of the deposit amount and the loss of wealth management products. The subject-matter amount of money was \$369,778 thousand. On December 20, 2022, the amount of the subject matter of the lawsuit was changed to \$422,695 thousand. The fourth trial was held on October 4, 2022, and no decision has yet been made.

### 39. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Material transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2021	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2021	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2021	None
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2021	None
6	Sale of NPL	Note 35
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the Bank's investees

No.	Item	Explanation
1	Investees' names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2021	Table 2
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2021	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2021	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2021	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2021	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT\$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

c. Investment in mainland China: Table 3.

d. Intercompany relationships and significant intercompany transactions: Table 4.

e. Information of major shareholders: The name of the shareholder, shareholding amount and ratio of shareholders with a shareholding ratio more than 5%. (Table 5)

40. INFORMATION ON INVESTEES

Investees' Names (Note a)	Investees' Location	Principal Business Activities	Ownership Interest at Ending Balance	Investment Book Value	Recent Investment Commitment	Current Stock	Imputed Stock (Note b)	Sum of Ownership (Note a)	Ownership Interest (%)
Asia Pacific Broadband	Hong Kong	Type 1 & type 2 telecommunication	0.23	\$ 59,972	\$ -	\$ 9,831,271	\$ -	\$ 9,831,271	0.23
China Mobile	Hong Kong	Mobile telecommunication	0.79	1,279,375	-	44,900,000	-	44,900,000	0.79
Tianjin Stock Exchange Co., Ltd.	Hong Kong	Securities investment trust	3.00	2,792,321	-	30,794,737	-	30,794,737	3.00
Tianjin Sugar Co., Ltd.	Tianjin City	Sugar and sugar products of refined sugar and corn	0.41	1,427,547	-	23,246,159	-	23,246,159	0.41
Tianjin Power Co., Ltd.	Hong Kong	Generating electric power, power	0.71	1,353,428	-	435,276,332	-	435,276,332	0.71
Empire Foreign Exchange Inc.	Hong Kong	Exchange and foreign exchange	3.53	33,105	-	70,000	-	70,000	3.53
Leipao Services Co., Ltd.	Hong Kong	ATM purchase, rental, and repair of	5.00	1,691	-	12,000	-	12,000	5.00
China Resources Investment Holdings Co., Ltd.	Hong Kong	Investment	4.95	442,800	-	54,000,000	-	54,000,000	4.95
Shanghai Information Service Co., Ltd.	Hong Kong	Securities investment trust	4.09	64,601	-	1,415,725	-	1,415,725	4.09
Financial Information Service Co., Ltd.	Hong Kong	Type 1 telecommunication business	1.26	18,148	-	6,589,242	-	6,589,242	1.26
Urban Retail Services Co., Ltd.	Hong Kong	Acquisition of different loans, management	11.35	1,597,730	-	120,000,000	-	120,000,000	11.35
Tianjin Assets Management Co., Ltd.	Hong Kong	Acquisition of different loans, management	2.94	48,500	-	5,000,000	-	5,000,000	2.94
Financial Evolution Co., Ltd.	Hong Kong	Financial information systems	4.12	83,885	-	905,475	-	905,475	4.12
Tianjin Depository & Clearing Corporation	Hong Kong	Acquisition of different loans, management	0.08	66,515	-	484,500	-	484,500	0.08
Shanghai Assets Management Co., Ltd.	Hong Kong	Acquisition of different loans, management	0.70	507	-	41,798	-	41,798	0.70
Tianjin M&S Payment Corporation	Hong Kong	Electronic information provider	3.00	5,538	-	180,000	-	180,000	3.00
Tianjin Urban Regeneration & Financial Services Co., Ltd.	Hong Kong	Urban renewal industry	3.00	12,700	-	230,000	-	230,000	3.00

Note a: The investees' voting shares, and imputed stock were owned by the Bank and related parties.

Note b: 1) Imputed stock refers to the purchase of securities with equity or derivative commodity contracts (not yet converted into equity holding), which is linked to the equity of the reinvestment business according to the agreed transaction conditions and the bank's commitment to be used as Article 74 of The Banking Act of The Republic of China stipulates that for the purpose of reinvestment, under the assumption of conversion, the shares acquired as a result of the conversion.

2) The above-mentioned "securities with equity" refers to the securities stipulated in the first paragraph of Article 11 of the Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.

3) The above-mentioned "derivative commodity contract" refers to those who meet the definition of derivative instruments in IFRS 9, such as stock options.

41. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided.

a. Segment revenue and results

	For the Year Ended December 31, 2022						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Overseas Branch	Others	Total
Net interest income	\$ 13,610,697	\$ (6,607,242)	\$ (2,815,069)	\$ 3,197,272	\$ -	\$ (16,789)	\$ 24,645,913
Net fee income	1,742,558	251,139	(7,618)	12,664	-	-	4,286,883
Net income on financial instrument	-	-	4,778,230	-	23,844	-	5,017,674
Others	11,571	-	5,023	-	1,097	-	18,700
Income before income tax	15,192,526	(10,700,881)	1,929,582	3,462,831	3,768,521	18,288	34,189,229
Bad debts expense, commitment and guarantee liability provision	(2,986,681)	-	(124)	-	(1,238,410)	-	(3,319,215)
Operating expenses	13,014,285	1,070,681	1,929,629	2,462,831	2,530,119	18,288	17,105,821
Income before income tax	\$ 13,014,285	\$ (1,070,681)	\$ 1,929,629	\$ 2,462,831	\$ 2,530,119	\$ 18,288	\$ 13,690,228

	For the Year Ended December 31, 2021						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Overseas Branch	Others	Total
Net interest income	\$ 13,177,637	\$ 4,926,470	\$ (176,219)	\$ (3,045)	\$ 2,594,296	\$ (15,479)	\$ 20,465,705
Net fee income	1,445,622	284,166	(3,045)	2,772,002	118,253	-	4,534,286
Net income on financial instrument	-	-	3,117,576	-	141,129	-	3,258,705
Others	45,978	-	5,411	-	5,607	-	57,000
Income before income tax	14,669,237	5,174,636	2,916,653	2,772,002	2,858,955	324,702	28,685,928
Bad debts expense, commitment and guarantee liability provision	(1,363,664)	-	230	-	(430,411)	-	(1,793,845)
Operating expenses	13,275,573	5,174,636	2,916,653	2,772,002	2,428,544	324,702	16,771,664
Income before income tax	\$ 13,275,573	\$ 5,174,636	\$ 2,916,653	\$ 2,772,002	\$ 2,428,544	\$ 324,702	\$ 10,120,439

The reported revenue and results on the segment information did not include inter-segment revenue for the years ended December 31, 2022 and 2021.

This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31, 2022				December 31, 2021			
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Overseas Branch	Others	Total	
Assets	\$ 1,561,058,927	\$ 2,727,707,302	\$ 825,090,218	\$ -	\$ 190,033,146	\$ 105,643,088	\$ 2,684,852,312	
Liabilities	740,867,443	2,727,707,302	83,300,885	-	107,624,466	51,115,005	2,813,824,401	
	\$ 820,191,484	\$ -	\$ -	\$ -	\$ 82,408,680	\$ 54,528,083	\$ 966,028,247	
	\$ 813,923,901	\$ -	\$ -	\$ -	\$ 171,419,335	\$ 93,599,698	\$ 2,051,062,927	
	\$ 7,789,647	\$ 110,266,258	\$ 6,066,316	\$ -	\$ 108,335,098	\$ 77,354,111	\$ 2,179,654,040	

TABLE 1

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEE'S NAMES AND LOCATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)

Investor	Investees' Names	Investees' Location	Line of Business	Original Investment Amount		Ending Balance			Net Income (Loss) of Current Period	Recognized Income (Loss) of Current Period	Note
				End of December 31, 2022	End of December 31, 2021	Stock	Ownership Interest (%)	Book Value			
Chang Hwa Bank	Chang Hua Commercial Bank, Ltd. Chang Hwa Bank Venture Capital Co., Ltd.	China Taiwan	Banking Venture capital	\$ 12,117,288 1,042,686	\$ 12,117,288 600,000	Note 104,268,647	100 100	\$ 13,629,324 1,132,487	\$ 221,218 69,589	\$ 221,218 69,589	

Note: Limited company organization.

TABLE 2

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount (Note 3)	Percentage of Ownership (%)	Fair Value	
Chang Hwa Bank Venture Capital Co., Ltd.	Tigerair Taiwan Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,340,000	\$ 41,473	0.3	\$ 41,473	
	Jada International Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,919,378	43,090	8.5	43,090	
	Yuh Shan Environmental Engineering Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	37,800	2.0	37,800	
	Acer E-enabling Service Business Inc.	-	Financial assets at fair value through profit or loss	405,813	55,191	1.0	55,191	
	Advanced Wireless & Antenna Inc.	-	Financial assets at fair value through profit or loss	250,000	5,535	1.0	5,535	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	-	Financial assets at fair value through profit or loss	350,000	6,661	0.6	6,661	
	Ina Energy Corporation	-	Financial assets at fair value through profit or loss	2,000,000	36,540	1.0	36,540	
	Imedtac Co., Ltd.	-	Financial assets at fair value through profit or loss	300,000	12,282	2.1	12,282	
	Locus Cell Co., Ltd.	-	Financial assets at fair value through profit or loss	3,011,000	110,925	1.5	110,925	
	Great Giant Fibre Garment Co., Ltd.	-	Financial assets at fair value through profit or loss	365,318	27,786	0.6	27,786	
	MegaPro Biomedical Co., Ltd.	-	Financial assets at fair value through profit or loss	250,000	4,985	0.4	4,985	
	Ace Medical Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000,000	12,050	4.9	12,050	
	Minima Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	570,000	11,981	1.5	11,981	
	Evergreen Aviation Technologies Corporation	-	Financial assets at fair value through profit or loss	485,000	40,745	0.1	40,745	
	PlayNitride Display Co., Ltd.	-	Financial assets at fair value through profit or loss	330,000	32,868	0.6	32,868	
	Sunpower Energy Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,112,456	32,518	4.7	32,518	
	Outstanding Management Consultants Co., Ltd.	Its director is Chang Hwa Bank Venture Capital Co., Ltd.	Financial assets at fair value through profit or loss	990	10	9.9	10	
	Gamamobi Taiwan Co., Ltd.	-	Financial assets at fair value through profit or loss	400,000	10,000	2.0	10,000	
	Outstanding Capital Limited Partnership	-	Financial assets at fair value through profit or loss	-	\$ 470	-	\$ 470	
	Mesh Cooperative Ventures Fund. L.P.	-	Financial assets at fair value through profit or loss	-	18,924	-	18,924	
	Hongde Energy Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	120,000	11,118	0.1	11,118	
	Etian Cool Co., Ltd.	-	Financial assets at fair value through profit or loss	119,313	2,148	0.2	2,148	
	Glory Wheel Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	286,000	33,000	1.0	33,000	
	Red Sunrise Co., Ltd.	-	Financial assets at fair value through profit or loss	1,200,000	30,000	8.6	30,000	
	Starlux Airlines Co., Ltd.	-	Financial assets at fair value through profit or loss	3,040,000	48,883	0.2	48,883	
	PCL Technologies, Inc.	-	Financial assets at fair value through profit or loss	100,000	9,890	0.1	9,890	

Note 1: The securities referred to in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of IFRS 9 "Financial Instruments".

Note 2: If the issuer of securities is not a related party, this column is exempt.

Note 3: As measured by fair value, fill in the balance of book value after adjustment of the fair value and deduct the allowance loss. If not measured by fair value, fill in the amortized cost (after allowance loss has been deducted) of the book balance.

(Concluded)

TABLE 3

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outflow	Inflow							
Chang Hua Commercial Bank, Ltd.	Banking	\$ 12,117,288 (US\$ 399,558)	Note c	\$ 12,117,288 (US\$ 399,558)	\$ -	\$ -	\$ 12,117,288 (US\$ 399,558)	\$ 221,218	100	\$ -221,218	\$ 13,629,324	\$ -	

Accumulated Outward Remittance for Investment in Mainland China December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 12,117,288 (US\$ 399,558)	\$ 12,117,288 (US\$ 399,433)	\$ 25,354,233

Note 1: The three methods of investment are as follows:

- Direct investment in mainland China.
- Investment in mainland China through reinvestment in existing enterprise in a third area.
- Others.

Note 2: Equity in the profit (loss):

- If the entity is still in the preparation stage and there is no equity in profit (loss), the condition should be noted.
- The basis of recognizing equity in profit (loss) is categorized in the following three types and each entity should be noted according to its condition.
  - Financial statements audited (reviewed) by international accounting firms that cooperate with the accounting firms in the ROC.
  - Financial statements audited (reviewed) by the Taiwan-based parent company's CPA.
  - Others.

Note 3: In accordance with the "Bank, Financial Holding Corporation and Related Party Invest China Business Rules" announced by the FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets while they applied:

- Banks in Taiwan (or subsidiaries in a third area) which establish branches, establish/acquire subsidiaries or acquire stock or capital contributions from local stockholders in mainland China.
- The subsidiaries whose issued stocks with voting rights or more than 50% of capital held by banks in Taiwan that have investments in mainland China.

TABLE 4

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Except for Percentage)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			% to Total Sales or Assets (Note 3)
				Financial Statement Accounts	Amount	Payment Terms	
0	The Bank	Chang Hua Commercial Bank, Ltd.	a.	Due from the Central Bank and call loans to bank	\$ 132,217	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Cash and cash equivalents	81,273	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Receivables	139,633	Same as normal customers	0.01
		Chang Hua Commercial Bank, Ltd.	a.	Other financial assets	5,293,200	Same as normal customers	0.20
		Chang Hua Commercial Bank, Ltd.	a.	Interest income	242,404	Same as normal customers	0.71
		Chang Hua Commercial Bank, Ltd.	a.	Net non-interest income	1,250	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Deposits and remittances	418,696	Same as normal customers	0.02
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Payables	71	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Other liabilities	5	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Interest expense	1,484	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Net non-interest income	2,498	Same as normal customers	0.01

Note 1: Transaction details: Methods of numbering are as follows:

- 0 for parent company.
- In accordance with subsidiary number starts from 1.

Note 2: Relationships are as follows:

- Parent company to subsidiary.
- Subsidiary to parent company.
- Subsidiary to subsidiary.

Note 3: Transactions amounts are calculated as percentage of accrued amounts of total income or ending balance of total assets.

TABLE 5

## CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2022

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Ministry of Finance	1,291,658,617	12.19
Taishin Financial Holdings Co., Ltd.	1,102,324,849	10.40
Chunghua Post Co., Ltd.	794,554,300	7.50
National Development Fund, Executive Yuan	574,468,579	5.42

Note: The main shareholder information in this table is calculated by the insurance company on the last business day at the end of the quarter, and the total number of ordinary shares and special shares held by the shareholders who have completed the delivery without physical registration (including treasury shares) is more than 5%. The share capital recorded in the Bank's consolidated financial statement and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.

## **F. Individual Financial Statements Audited by Independent Auditor in the Most Recent Fiscal Year**

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Chang Hwa Commercial Bank, Ltd.

#### **Opinion**

We have audited the accompanying financial statements of Chang Hwa Commercial Bank, Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



The following is the description for the key audit matter in the audit of the financial statements of the Bank for the year ended December 31, 2022.

#### Impairment Assessment of Loans

Loans are the most important assets of the Bank. As of December 31, 2022, the balance of the Bank's loans totaled \$1,665,842,407 thousand, accounting for 62% of the Bank's total assets. The Bank assessed the impairment on loans in accordance with IFRS 9 and with relevant regulations on recognizing allowance for loans. As the assessment of the impairment on the aforementioned assets involves the management's critical judgments, estimations and assumptions, we considered the impairment assessment on loans as a key audit matter. Refer to Notes 4, 5 and 12 to the Bank's financial statements for related information.

Our main audit procedures performed in response to the key audit matter described above were as follows:

When assessing the appropriateness of the impairment on loans, we understood and tested the internal controls relevant to the lending process and assessment of loan impairment. We tested whether the expected credit loss was calculated by loans grouped by borrowers and credit risk characteristics. We further verified the parameters utilized in the impairment loss model (including the probability of default adjusted for forward-looking factors, loss given default, and exposure at default) to reflect the actual situation, and we recalculated the impairment loss on loans, examined the classification of loan credit assets, and assessed the loan provisions in compliance with relevant regulations.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Bank's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Mei Hui Wu and Tung Feng Lee.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 23, 2023

Notice to Readers

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

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

## CHANG HWA COMMERCIAL BANK, LTD.

BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

	2022		2021	
	Amount	%	Amount	%
<b>ASSETS</b>				
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 46,490,790	2	\$ 40,199,528	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	147,435,730	6	244,922,324	10
Financial assets at fair value through profit or loss (Notes 4, 7, 34, 36 and 37)	30,893,372	1	55,409,052	2
Financial assets at fair value through other comprehensive income (Notes 4, 8, 10, 34 and 37)	208,955,699	8	166,225,320	6
Financial assets for hedging (Notes 4 and 13)	-	-	147,321	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 10, 34 and 37)	485,011,259	18	405,256,329	16
Receivables, net (Notes 4, 11 and 12)	22,348,157	1	22,814,357	1
Current tax assets (Notes 4 and 31)	44,675	-	344,089	-
Discounts and loans, net (Notes 4, 5, 12, 34, 35 and 36)	1,665,842,407	62	1,538,006,854	60
Investments measured by equity method, net (Notes 4 and 15)	14,761,811	1	13,868,146	1
Other financial assets, net (Notes 4, 14, 36 and 37)	7,061,923	-	12,539,676	-
Property and equipment, net (Notes 4 and 16)	20,281,431	1	20,250,352	1
Right-of-use assets, net (Notes 4 and 17)	1,950,552	-	1,929,117	-
Investment property, net (Notes 4 and 18)	13,845,593	-	13,852,096	1
Intangible assets, net (Notes 4 and 19)	1,062,279	-	541,517	-
Deferred tax assets (Notes 4 and 31)	3,272,664	-	3,339,503	-
Other assets, net (Notes 20 and 37)	<u>1,062,118</u>	<u>-</u>	<u>1,445,218</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 2,670,320,460</u></b>	<b><u>100</u></b>	<b><u>\$ 2,541,090,799</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND EQUITY</b>				
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	\$ 51,518,491	2	\$ 71,909,828	3
Due to the Central Bank and banks (Notes 6 and 37)	-	-	27,667,470	1
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 36)	6,920,062	-	3,150,309	-
Securities sold under repurchase agreements (Note 4)	941,013	-	1,372,860	-
Payables (Notes 4, 22 and 29)	31,716,456	1	36,527,049	2
Current tax liabilities (Notes 4 and 31)	873,126	-	344,773	-
Deposits and remittances (Notes 4, 23 and 36)	2,337,077,054	88	2,158,023,777	85
Bank notes payable (Notes 4, 24 and 34)	51,219,465	2	51,278,335	2
Other financial liabilities (Notes 4 and 25)	858,883	-	1,001,902	-
Reserve for liabilities (Notes 4, 5, 27 and 28)	3,019,679	-	4,687,052	-
Lease liabilities (Notes 4 and 17)	1,791,821	-	1,757,768	-
Deferred tax liabilities (Notes 4 and 31)	9,418,151	1	8,802,086	-
Other liabilities (Notes 4, 16 and 26)	<u>5,938,041</u>	<u>-</u>	<u>3,115,135</u>	<u>-</u>
Total liabilities	<u>2,501,292,242</u>	<u>94</u>	<u>2,369,638,344</u>	<u>93</u>
<b>EQUITY (Notes 4, 29 and 31)</b>				
Capital stock				
Common stock	105,934,566	4	104,885,708	4
Retained earnings				
Legal reserve	43,043,607	2	40,320,456	2
Special reserve	12,201,590	-	12,201,590	1
Unappropriated earnings	12,218,872	-	9,130,892	-
Other equity	<u>(4,370,417)</u>	<u>-</u>	<u>4,913,809</u>	<u>-</u>
Total equity	<u>169,028,218</u>	<u>6</u>	<u>171,452,455</u>	<u>7</u>
<b>TOTAL</b>	<b><u>\$ 2,670,320,460</u></b>	<b><u>100</u></b>	<b><u>\$ 2,541,090,799</u></b>	<b><u>100</u></b>

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

## CHANG HWA COMMERCIAL BANK, LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
INTEREST INCOME (Notes 4, 30 and 36)	\$ 40,723,269	121	\$ 26,677,281	95	53
INTEREST EXPENSE (Notes 30, 36 and 40)	<u>(16,747,760)</u>	<u>(50)</u>	<u>(6,853,773)</u>	<u>(25)</u>	144
NET INCOME OF INTEREST	<u>23,975,509</u>	<u>71</u>	<u>19,823,508</u>	<u>70</u>	21
NET NON-INTEREST INCOME (LOSS)					
Net service fee income (Notes 4 and 30)	4,247,242	13	4,544,357	16	(7)
Gain on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	3,194,517	9	1,146,190	4	179
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 30)	17,554	-	1,456,893	5	(99)
(Loss) gain arising from derecognition of financial assets at amortized cost	(1,637)	-	29	-	(5,745)
Foreign exchange gain (Notes 4 and 34)	1,597,718	5	500,015	2	220
Share of profit of associates and joint ventures accounted for using equity method (Notes 4 and 15)	290,807	1	204,840	1	42
Net other non-interest income (Notes 13 and 15)	<u>214,553</u>	<u>1</u>	<u>450,687</u>	<u>2</u>	(52)
Net non-interest income	<u>9,560,754</u>	<u>29</u>	<u>8,303,011</u>	<u>30</u>	15
NET REVENUE AND GAINS	<u>33,536,263</u>	<u>100</u>	<u>28,126,519</u>	<u>100</u>	19
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	<u>(3,300,068)</u>	<u>(10)</u>	<u>(1,693,169)</u>	<u>(6)</u>	95
OPERATING EXPENSES					

(Continued)

## CHANG HWA COMMERCIAL BANK, LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Employee benefit expenses (Notes 4 and 30)	\$ (11,405,888)	(34)	\$ (11,125,763)	(39)	3
Depreciation and amortization expenses (Notes 4 and 30)	(1,497,382)	(4)	(1,349,416)	(5)	11
Other general and administrative expenses	<u>(4,358,826)</u>	<u>(13)</u>	<u>(3,842,955)</u>	<u>(14)</u>	13
Total operating expenses	<u>(17,262,096)</u>	<u>(51)</u>	<u>(16,318,134)</u>	<u>(58)</u>	6
INCOME BEFORE INCOME TAX	12,974,099	39	10,115,216	36	28
INCOME TAX EXPENSE (Notes 4 and 31)	<u>(2,002,948)</u>	<u>(6)</u>	<u>(1,311,413)</u>	<u>(5)</u>	53
NET INCOME	<u>10,971,151</u>	<u>33</u>	<u>8,803,803</u>	<u>31</u>	25
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX					
Items that will not be reclassified to profit or loss, net of tax:					
Remeasurement of defined benefit plans (Notes 4 and 28)	1,371,103	4	325,487	1	321
Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	(4,670,343)	(14)	2,920,696	11	(260)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	4,717	-	20,998	-	(78)
Income tax related to items that will not be reclassified to profit or loss (Notes 4 and 31)	(274,226)	(1)	(65,126)	-	321
Items that will be reclassified to profit or loss, net of tax:					

(Continued)



## CHANG HWA COMMERCIAL BANK, LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Exchange differences on translation (Note 4)	\$ 2,565,408	7	\$ (516,997)	(2)	596
Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using the equity method	(13,867)	-	82,150	-	(117)
Revaluation losses on investments in debt instruments measured at fair value through other comprehensive income	(7,095,323)	(21)	(1,546,857)	(5)	359
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(1,148)	-	13,660	-	(108)
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	<u>(37,424)</u>	<u>-</u>	<u>99,352</u>	<u>-</u>	(138)
Other comprehensive income (loss), net of tax	<u>(8,151,103)</u>	<u>(25)</u>	<u>1,333,363</u>	<u>5</u>	(711)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b><u>\$ 2,820,048</u></b>	<b><u>8</u></b>	<b><u>\$ 10,137,166</u></b>	<b><u>36</u></b>	<b>(72)</b>
<b>EARNINGS PER SHARE (Note 32)</b>					
Basic	<u>\$ 1.04</u>		<u>\$ 0.83</u>		
Diluted	<u>\$ 1.03</u>		<u>\$ 0.83</u>		

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

(Concluded)

**CHANG HWA COMMERCIAL BANK, LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Bank							Total Equity
	Capital Stock			Retained Earnings		Other Equity		
	Common Stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	
BALANCE, JANUARY 1, 2021	10,384,724	\$ 103,847,236	\$ 38,266,789	\$ 12,201,590	\$ 6,884,362	\$ (2,870,996)	\$ 6,724,809	\$ 165,053,790
Appropriation of 2020 earnings	-	-	-	-	(2,053,667)	-	-	-
Legal reserve appropriated	-	-	2,053,667	-	(3,738,501)	-	-	(3,738,501)
Cash dividends	103,847	1,038,472	-	-	(1,038,472)	-	-	-
Stock dividends	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2021	-	-	-	-	8,803,803	-	-	8,803,803
Other comprehensive income (loss) for the year ended December 31, 2021, net of tax	-	-	-	-	260,361	(442,670)	1,515,672	1,333,363
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	9,064,164	(442,670)	1,515,672	10,137,166
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	13,006	-	(13,006)	-
BALANCE, DECEMBER 31, 2021	10,488,571	104,885,708	40,320,456	12,201,590	9,130,892	(3,313,666)	8,227,475	171,452,455
Appropriation of 2021 earnings	-	-	-	-	(2,723,151)	-	-	-
Legal reserve appropriated	-	-	2,723,151	-	(5,244,285)	-	-	(5,244,285)
Cash dividends	104,886	1,048,858	-	-	(1,048,858)	-	-	-
Stock dividends	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2022	-	-	-	-	10,971,151	-	-	10,971,151
Other comprehensive income (loss) for the year ended December 31, 2022, net of tax	-	-	-	-	1,096,877	2,397,452	(11,645,432)	(8,151,102)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	12,068,028	2,397,452	(11,645,432)	2,820,048
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	36,246	-	(36,246)	-
BALANCE, DECEMBER 31, 2022	10,593,457	\$ 105,934,566	\$ 43,043,607	\$ 12,201,590	\$ 12,218,872	\$ (916,214)	\$ (3,454,203)	\$ 169,026,218

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

## CHANG HWA COMMERCIAL BANK, LTD.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before income tax	\$ 12,974,099	\$ 10,115,216
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	3,300,068	1,693,169
Depreciation expense	1,166,084	1,115,939
Amortization expense	331,298	233,477
Share of profit (loss) of subsidiaries for using equity method	(290,807)	(204,840)
Interest income	(40,723,269)	(26,677,281)
Dividend income	(1,360,398)	(1,067,147)
Interest expense	16,747,760	6,853,773
Net gain on financial assets or liabilities at fair value through profit or loss	(4,319,917)	(1,627,919)
Loss (gain) on disposal of investments	1,343,120	(390,066)
Unrealized foreign exchange loss (gain)	1,125,400	481,729
Other adjustments	504,590	(31,057)
Changes in operating assets and liabilities		
Increase in due from the Central Bank	(188,487)	(9,575,468)
Decrease (increase) in financial assets at fair value through profit or loss	30,887,439	(44,354,794)
Decrease (increase) in receivables	3,183,563	(1,570,740)
Increase in discounts and loans	(131,026,965)	(76,986,093)
Increase in financial assets at fair value through other comprehensive income	(55,838,676)	(47,968,565)
Increase in investments in debt instruments at amortized cost	(79,754,815)	(59,972,853)
Decrease in other financial assets	5,471,093	17,473,479
Decrease in other assets	390,473	1,280,286
Decrease in deposits from the Central Bank and banks	(3,383)	(53,653)
Increase in deposits and remittances	179,053,277	247,989,417
(Decrease) increase in payables	(6,601,240)	14,908,164
Increase in financial liabilities at fair value through profit or loss	270,525	273,117
Decrease in reserve for liabilities	(301,913)	(121,086)
Decrease in other financial liabilities	(143,019)	(947,247)
Increase in other liabilities	<u>2,788,848</u>	<u>646,361</u>
Cash flows (used in) generated from operations	(61,015,252)	31,515,318
Interest received	38,261,094	26,912,936
Dividends received	1,363,148	1,066,897
Interest paid	(15,023,191)	(7,200,126)
Income taxes paid	<u>(1,103,341)</u>	<u>(1,348,837)</u>
Net cash flows (used in) generated from operating activities	<u>(37,517,542)</u>	<u>50,946,188</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using the equity method	(400,000)	-
Acquisition of property and equipment	(678,995)	(559,491)
Acquisition of intangible assets	(749,939)	(152,312)

(Continued)

**CHANG HWA COMMERCIAL BANK, LTD.****STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

	<b>2022</b>	<b>2021</b>
Acquisition of investment properties	\$ -	\$ (91)
Proceeds from disposal of properties	<u>19</u>	<u>-</u>
Net cash flows used in investing activities	<u>(1,828,915)</u>	<u>(711,894)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in due to the Central Bank and banks	(48,055,424)	(17,391,124)
Repayments of bank notes	-	(10,000,000)
(Decrease) increase in securities sold under repurchase agreement	(431,847)	146,227
Repayments of the principal portion of lease liabilities	(659,207)	(554,079)
Cash dividends paid	<u>(5,244,285)</u>	<u>(3,738,501)</u>
Net cash flows used in financing activities	<u>(54,390,763)</u>	<u>(31,537,477)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>2,353,401</u>	<u>(565,387)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(91,383,819)	18,131,430
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>190,080,088</u>	<u>171,948,658</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 98,696,269</u>	<u>\$ 190,080,088</u>
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in the balance sheets	\$ 46,490,790	\$ 40,199,528
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>52,205,479</u>	<u>149,880,560</u>
Cash and cash equivalents at end of year	<u>\$ 98,696,269</u>	<u>\$ 190,080,088</u>

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

(Concluded)

## CHANG HWA COMMERCIAL BANK, LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

#### 1. ORGANIZATION AND BUSINESS SCOPE

Chang Hwa Commercial Bank, Ltd. (the "Bank") was incorporated under Banking Law, Securities and Exchange Law and Taiwan Company Law on March 1, 1947 and obtained its banking license from the Ministry of Economic Affairs in July 1950. The Bank's shares have been listed and traded on the Taiwan Stock Exchange (TWSE) since February 1962.

The Bank mainly engages in the following business:

- All commercial banking operations allowed by the Banking Law;
- Trust operations;
- International banking operations;
- Overseas branch operations authorized by the respective foreign governments; and
- Other operations authorized by the central authority.

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

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Bank's board of directors on February 23, 2023.

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

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Bank's accounting policies:

- Annual Improvements to IFRS Standards 2018-2020

Several standards were amended in the annual improvements and in which the Bank applied the amendments to IFRS 9 to modifications and exchanges of financial liabilities that occur on or after January 1, 2022. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

- Amendment to IFRS 16 "Covid-19 - Related Rent Concessions"

The Bank elected to apply the practical expedient provided in the amendments to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Bank shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Bank applies the amendment from January 1, 2022 and recognizes the cumulative effect of retrospective application in retained earnings on January 1, 2022.

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

	New IFRSs	Effective Date Announced by IASB
	Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
	Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
	Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023 (Note 3)
Note 1:	The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.	
Note 2:	The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.	
Note 3:	Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.	
	As of the date the consolidated financial statements were authorized for issue, the Bank is continuously assessing the possible impact of the application of other standards and interpretations will have on the Bank's financial position and financial performance and will disclose the relevant impact when the assessment is completed.	
c.	New IFRSs in issue but not yet endorsed and issued into effect by the FSC	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 Titled Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
	IFRS 17 "Insurance Contracts"	January 1, 2023
	Amendments to IFRS 17	January 1, 2023
	Amendments to IFRS 17 "Initial Application of IFRS 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 "Regarding the Classification of 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 financial statements were authorized for issue, the Bank is continuously assessing the possible impact of the application of above standards and interpretations on the Bank's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

##### Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values, 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:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. 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
- c. Level 3 inputs are unobservable inputs for an asset or liability.

##### Current/Noncurrent Assets and Liabilities

Because of its business characteristics, assets and liabilities of the Bank are classified according to their liquidity rather than classified as current or noncurrent assets or liabilities.

##### Foreign Currencies

In preparing the Bank's financial statements, transactions in currencies other than the Bank's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purpose of presenting financial statements, the functional currencies of the Bank entities and its foreign operations are translated into the presentation currency, the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

##### Investments in Subsidiaries

The Bank uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Bank.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Bank's share of profit or loss and otherwise comprehensive income of the subsidiary. The Bank also recognizes the changes in the Bank's share of other equity of subsidiaries.

##### Property and Equipment

Property and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property and equipment when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

##### Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.



### Intangible Assets

- a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

- b. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

### Impairment of Property and Equipment, Right-of-use Asset and Intangible Assets

At the end of each reporting period, the Bank reviews the carrying amounts of its property and equipment, right-of-use asset and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

### Financial Instruments

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

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

- a. Financial assets

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

- 1) Measurement categories

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

- a) Financial assets at FVTPL

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

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, and dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 34.

- b) Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv. The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in debt instruments designated at FVTOCI

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

i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

d) Investments in equity instruments designated at FVTOCI

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

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

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

2) Impairment of financial assets

The Bank recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Bank always recognizes lifetime expected credit losses (ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Bank recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

3) Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

b. Equity instruments

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

The repurchase of the Bank's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Bank's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except for the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

a) Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

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

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividends paid on such financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 34.

- b) Financial guarantee contracts
  - i. Financial guarantee contracts issued by the Bank, if not designated as at FVTPL, are subsequently measured at the higher of:
    - i. The amount of the loss allowance reflecting expected credit losses; and
    - ii. The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

- 2) Derecognition of financial liabilities
 

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

- d. Derivative financial instruments

The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, FX swap, cross currency swap, interest rate swaps and currency option.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

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

#### **Bonds or Securities Purchased/Sold under Specific Agreements**

Bonds or securities sold under repurchase agreement are recorded at sale price. Interest revenues and expenses are recorded on accrual basis.

#### **Hedge Accounting**

The Bank designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges. Hedges of foreign exchange risk on firm commitments are accounted for as fair value hedges.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Bank discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date on which the hedge accounting is discontinued. The adjustment is based on a recalculated effective interest rate at the date on which amortization begins and will be amortized fully upon maturity of the financial instrument.

#### **Reserve for Liabilities**

Reserve for liabilities, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **Revenue Recognition**

- a. Dividend and interest income

Dividend income from investments is recognized when the stockholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the applicable effective interest rate. When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to delinquent loan accounts, and the accrual of interest income is stopped. Interest income will be recognized when the delinquent interest is collected.

If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue, classified into other liability and recognized as income when collected.

A single or a group of financial assets are written off due to impairment loss, the subsequent recognition of interest income is calculated by using the interest rate used by discount future cash flows when measuring impairment loss.

b. Service fee

Service revenue and real estate management service revenue are recognized at once after providing loans or other services. If the service revenue belongs to several significant items, it is recognized when the significant items accomplished, such as the service revenue which the lead arranger bank of syndication loan received. If the service revenue is for further loan service and of significant amount, it is allocated during the period of the service or included in the base of calculation the effective interest rate of loans and receivables.

**Leases**

At the inception of a contract, the Bank assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Bank allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Bank as lessor

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

When the Bank subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Bank, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

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

b. The Bank as lessee

The Bank recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Bank by the end of the lease terms or if the costs of right-of-use assets reflect that the Bank will exercise a purchase option, the Bank depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Bank is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Bank remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Bank accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

The Bank negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease substantially the less than, the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Bank elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Bank recognizes the reduction in lease payment in profit or loss as, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

**Employee Benefits**

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.



b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest cost) and net interest on the net defined benefit liability are recognized as employee benefit expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Bank's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

The Bank provides employees with high-yield savings account. The premium interest rate applies to a fixed amount of principal and the interest is paid to present employees (within employment and retirement) and retired employees. The difference between the premium rate and the market rate is classified as employee benefits.

According to the "Regulations Governing the Preparation of Financial Reports by Public Banks" Rule No. 28, the premium interest resulting from the yield between the premium rate and the general market rate shall immediately be actuarially calculated based on the FSC-recognized IAS 19 when employees retire. However, if there are authorized regulations from the government regarding the actuarial assumption parameters, the regulations shall prevail. Actuarial benefits and service cost from prior periods are recognized as profit or loss when they are incurred.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated

with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

#### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, management is required to make judgments, estimations 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 continuously 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.

#### Key Sources of Estimation Uncertainty

##### Estimated impairment of financial assets

The provision for impairment of loans, trade receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Bank uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, which are based on the Bank's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 8, 9, 11, 12 and 27.

Where the actual future cash inflows are less than the Bank's expectation, a material impairment loss may arise.

**6. CASH AND CASH EQUIVALENTS/DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS/DUE TO THE CENTRAL BANK AND BANKS**

a. Cash and cash equivalents

	December 31 2022	2021
Cash on hand	\$ 22,687,623	\$ 11,968,090
Checks for clearing	13,974,453	14,552,468
Due from banks	8,157,221	12,143,288
Foreign currencies on hand	1,671,493	1,535,682
	<u>\$ 46,490,790</u>	<u>\$ 40,199,528</u>

b. Due from the Central Bank and call loans to banks

	December 31 2022	2021
Call loans to banks	\$ 52,205,479	\$ 149,880,560
Reserve for checking accounts	14,710,869	24,508,521
Reserve for demand accounts	62,702,031	54,264,266
Reserve for foreign deposits	680,352	598,428
Others	17,136,999	15,670,549
	<u>\$ 147,435,730</u>	<u>\$ 244,922,324</u>

Cash and cash equivalents and due from the Central Bank and call loans to banks are assessed for impairment using approach similar to those used for investments in debt instruments (refer to Note 10). The Bank considers its cash and cash equivalents to have low credit risk so its credit loss evaluation is on a 12-month expected credit loss basis.

c. Due to the Central Bank and banks

	December 31 2022	2021
Other dues to the Central Bank	\$ -	\$ 27,667,470

The Bank has set aside \$35,000,000 thousand in 2021 in the Central Bank as reserve for demand accounts in accordance with the Central Bank's regulations on capital requirements as a response to the COVID-19.

**7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

Financial Assets at Fair Value through Profit or Loss (FVTPL)

	December 31 2022	2021
Financial assets mandatorily classified at FVTPL		
Derivative financial assets (not under hedge accounting)		
Futures	\$ 1,099,905	\$ 159,609
Forward exchange contracts	133,047	86,476
Interest rate swaps	240,578	128,448
Currency swaps	7,782,948	1,728,652
Currency call option premiums	46,904	32,426
Non-derivative financial assets		
Investment in bills	15,170,225	50,539,806
Domestic listed stock	-	23,166
Government bonds	3,621,274	440,518
Corporate bonds	2,764,177	2,269,951
Mutual funds	34,314	-
	<u>\$ 30,893,372</u>	<u>\$ 55,409,052</u>

The par values of notes provided for transactions with repurchase agreements were \$433,500 thousand as of December 31, 2021.

Financial Liabilities at FVTPL

	December 31 2022	2021
Financial liabilities held for trading		
Derivative financial liabilities (not applying hedge accounting)		
Forward exchange contracts	\$ 75,175	\$ 28,402
Interest rate swaps	213,693	128,981
Currency swaps	6,584,287	2,960,496
Currency put option premiums	46,907	32,430
	<u>\$ 6,920,062</u>	<u>\$ 3,150,309</u>

The Bank entered into derivative contracts during the years ended December 31, 2022 and 2021 to manage exposures to exchange rate and interest rate fluctuations. The financial risk management objective of the Bank is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of December 31, 2022 and 2021 were as follows:

	December 31 2022	2021
Currency swaps	\$ 539,973,723	\$ 671,334,286
Currency options	16,582,846	14,821,235
Forward exchange contracts	10,225,060	14,430,824
Interest rate swaps	62,923,726	107,323,685



8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31 2022	2021
Investments in equity instruments at FVTOCI		
Domestic listed stock	\$ 13,905,929	\$ 15,814,451
Domestic unlisted stock	8,354,418	11,388,759
Beneficiary and asset-based securities	232,875	233,100
	<u>22,493,222</u>	<u>27,436,310</u>
Investments in debt instruments at FVTOCI		
Government bonds	51,802,752	27,322,940
Corporate bonds	70,619,681	51,529,797
Bank notes	56,194,916	53,317,618
Bonds issued by international organizations	2,845,119	850,502
Beneficiary and asset-based securities	3,831,173	4,651,193
Investments in bills	1,168,836	1,116,960
	<u>186,462,477</u>	<u>138,789,010</u>
	<u>\$ 208,955,699</u>	<u>\$ 166,225,320</u>

A portion of investments in equity instruments is for strategic instruments and not held for trading, the management designated these investments as at FVTOCI.

- Refer to Note 10 for information relating to their credit risk management and impairment.
- The par value of bonds provided for transactions with repurchase agreements was \$852,800 thousand and \$852,600 thousand as of December 31, 2022 and 2021, respectively.
- Government bonds placed as deposits in courts amounted to \$237,600 thousand and \$249,300 thousand as of December 31, 2022 and 2021, respectively. Government bonds placed as operating deposits amounted to \$330,000 thousand; government bonds placed as a reserve fund for trust compensation amounted to \$220,000 thousand; overseas branches' bonds provided as collateral for operations were \$420,637 thousand and \$217,887 thousand as of December 31, 2022 and 2021, respectively. On December 31, 2021, the amount of government bonds provided by the central bank as collateral for treasury business was \$5,600,000 thousand. Refer to Note 37 for information relating to investments in debt instruments at FVTOCI pledged as security.

9. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31 2022	2021
Investments in bills	\$ 363,113,218	\$ 360,215,104
Bank notes	45,936,665	11,339,437
Corporate bonds	7,908,926	3,652,914
Government bonds	40,542,330	11,243,118
Bonds issued by international organization	11,583,998	5,323,099
Beneficiary and asset-based securities	15,926,122	13,482,657
	<u>\$ 485,011,259</u>	<u>\$ 405,256,329</u>

- Refer to Note 10 for information relating to their credit risk management and impairment.

- The amounts of the overseas branches' bonds provided as collateral for operations were \$153,625 thousand and \$138,275 thousand as of December 31, 2022 and 2021, respectively.

- Certificates of deposit placed as reserves for clearing at the Central Bank amounted to \$36,000,000 thousand; certificates of deposit which were issued by the Central Bank and pledged for call loans from banks amounted to \$5,300,000 thousand as of December 31, 2022 and 2021.

- Refer to Note 37 for information relating to investments in debt instruments at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at FVTOCI and as at amortized cost.

	At FVTOCI	At Amortized Cost	Total
December 31, 2022			
Gross carrying amount	\$ 194,381,825	\$ 485,024,340	\$ 679,406,165
Less: Allowance for impairment loss	(49,454)	(13,081)	(62,535)
Amortized cost	194,332,371	485,011,259	679,343,630
Adjustment to fair value	(7,869,894)		(7,869,894)
	<u>\$ 186,462,477</u>		<u>\$ 671,473,736</u>

December 31, 2021

	At FVTOCI	At Amortized Cost	Total
December 31, 2021			
Gross carrying amount	\$ 139,613,035	\$ 405,260,925	\$ 544,873,960
Less: Allowance for impairment loss	(50,601)	(4,596)	(55,197)
Amortized cost	139,562,434	405,256,329	544,818,763
Adjustment to fair value	(773,424)		(773,424)
	<u>\$ 138,789,010</u>		<u>\$ 544,045,339</u>

The Bank only invests in debt instruments that are rated as investment grade or higher and are assessed as having low credit impairment. The credit rating information is supplied by independent rating agencies. The Bank's exposure and the external credit ratings are continuously monitored and assessed for whether there has been a significant increase in credit risk since the last period to the reporting date.

The Bank considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses. The Bank's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit impaired
Default	There is objective evidence of impairment at the reporting date	Lifetime expected credit losses

Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:

December 31, 2022		December 31, 2021	
Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3076%	\$ 194,381,825	\$ 485,024,340
December 31, 2021			
Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3396%	\$ 139,613,035	\$ 405,260,925
At FVTOCI			

At amortized cost

	Performing (12-month ECLs)	Credit Rating		Total
		Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	
Balance at January 1, 2022	\$ 4,596	\$ -	\$ -	\$ 4,596
Purchase of investments in debt instruments	9,472	-	-	9,472
Change in exchange rates or others	(987)	-	-	(987)
Balance at December 31, 2022	\$ 13,081	\$ -	\$ -	\$ 13,081
Balance at January 1, 2021	\$ 1,787	\$ -	\$ -	\$ 1,787
Purchase of investments in debt instruments	4,402	-	-	4,402
Derecognition	(1,785)	-	-	(1,785)
Change in exchange rates or others	192	-	-	192
Balance at December 31, 2021	\$ 4,596	\$ -	\$ -	\$ 4,596

## 11. RECEIVABLES, NET

a. Details of receivables

	2022	2021
Accounts receivable	\$ 7,955,780	\$ 9,987,264
Accrued incomes	9,408	11,666
Interests receivable	5,784,478	2,966,260
Acceptances receivable	4,649,200	4,940,446
Credit cards accounts receivable	2,919,757	3,565,790
Settlement price	475,381	790,929
Accounts receivable for settlement	674,056	606,377
Other receivables	280,178	251,916
	22,748,238	23,120,648
	(400,081)	(306,291)
	\$ 22,348,157	\$ 22,814,357

Less: Allowance for bad debts, receivables

	Credit Rating		Total
	Performing (12-month ECLs)	Defaulted (Lifetime ECLs - Credit-impaired)	
Balance at January 1, 2022	\$ 50,601	\$ -	\$ 50,601
Purchase of investments in debt instruments	10,582	-	10,582
Derecognition	(6,474)	-	(6,474)
Change in exchange rates or others	(5,255)	-	(5,255)
Balance at December 31, 2022	\$ 49,454	\$ -	\$ 49,454
Balance at January 1, 2021	\$ 36,941	\$ -	\$ 36,941
Purchase of investments in debt instruments	30,976	-	30,976
Derecognition	(13,811)	-	(13,811)
Change in exchange rates or others	(3,505)	-	(3,505)
Balance at December 31, 2021	\$ 50,601	\$ -	\$ 50,601

b. Allowance for receivables

1) Movements in the allowance for receivables

	For the Year Ended December 31, 2022					Total
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Prudential for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debits	Total
Receivables						
Beginning balance	\$ 10,876	\$ 2,225	\$ 153,815	\$ 166,916	\$ 139,375	\$ 306,291
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(572)	675	(103)	-	-	-
Transfers to credit-impaired financial assets	(307)	(247)	554	-	-	-
Transfers to 12-month expected credit losses	388	(243)	(145)	-	-	-
Financial assets derecognized for the period	(9,473)	(878)	(130,759)	(441,110)	-	(441,110)
Purchases or originated financial assets	10,624	1,492	135,940	148,056	-	148,056
Recognized impairment difference based on the regulations of the prudential for banking institutions to evaluate assets and deal with non-performing loans and bad debts written off	-	-	(20,412)	(20,412)	106,895	(20,412)
Changes in exchange rates or others	88	16	257	361	-	361
Ending balance	\$ 11,624	\$ 3,060	\$ 139,147	\$ 153,811	\$ 246,270	\$ 400,081

2) Movements in the total carrying amount of receivables

	For the Year Ended December 31, 2022					Total
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Prudential for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debits	Total
Beginning balance	\$ 22,515,937	\$ 171,523	\$ 433,188	\$ 433,188	\$ 244,520	\$ 298,900
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit loss	(20,316)	20,718	(402)	-	-	-
Transfers to credit-impaired financial assets	(8,014)	(3,712)	11,726	-	-	-
Transfers to 12-month expected credit losses	10,323	(7,696)	(2,627)	-	-	-
Purchased or originated financial assets	12,557,385	102,448	215,556	215,556	-	12,875,389
Derecognized	(12,732,962)	(144,433)	(386,401)	(386,401)	-	(13,265,796)
Doubtful debts written off	-	-	-	-	-	(20,412)
Changes in exchange rates or others	34,390	1,699	320	320	-	36,409
Ending balance	\$ 22,356,743	\$ 140,547	\$ 250,948	\$ 250,948	\$ 22,748,238	\$ 22,748,238

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

	For the Year Ended December 31, 2022					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Disposal of Indefinite Assets and Deal with Non-performing Loans and Bad Debits	Total
Discounts and loans						
Beginning balance	\$ 2,085,940	\$ 2,116,259	\$ 5,294,105	\$ 9,496,304	\$ 10,544,387	\$ 20,040,691
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(68,917)	73,282	(4,365)	-	-	-
Transfers to impaired financial assets	(2,039)	(13,031)	15,070	-	-	-
Transfers to 12-month expected credit losses	416,233	(415,176)	(1,057)	-	-	-
Financial assets derecognized for the period	(1,002,776)	(806,274)	(1,232,763)	(3,041,813)	-	(3,041,813)
Purchased or originated assets	1,246,988	1,875,374	2,348,938	5,471,300	-	5,471,300
Recognized impairment difference based on the regulations of the procedures for banking institutions to evaluate assets and deal with non-performing loans and doubtful debts written off	-	-	(2,450,669)	(2,450,669)	1,568,717	1,568,717
Changes in exchange rates or others	20,204	11,867	120,591	152,662	-	152,662
Ending balance	\$ 2,695,633	\$ 2,842,301	\$ 4,089,850	\$ 9,627,284	\$ 12,113,104	\$ 21,740,888

	For the Year Ended December 31, 2021			
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 21,225,320	\$ 251,947	\$ 121,968	\$ 21,599,235
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(6,800)	7,064	(264)	-
Transfers to credit-impaired financial assets	(1,210)	(4,102)	5,312	-
Transfers to 12-month expected credit losses	15,522	(15,413)	(109)	-
Purchased or originated financial assets	13,183,166	142,637	403,212	13,729,015
Derecognized assets	(11,896,498)	(210,374)	(77,428)	(12,184,300)
Doubtful debts written off	-	-	(19,453)	(19,453)
Changes in exchange rates or others	(3,563)	(236)	(50)	(3,849)
Ending balance	\$ 22,515,937	\$ 171,823	\$ 433,188	\$ 23,120,648

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

	December 31	
	2022	2021
Negotiated and discounted	\$ 2,043,136	\$ 3,844,746
Overdrafts	1,140,736	1,239,708
Short-term loans	364,213,475	356,697,890
Margin loans receivable	203,307	400,141
Medium-term loans	558,855,123	452,734,008
Long-term loans	757,654,038	738,978,816
Overdue loans	3,473,480	4,152,236
Less: Allowance for loan losses	1,687,583,295	1,558,047,545
	(21,740,888)	(20,040,691)
	\$ 1,665,842,407	\$ 1,538,006,854

Loans of which the accrual of interest income had ceased internally as of December 31, 2022 and 2021 were \$3,473,480 thousand and \$4,152,236 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the years ended December 31, 2022 and 2021 were \$101,426 thousand and \$106,712 thousand, respectively.

The Bank did not write off any loans without legal claims process during the years ended December 31, 2022 and 2021.

	For the Year Ended December 31, 2021		
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses
Beginning balance	\$ 1,398,116,906	\$ 69,016,869	\$ 14,594,110
Changes from financial instruments recognized at the beginning of the period:			
Transfers to lifetime expected credit losses	(10,506,051)	11,320,539	(814,488)
Transfers to credit-impaired financial assets	(620,585)	(1,837,171)	2,457,756
Transfers to 12-month expected credit losses	12,010,460	(11,959,454)	(51,006)
Purchased or originated financial assets	741,057,444	34,166,700	6,343,716
Doubtful debts written off	-	-	(1,812,505)
Derecognized	(654,178,333)	(40,465,866)	(6,275,637)
Changes in exchange rates or others	(2,307,064)	(153,684)	(55,111)
Ending balance	\$ 1,483,572,777	\$ 60,087,933	\$ 14,386,835

c. Details of provision for bad debts expense, commitment and guarantee for the years ended December 31, 2022 and 2021

	For the Year Ended December 31, 2022		2021	
	2022	2021	2022	2021
Provision for receivable and loan (including overdue loan) losses	\$ 3,294,425	\$ 1,866,274	\$ 3,294,425	\$ 1,866,274
Provision (reversal) for loan commitment	35,197	(157,487)	35,197	(157,487)
Reversal for guarantee liability	(20,262)	(19,337)	(20,262)	(19,337)
(Reversal) provision for others	(9,292)	3,719	(9,292)	3,719
	\$ 3,300,068	\$ 1,693,169	\$ 3,300,068	\$ 1,693,169

13. FINANCIAL ASSETS FOR HEDGING

Financial assets for hedging  
Fair value hedges - interest rate swaps

The Bank used interest rate swaps to minimize its exposure to the fair value fluctuations of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes that the interest rate swaps are highly effective hedging instruments. The respective, nominal principal amount of the Bank's outstanding interest rate swaps as of December 31, 2021 was \$6,000,000 thousand. The maturity period is from September 27, 2023 to September 27, 2026.

	For the Year Ended December 31, 2021			
	12-Month Expected Credit Losses	Life-time Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9
Discounts and loans	\$ 1,571,908	\$ 2,095,447	\$ 5,742,200	\$ 9,409,555
Beginning balance	(13,898)	588,231	(654,333)	-
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(1,407)	(34,807)	36,214	-
Transfers to 12-month expected credit losses	566,543	(560,298)	(6,245)	-
Financial assets derecognized for the period or originated	(1,325,533)	(1,408,153)	(1,253,309)	(3,986,995)
Recognized impairment difference based on the regulations of the institutions to evaluate bad debts	1,291,007	1,458,282	3,175,878	5,925,167
Changes in exchange rates or others	(2,680)	(2,443)	(33,795)	(38,918)
Ending balance	\$ 2,085,500	\$ 2,116,250	\$ 5,204,105	\$ 9,496,308

2) Movements in the total carrying amount of discounts and loans

	For the Year Ended December 31, 2022			December 31, 2021		
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	2022	2021	Total
Beginning balance	\$ 1,483,572,777	\$ 60,087,933	\$ 14,386,835	\$ 1,558,047,545		
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(19,053,694)	19,081,417	(27,723)	-		
Transfers to credit-impaired financial assets	(1,521,407)	(1,185,153)	2,706,560	-		
Transfers to 12-month expected credit losses	8,241,100	(8,229,803)	(11,297)	-		
Purchased or originated financial assets	763,140,651	37,643,023	4,734,831	805,518,505		
Doubtful debts written off	-	-	(2,450,669)	(2,450,669)		
Derecognized	(638,019,527)	(36,197,679)	(7,501,844)	(681,719,050)		
Changes in exchange rates or others	7,492,156	517,608	177,200	8,186,964		
Ending balance	\$ 1,603,852,056	\$ 71,717,346	\$ 12,013,893	\$ 1,687,583,295		

The fixed-to-floating interest swaps were designated and effective fair value hedging instruments. During the years ended December 31, 2021, the swaps were effective in hedging the fair value exposure to interest rate movements, and as a result, the carrying amounts of the fixed-rate borrowings were adjusted by \$178,335 thousand as of December 31, 2021; these amounts were included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

The information of hedging transactions is as follows:

- Hedging type: Fair value hedging.
- Hedging objective: To minimize the Bank's risks from changes in fair value due to fluctuating interest rates, by converting fixed-rate notes to floating-rate notes.
- Hedging method: By signing interest rate swap contracts, which pay floating rates (interest rate: 0.4799%) and charge fixed rates (interest rate range: 1.2900%-1.6075%).
- Hedging effect: The results of hedging are all in the line with the effective range of hedge accounting as defined by IFRSs.

	December 31	2021
Hedging instrument loss	\$	\$(12,097)
Fair-value hedging profit	\$	\$ 72,698

The realized gains or losses from hedging instruments and the realized gains or losses from fair-value hedging were accounted for as net other non-interest income or loss.

#### 14. OTHER FINANCIAL ASSETS

	December 31	2021
Time deposits with original maturities of more than 3 months	\$ 7,057,600	\$ 12,371,851
Exchange bills negotiated	3,863	21,242
Overdue receivables	4,932	12,557
Call loans to security brokers	-	138,275
Less: Allowance for bad debts	(4,472)	(4,249)
	<u>\$ 7,061,923</u>	<u>\$ 12,539,676</u>

The market rates of time deposits with original maturities of more than 3 months were ranging from 2.35%-3.15% and 2.65%-3.00% for the years ended December 31, 2022 and 2021, respectively.

#### 15. INVESTMENTS MEASURED BY EQUITY METHOD

	December 31	2021
Investments in subsidiaries		
Chang Hua Commercial Bank, Ltd.	\$ 13,629,324	\$ 13,209,964
Chang Hua Bank Venture Capital Co., Ltd.	<u>1,132,487</u>	<u>658,182</u>
	<u>\$ 14,761,811</u>	<u>\$ 13,868,146</u>

The percentage of ownership equity and voting rights to subsidiaries as of balance sheet date were as follows:

	December 31	2021
	2022	2021
Chang Hua Commercial Bank, Ltd.	100%	100%
Chang Hua Bank Venture Capital Co., Ltd.	100%	100%

#### 16. PROPERTY AND EQUIPMENT

	December 31	2021
Assets used by the Bank	\$ 20,079,180	\$ 20,040,291
Assets leased under operating leases	<u>20,251</u>	<u>210,061</u>
	<u>\$ 20,281,431</u>	<u>\$ 20,250,352</u>

#### a. Asset used by the Bank

Cost	Buildings	Machinery Equipment	Transportation Equipment	Meshhouses Equipment	Leasable Improvement	Construction in Progress and Equipment	Total
Balance at January 1, 2022	\$ 4,686,430	\$ 4,699,802	\$ 736,445	\$ 1,590,977	\$ 962,218	\$ 323,044	\$ 11,588,936
Depreciation expense	(164,686)	(273,968)	(20,982)	(421,238)	8,382	(311,799)	(678,995)
Effect of foreign currency exchange differences	(179,699)	(58,121)	(14,783)	(2,590)	26,348	(148,787)	(208,533)
Transfers to assets held under operating lease	-	1,301	603	2029	4,161	37	8,433
Balance at December 31, 2022	<u>\$ 4,342,044</u>	<u>\$ 4,448,864</u>	<u>\$ 711,555</u>	<u>\$ 1,589,278</u>	<u>\$ 991,109</u>	<u>\$ 188,933</u>	<u>\$ 14,453,759</u>
Accumulated depreciation and impairment							
Balance at January 1, 2022	-	\$ 4,009,842	\$ 642,303	\$ 1,357,942	\$ 859,757	-	\$ 11,588,936
Depreciation expense	-	(164,686)	(23,497)	(423,230)	27,997	-	(645,416)
Effect of foreign currency exchange differences	-	1,652	564	1,918	4,141	-	7,775
Balance at December 31, 2022	<u>\$ 1,341,312</u>	<u>\$ 3,793,447</u>	<u>\$ 651,662</u>	<u>\$ 1,357,630</u>	<u>\$ 891,895</u>	<u>\$ -</u>	<u>\$ 11,270,189</u>
Carrying amount at December 31, 2022	<u>\$ 3,000,732</u>	<u>\$ 755,417</u>	<u>\$ 61,893</u>	<u>\$ 231,648</u>	<u>\$ 91,214</u>	<u>\$ 188,933</u>	<u>\$ 3,107,330</u>
Cost							
Balance at January 1, 2021	\$ 8,616,075	\$ 4,624,789	\$ 706,469	\$ 1,482,236	\$ 925,049	\$ 85,882	\$ 11,278,133
Depreciation expense	(20,286)	(100,005)	(8,294)	(17,931)	(2,681)	(26,306)	(145,901)
Effect of foreign currency exchange differences	-	(1,322)	(601)	(342)	(1,822)	-	(3,997)
Transfers to assets held under operating lease	-	8,453	-	2,524	38,231	(60,105)	(11,897)
Reclassification	-	-	-	-	-	-	-
Balance at December 31, 2021	<u>\$ 8,614,789</u>	<u>\$ 4,699,802</u>	<u>\$ 706,469</u>	<u>\$ 1,494,027</u>	<u>\$ 968,348</u>	<u>\$ 125,014</u>	<u>\$ 11,628,457</u>
Accumulated depreciation and impairment							
Balance at January 1, 2021	-	\$ 3,964,651	\$ 628,189	\$ 1,151,445	\$ 659,897	-	\$ 11,278,133
Depreciation expense	-	(99,735)	(8,098)	(1,041)	(22,676)	-	(110,550)
Effect of foreign currency exchange differences	-	186,860	22,688	4,562	24,536	-	(145,901)
Transfers to assets held under operating lease	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	(15,954)	(38)	(72)	-	-	(15,954)
Balance at December 31, 2021	<u>\$ 1,649,139</u>	<u>\$ 4,699,802</u>	<u>\$ 676,143</u>	<u>\$ 1,457,912</u>	<u>\$ 889,792</u>	<u>\$ -</u>	<u>\$ 11,588,936</u>
Carrying amount at December 31, 2021	<u>\$ 3,928,656</u>	<u>\$ 659,860</u>	<u>\$ 83,322</u>	<u>\$ 14,135</u>	<u>\$ 81,561</u>	<u>\$ 323,014</u>	<u>\$ 20,040,291</u>



b. Assets leased under operating leases

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

Buildings	20-60 years
Main buildings	5-10 years
Air-conditioning units	4-16 years
Machinery equipment	2-10 years
Transportation equipment	3-10 years
Miscellaneous equipment	5 years
Leasehold improvements	

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31 2022	December 31 2021
<u>Carrying amount</u>		
Land	\$ 1,694	\$ 2,045
Buildings	1,865,625	1,846,107
Transportation equipment	<u>72,748</u>	<u>67,898</u>
Miscellaneous equipment	<u>10,485</u>	<u>13,067</u>
	<u>\$ 1,950,552</u>	<u>\$ 1,929,117</u>
	<b>For the Year Ended December 31</b>	<b>2021</b>
	<u>\$ 752,635</u>	<u>\$ 1,098,227</u>

Additions to right-of-use assets

Depreciation charge for right-of-use assets	
Land	\$ 917
Buildings	642,936
Machinery equipment	-
Transportation equipment	35,166
Miscellaneous equipment	<u>8,181</u>
	<u>\$ 687,200</u>
	<u>\$ 655,962</u>

b. Lease liabilities

	December 31 2022	December 31 2021
Carrying amount	<u>\$ 1,791,821</u>	<u>\$ 1,757,768</u>

**Buildings**

<u>Cost</u>	<u>\$ 426,505</u>
Balance at January 1 and December 31, 2022	\$ 216,444
Depreciation expense	<u>7,810</u>
Balance at December 31, 2022	<u>\$ 224,254</u>
Carrying amount at December 31, 2022	<u>\$ 202,251</u>

<u>Cost</u>	<u>\$ 385,210</u>
Balance at January 1, 2021	<u>41,295</u>
Transfers from assets used by the Bank	<u>426,505</u>
Balance at December 31, 2021	<u>\$ 192,558</u>
Depreciation expense	<u>7,932</u>
Transfers from assets used by the Bank	<u>15,954</u>
Balance at December 31, 2021	<u>\$ 216,444</u>
Carrying amount at December 31, 2021	<u>\$ 210,061</u>

Operating leases relate to buildings owned by the Bank with lease terms between 1 and 20 years without an option to extend lease terms. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments for property used by the Bank was as follows:

	December 31 2022	December 31 2021
Year 1	\$ 63,842	\$ 58,417
Year 2	58,972	52,096
Year 3	28,000	15,014
Year 4	14,279	8,060
Year 5	7,659	6,405
Year 6 onwards	<u>7,619</u>	<u>13,878</u>
	<u>\$ 180,371</u>	<u>\$ 153,870</u>

Range of discount rate for lease liabilities was as follows:

	December 31 2022	2021
Land	0.30%-1.23%	0.91%
Buildings	0.20%-4.82%	0.20%-3.53%
Machinery equipment	0.31%-2.89%	0.31%-2.89%
Transportation equipment	0.34%-3.53%	0.35%-3.53%
Miscellaneous equipment	0.26%-3.54%	0.26%-2.89%

c. Material lease-in activities and terms

The Bank leases certain buildings for operations of branches with lease terms from 3 to 15 years. The lease contract for offices located in New York specifies that lease payments are subject to 4 modifications during the lease terms and the Bank can sublease the underlying assets. The lease contracts for offices located in Hong Kong and Taiwan specify that the premium for lease is \$47,999 thousand and lease payments will be adjusted each year. In addition, the Bank was prohibited from subleasing all or any portion of the underlying assets.

The Bank did not have significant acquisition of lease contracts for the years ended December 31, 2022 and 2021.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties and freehold property, plant and equipment are set out in Notes 16 and 18.

	For the Year Ended December 31 2022	2021
Expenses relating to short-term leases	\$ 29,995	\$ 30,563
Expenses relating to low-value asset leases	\$ 17,718	\$ 17,978
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 171,648	\$ 170,021
Total cash outflow for leases	\$ (219,361)	\$ (218,562)

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

All lease commitments with lease terms commencing after the balance sheet dates are as follows:

	December 31 2022	2021
Lease commitments	\$ 26,349	\$ 8,850

18. INVESTMENT PROPERTY

	Completed Investment Property
<u>Cost</u>	\$ 14,233,604
Balance at January 1 and December 31, 2022	
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2022	\$ 381,508
Depreciation expense	6,503
Balance at December 31, 2022	\$ 388,011
Carrying amount at December 31, 2022	\$ 13,845,593

<u>Cost</u>	\$ 14,233,513
Balance at January 1, 2021	91
Additions	91
Balance at December 31, 2021	\$ 14,233,604

<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2021	\$ 374,603
Depreciation expense	6,905
Balance at December 31, 2021	\$ 381,508
Carrying amount at December 31, 2021	\$ 13,852,096

Operating leases relate to the investment property owned by the Bank with lease terms between 1 and 20 years, with no option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2022 and 2021 was as follows:

	December 31 2022	2021
Year 1	\$ 176,307	\$ 183,334
Year 2	160,873	175,262
Year 3	115,011	129,046
Year 4	98,794	103,365
Year 5	92,461	97,836
Year 6 onwards	130,232	140,988
	\$ 773,678	\$ 829,831

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

Main buildings	20-60 years
Air-conditioning	5-10 years

The investment properties are measured and stated at cost in the balance sheets. For management's purpose, the Bank periodically measures the fair value of investment properties in accordance with the Bank's internal rules and procedures. The Bank conducts valuation process regularly, which is measured by level 3 inputs. The fair values were \$30,390,299 thousand and \$30,164,147 thousand as of December 31, 2022 and 2021, respectively.

All investment properties are own right and interest.

Rental income and direct operating expenses generated by the investment property for the years ended December 31, 2022 and 2021 were as follows:

	For the Year Ended December 31	
	2022	2021
Rental incomes	\$ 157,910	\$ 175,415
Direct operating expenses	\$ 101,596	\$ 98,955

**19. INTANGIBLE ASSETS**

	Computer Software
Balance at January 1, 2022	\$ 541,517
Additions	749,939
Amortization expense	(330,801)
Reclassification	101,530
Effect of foreign currency exchange differences and others	94
Balance at December 31, 2022	\$ 1,062,279
Balance at January 1, 2021	\$ 608,517
Additions	152,312
Amortization expense	(233,121)
Reclassification	13,897
Effect of foreign currency exchange differences and others	(88)
Balance at December 31, 2021	\$ 541,517

The intangible asset mentioned above is amortized on a straight-line basis over the estimated useful life of 3 to 5 years.

**20. OTHER ASSETS**

	December 31	
	2022	2021
Refundable deposits	\$ 913,170	\$ 1,321,318
Assumed collateral and residuals	23,418	23,418
Less: Accumulated impairment	(23,418)	(23,418)
Prepayments	147,824	123,146
Others	1,124	754
	\$ 1,062,118	\$ 1,445,218

**21. DEPOSITS FROM THE CENTRAL BANK AND BANKS**

	December 31	
	2022	2021
Deposits from the Central Bank	\$ 28,790	\$ 27,112
Deposits from banks	406,671	360,805
Overdrafts on banks	335,724	19,725
Call loans from banks	50,546,492	71,250,445
Deposits transferred from Chungwa Post Co., Ltd.	200,814	251,741
	\$ 515,18,491	\$ 71,909,828

**22. PAYABLES**

	December 31	
	2022	2021
Checks issued to payees for clearing	\$ 14,700,835	\$ 15,243,021
Accounts payable	1,752,017	3,721,750
Accrued expenses	2,636,320	2,348,970
Accrued interests	3,091,759	1,301,112
Acceptances	4,805,221	5,154,739
Others	4,730,304	8,757,457
	\$ 31,716,456	\$ 36,527,049

**23. DEPOSITS AND REMITTANCES**

	December 31	
	2022	2021
Checking account deposits	\$ 50,326,098	\$ 48,561,432
Demand deposits	574,362,190	599,608,214
Time deposits	647,872,640	481,233,070
Negotiable certificates of deposit	5,993,710	2,793,315
Savings account deposits	1,058,786,678	1,024,182,439
Remittances	1,735,738	1,645,307
	\$ 2,337,077,054	\$ 2,158,023,777

## 24. BANK NOTES PAYABLE

The Bank has issued bank notes to enhance its capital adequacy ratio and raised medium to long-term operating funds. The information of the bank notes is as follows:

The Bank issued \$2,200 million subordinated bank notes A 103-1 with 7-year term on April 16, 2014. The bank notes had been redeemed on April 16, 2021.

The Bank issued \$5,300 million subordinated bank notes B 103-1 with 10-year term on April 16, 2014.

The Bank issued \$2,500 million subordinated bank notes C 103-1 with 10-year term on April 16, 2014.

The Bank issued \$3,000 million subordinated bank notes A 105-1 with 7-year term on September 27, 2016.

The Bank issued \$3,300 million subordinated bank notes B 105-1 with 10-year term on September 27, 2016.

The Bank issued \$1,530 million subordinated bank notes A 106-1 with 7-year term on March 29, 2017.

The Bank issued \$8,670 million subordinated bank notes B 106-1 with 10-year term on March 29, 2017.

The Bank issued \$7,000 million perpetual subordinated bank notes 107-1 on April 26, 2018. Callable 5 years and 3 months after issue date.

The Bank issued \$3,000 million perpetual subordinated bank notes 107-2 on November 8, 2018. Callable 5 years and 1 month after issue date.

The Bank issued \$5,960 million perpetual subordinated bank notes 108-1 on June 27, 2019. Callable 5 years and 1 month after issue date.

The Bank issued \$4,040 million perpetual subordinated bank notes 109-1 on May 27, 2020. Callable 5 years and 1 month after issue date.

The Bank issued \$6,800 million perpetual subordinated bank notes 109-2 on December 25, 2020. Callable 5 years and 1 month after issue date.

The outstanding balance and details of subordinated bank notes are as follows:

Bank Note, Interest Rate and Maturity Date	December 31	
	2022	2021
<u>Hedged financial liabilities at fair value</u>		
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	\$ -	\$ 3,000,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	-	1,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	-	2,000,000
Valuation adjustment	-	178,335
		<u>6,178,335</u>
<u>Non-hedged bank notes payable</u>		
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	5,300,000	2,300,000
103-1 Note C, 10-year term, interest payable annually, floating rate, maturity date: April 16, 2024	2,500,000	2,500,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	3,000,000	2,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	3,300,000	1,300,000
106-1 Note A, 7-year term, interest payable annually, interest rate 1.50%, maturity date: March 29, 2024	1,530,000	1,530,000
106-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: March 29, 2027	8,670,000	8,670,000
107-1, no maturity date, interest payable annually, interest rate 2.66%	7,000,000	7,000,000
107-2, no maturity date, interest payable annually, interest rate 2.30%	3,000,000	3,000,000
108-1, no maturity date, interest payable annually, interest rate 1.90%	5,960,000	5,960,000
109-1, no maturity date, interest payable annually, interest rate 1.40%	4,040,000	4,040,000
109-2, no maturity date, interest payable annually, interest rate 1.25%	6,800,000	6,800,000
Valuation adjustment	119,465	-
	<u>51,219,465</u>	<u>45,100,000</u>
	<u>\$ 51,219,465</u>	<u>\$ 51,278,335</u>

The Bank engaged in derivative transactions as hedging instruments for the 103-1 Note B, 105-1 Note A and 105-1 Note B fixed interest rate bank notes to avoid fair value risks due to changes in interest rates. The nominal principal of interest rate swaps was accounted for as hedging derivative financial assets (refer to Note 13).

25. OTHER FINANCIAL LIABILITIES

	December 31	2021
	2022	
Principal received on structured notes	\$ 592,873	\$ 576,199
Appropriations for loans	<u>266,010</u>	<u>425,703</u>
	\$ 858,883	\$ 1,001,902

The principals received on structured notes were the hybrid instruments issued at fixed income. The related income of structured notes was credit determined by the interest rates linked to targets.

26. OTHER LIABILITIES

	December 31	2021
	2022	
Advance receipts	\$ 728,508	\$ 602,394
Guarantee deposits	<u>5,200,374</u>	<u>2,503,523</u>
Deferred revenue	<u>9,159</u>	<u>9,218</u>
	\$ 5,938,041	\$ 3,115,135

27. RESERVE FOR LIABILITIES

	December 31	2021
	2022	
Reserve for employee benefits (Note 28)	\$ 2,100,080	\$ 3,769,721
Reserve for guarantee liabilities	<u>652,031</u>	<u>651,435</u>
Reserve for loan commitments	<u>189,972</u>	<u>155,156</u>
Reserve for decommissioning restoration and rehabilitation costs	<u>45,944</u>	<u>49,960</u>
Others	<u>31,652</u>	<u>60,780</u>
	\$ 3,019,679	\$ 4,687,052

Movements in reserve for guarantee liabilities, reserve for loans commitments and reserve for others were as follows:

	For the Year Ended December 31, 2022			
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9
Beginning balance	\$ 360,613	\$ 13,496	\$ 23,531	\$ 397,640
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(2,011)	2,011	-	-
Transfers to credit-impaired financial assets	(14)	-	14	-
Transfers to 12-months expected credit losses	1,712	(1,712)	-	-
Financial instruments derecognized for the period	(191,295)	(9,320)	(2,729)	(203,342)
Purchased or originated financial instruments	181,090	34,792	1,440	217,322
Recognized impairment difference based on regulations	-	-	-	(8,536)
Changes in exchange rates and others	831	9	-	840
Ending balance	\$ 350,928	\$ 39,276	\$ 22,256	\$ 412,460
				\$ 461,195
				\$ 873,655

	For the Year Ended December 31, 2021			
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9
Beginning balance	\$ 414,170	\$ 82,190	\$ 33,456	\$ 529,816
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(1,635)	1,635	-	-
Transfers to 12-months expected credit losses	13,303	(13,303)	-	-
Financial instruments derecognized for the period	(235,021)	(63,595)	(11,265)	(329,881)
Purchased or originated financial instruments	189,987	6,578	1,340	197,905
Recognized impairment difference based on regulations	-	-	-	(41,188)
Changes in exchange rates and others	(191)	(9)	-	(200)
Ending balance	\$ 360,613	\$ 13,496	\$ 23,531	\$ 397,640
				\$ 469,731
				\$ 867,371

28. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

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

b. Defined benefit plans

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

The amounts included in the balance sheets in respect of the Bank's defined benefit plans were as follows:

	December 31	2021
Present value of defined benefit obligation	\$ 8,220,462	\$ 9,383,544
Fair value of plan assets	(7,719,255)	(7,260,262)
Deficit	501,207	2,123,282
Others	14,732	14,098
Net defined benefit liability	<u>\$ 515,939</u>	<u>\$ 2,137,380</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2022	\$ 9,383,544	\$ 7,260,262	\$ 2,123,282
Service cost			209,070
Current service cost	209,070	-	209,070
Net interest cost	45,652	35,739	9,913
Recognized in profit or loss	254,722	35,739	218,983
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	582,950	(582,950)
Actuarial loss - changes in financial assumptions	(951,865)	-	(951,865)
Actuarial gain - experience adjustments	163,824	-	163,824
Recognized in other comprehensive income	(788,041)	582,950	(1,370,991)
Contributions from the employer	-	470,067	(470,067)
Benefits paid	(629,763)	(629,763)	-
Balance at December 31, 2022	<u>\$ 8,220,462</u>	<u>\$ 7,719,255</u>	<u>\$ 501,207</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2021	\$ 9,980,084	\$ 7,231,186	\$ 2,748,898
Service cost			
Current service cost	229,160	-	229,160
Net interest cost	29,720	21,928	7,792
Recognized in profit or loss	258,880	21,928	236,952
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	107,799	(107,799)
Actuarial gain - population changes assumption	15,719	-	15,719
Actuarial loss - changes in financial assumptions	(180,914)	-	(180,914)
Actuarial loss - experience adjustments	(52,014)	-	(52,014)
Recognized in other comprehensive income	(217,209)	107,799	(325,008)
Contributions from the employer	-	537,560	(537,560)
Benefits paid	(638,211)	(638,211)	-
Balance at December 31, 2021	<u>\$ 9,383,544</u>	<u>\$ 7,260,262</u>	<u>\$ 2,123,282</u>

(Concluded)

Through the defined benefit plans under the Labor Standards Act, the Bank is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	2022	2021
Discount rate(s)	1.75%	1.75%	0.50%
Expected rate(s) of salary increase	2.05%	2.05%	2.05%



If possible reasonable change in each of the significant actuarial assumptions occurs and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31 2022	2021
Discount rate(s)		
0.25% increase	\$ (172,540)	\$ (219,177)
0.25% decrease	<u>\$ 178,165</u>	<u>\$ 226,939</u>
Expected rate(s) of salary increase		
0.25% increase	\$ 177,192	\$ 222,877
0.25% decrease	<u>\$ (172,457)</u>	<u>\$ (216,425)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31 2022	2021
The expected contributions to the plan for the next year	\$ 276,744	\$ 281,664
The average duration of the defined benefit obligation	10 years	10 years

c. Plan of high-yield savings account for employee

The Bank has the obligation to pay premium interest on the high-yield savings account of its present employees and retired employees. Such obligation is recognized based on its internal guidelines in the Rules of Employee Preferential Deposit for Retired Employees. Refer to Note 30 for information on related expenses.

1) Reconciliation of assets and liabilities at the end of the reporting period with the present value of defined benefit obligation and the fair value of plan assets was as follows:

	December 31 2022	2021
Present value of defined benefit obligation	\$ 1,584,141	\$ 1,632,342
Less: Fair value of defined benefit plan assets	-	-
Assets and liabilities at the end of the reporting period	<u>\$ 1,584,141</u>	<u>\$ 1,632,342</u>

2) Analysis of defined benefit obligation

	December 31 2022	2021
All or part of defined benefit obligation contributed	\$ -	\$ -
Defined benefit obligation not contributed	<u>1,584,141</u>	<u>1,632,342</u>
	<u>\$ 1,584,141</u>	<u>\$ 1,632,342</u>

3) Movements of the present value of defined benefit obligation

	For the Year Ended December 31 2022	2021
Balance at January 1	\$ 1,632,342	\$ 1,445,445
Interest cost	62,200	54,787
Actuarial gains and losses	184,499	428,724
Benefits paid	<u>(294,900)</u>	<u>(296,614)</u>
Balance at December 31	<u>\$ 1,584,141</u>	<u>\$ 1,632,342</u>

4) Movements of the fair value of plan assets

	For the Year Ended December 31 2022	2021
Balance at January 1	\$ -	\$ -
Contribution by employers	294,900	296,614
Benefits paid	<u>(294,900)</u>	<u>(296,614)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

5) Details of gains and losses recognized in expenses

	For the Year Ended December 31 2022	2021
Interest cost	\$ 62,200	\$ 54,787
Actuarial gains and losses	184,499	272,048
Actuarial gain or loss recognized in other comprehensive profit or loss	<u>-</u>	<u>156,676</u>
	<u>\$ 246,699</u>	<u>\$ 483,511</u>

6) Main actuarial assumptions

	For the Year Ended December 31 2022	2021
Discount rate of high-yield savings account for employee	4.00%	4.00%
Return rate of funds deposited	2.00%	2.00%
Account balance decrease rate per year	1.00%	1.00%
Probability of future high-yield savings account system change	50.00%	50.00%
Mortality rate	Based on Taiwan Life Insurance Industry Mortality Tables	Based on Taiwan Life Insurance Industry Mortality Tables
Rate provided to ordinary clients for similar deposit	1.38%-1.52%	0.84%-1.05%

## 29. EQUITY

### a. Capital

#### Common stock

	<u>2022</u>	<u>December 31</u>	<u>2021</u>
Shares granted (in thousands)	<u>12,000,000</u>		<u>12,000,000</u>
Capital stock granted	<u>\$ 120,000,000</u>		<u>\$ 120,000,000</u>
Share issued and fully paid (in thousands)	<u>10,593,457</u>		<u>10,488,571</u>
Capital stock issued	<u>\$ 105,934,566</u>		<u>\$ 104,885,708</u>

Fully paid common stock, with a par value at \$10, carry one vote per stock and carry a right to dividends.

As of January 1, 2021, the Bank's authorized and registered capital was \$110,000,000 thousand divided into 11,000,000 thousand shares at \$10 par value; the total paid-in capital was \$103,847,436 thousand. The Bank's authorized capital was increased by \$10,000,000 thousand in August 2021. In August 2022 and September 2021, the paid-in capital was increased by \$1,048,858 thousand and \$1,038,472 thousand, respectively. As of December 31, 2022 and 2021, the Bank's authorized capital was both of \$120,000,000 thousand; the number of authorized shares was both of 12,000,000 thousand shares, and the paid-in capital was \$105,934,566 thousand and \$104,885,708 thousand, representing 10,593,457 thousand shares and 10,488,571 thousand shares respectively, both of which are ordinary shares with a par value of \$10 per share.

### b. Distribution of earnings and dividend policy

Under the dividend policy as set forth in the Bank's amended Articles of Incorporation, where the Bank generates profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, setting aside or reversing 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 distribution plan, and 30% to 100% of the basis for proposing distribution plan should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of compensation of employees and remuneration of directors after amendment, refer to Note 30 (g) "Compensation of employees and remuneration of directors".

To ensure the Bank has sufficient cash for present and future expansion plans and to enhance the profitability, the Bank prefers to distribute more stock dividends, but cash dividends shall not be less than 10% of total dividends distributed. If the cash dividends are less than \$0.1 per share, the Bank will not distribute any cash dividends, unless otherwise resolved in the stockholders' meeting.

Appropriation of earnings to legal reserve shall be made until the balance of legal reserve reaches the Bank's paid-in capital. Legal reserve may be used to offset deficit. 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.

The amendments explicitly stipulate that when a special reserve is appropriated for cumulative net debit balance reserves from prior period, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient. Before the amendment of the Articles, the special reserve is appropriated from the prior unappropriated earnings.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, the Bank should appropriate 0.5%-1.0% net income as a special reserve when distributing surplus earnings for 2016, 2017 and 2018. Since 2017, the Bank should reverse an amount which is the same as the distributed surplus earnings mentioned above for the expense of employees' bridging-over arrangements and settlements caused by the development of financial technology.

The Bank cannot distribute cash dividends or purchase treasury stock if the Bank has any of the situations cited in Item 1, Section 1, Article 44 of the Banking Law.

The maximum amount of cash dividends cannot exceed 15% of the Bank's total capital if the Bank's capital surplus is less than the capital as based on Section 1.

The restriction of the cash dividends stated above does not apply if the Bank's capital surplus exceeds the capital or the Bank's financial position satisfied the criteria from the authority and also the Bank appropriates the legal reserve based on the Banking Law.

The appropriations of earnings for 2021 and 2020 were approved in the stockholders' meetings on June 17, 2022 and July 20, 2021, respectively. The appropriations of earnings and dividends per stock were as follows:

	<u>2021</u>	<u>Appropriation of Earnings</u>	<u>2020</u>
Legal reserve	<u>\$ 2,723,151</u>		<u>\$ 2,053,667</u>
Cash dividends	<u>\$ 5,244,285</u>		<u>\$ 3,738,501</u>
Share dividends	<u>\$ 1,048,858</u>		<u>\$ 1,038,472</u>
Cash dividends per share (NT\$)	<u>\$0.50</u>		<u>\$0.36</u>
Share dividends per share (NT\$)	<u>\$0.10</u>		<u>\$0.10</u>

The appropriation of earnings for 2022 is subject to the resolution of shareholders in the shareholders' meeting to be held in June 2023.

### c. Special reserve

	<u>2022</u>	<u>December 31</u>	<u>2021</u>
Initial application of IFRSs	<u>\$ 12,201,590</u>		<u>\$ 12,201,590</u>

The special reserve relating to land may be reversed on the disposal or reclassification of the related assets. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

30. NET INCOME

a. Net interest income

	<u>2022</u>	<u>2021</u>
Interest income		
Loans	\$ 31,760,429	\$ 22,509,101
Due from and call loans to banks	2,142,117	817,612
Investments in marketable securities	6,658,221	3,240,608
Others	162,502	109,960
	<u>40,723,269</u>	<u>26,677,281</u>
Interest expense		
Deposits	(14,202,629)	(5,712,832)
Due to central bank and call loans from banks	(1,411,821)	(166,301)
Others	(1,133,310)	(974,640)
	<u>(16,747,760)</u>	<u>(6,853,773)</u>
Net interest income	<u>\$ 23,975,509</u>	<u>\$ 19,823,508</u>

b. Net service fee income

	<u>2022</u>	<u>2021</u>
Service fee income		
Fees from import and export	\$ 248,563	\$ 275,037
Remittance fees	348,801	357,003
Loan fees	697,252	627,134
Fees from trust	820,544	1,128,765
Fees from trust business	420,583	451,485
Fees from insurance agency	1,582,641	1,532,489
Others (1) (2)	<u>1,353,646</u>	<u>1,265,574</u>
	<u>5,472,030</u>	<u>5,637,487</u>
Service charge		
Interbank charges	(165,706)	(150,261)
Charges from trust	(2,040)	(11,584)
Custodian charges	(114,274)	(125,890)
Charges from insurance agency	(201,383)	(146,321)
Others	<u>(741,385)</u>	<u>(659,074)</u>
	<u>(1,224,788)</u>	<u>(1,093,130)</u>
Net service fee income	<u>\$ 4,247,242</u>	<u>\$ 4,544,357</u>

1) The service fee income from electronic payment business was \$538 thousand and \$673 thousand for the years ended December 31, 2022 and 2021, respectively.

2) In accordance with "Regulation Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions", the yield income from electronic payment business was both of \$0.1 thousand for the years ended December 31, 2022 and 2021.

c. Gain (loss) on financial assets or liabilities measured at FVTPL

	<u>2022</u>	<u>2021</u>
Realized gain (loss) on financial assets or liabilities measured at FVTPL		
Stock	\$ (18,244)	\$ (11,806)
Bonds	(14,990)	2,782
Bills	(1,427)	(70)
Derivative financial instruments	1,567,648	774,158
Net interest gain	321,985	139,417
Stock dividends and bonus	<u>1,361</u>	<u>291</u>
	<u>1,856,333</u>	<u>904,772</u>
Valuation gain (loss) on financial assets or liabilities measured at FVTPL		
Stock	191	(191)
Bonds	98,604	154,712
Bills	10,374	(8,211)
Derivative financial instruments	<u>1,229,015</u>	<u>95,108</u>
	<u>1,338,184</u>	<u>241,418</u>
	<u>\$ 3,194,517</u>	<u>\$ 1,146,190</u>

d. Realized gain (loss) on financial assets at FVTOCI

	<u>2022</u>	<u>2021</u>
Stock dividends and bonus	\$ 1,359,037	\$ 1,066,856
Disposal gains		
Beneficiary securities	-	9,077
Bonds	201,466	564,922
Disposal losses		
Beneficiary securities	-	(3,861)
Bonds	<u>(1,542,949)</u>	<u>(180,101)</u>
	<u>\$ 17,554</u>	<u>\$ 1,456,893</u>

e. Depreciation and amortization expense

	<u>2022</u>	<u>2021</u>
Property and equipment	\$ 472,381	\$ 453,072
Investment property	6,503	6,905
Right-of-use assets	687,200	655,962
Intangible assets and other deferred assets	<u>331,298</u>	<u>233,477</u>
	<u>\$ 1,497,382</u>	<u>\$ 1,349,416</u>

f. Employee benefits expenses

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 10,264,441	\$ 9,783,372
Post-employment benefits		
Defined contribution plans	280,129	224,886
Defined benefit plans	218,983	236,952
High-yield savings account for employees	246,699	483,511
Other post-employment benefits	390,810	383,084
Termination benefits	4,826	13,958
	<u>\$ 11,405,888</u>	<u>\$ 11,125,763</u>

Salary adjustments for 2022:

- 1) As recognition of the employees' dedication and hard work and to boost employee morale, the Bank made an adjustment to annual salary in 2022 and implemented overall evaluation on April 1, 2022.
- 2) In order to continuously implement the differentiated salary adjustment based on performance and take care of the basic living expenses of grass-roots employees, the Bank's 2022 annual salary adjustment method is a combination of "comparing with civil servants salary increase" and "annual salary adjustment".

a) Comparing with civil servants salary increase:

In response to rising prices and in response to the 4% salary increase for civil servants in 2022, and taking into account the practice of financial peers, those who scored 1 to 6 in the performance appraisal in 2022 will be increased by 4% of their monthly salary.

b) Annual salary adjustment

In order to continuously implement performance-differentiated salary adjustments and at the same time take care of the basic living expenses of grass-roots employees, this salary adjustment method is proposed to be handled in a combination of "performance salary adjustment" and "fixed salary adjustment":

- i. Performance salary adjustment: Based on the employee's personal annual performance appraisal rating in 2021 as the standard, the performance appraisal rating of 6 will add 3.3% of the monthly salary, the 5A rating will add 2.5% of the monthly salary, the 5B rating will add 2.3% of the monthly salary, the 4A ratings will add 1.8% of the monthly basic salary, the 4B rating will add 1.6% of the monthly salary, the 4C rating will add 1.4% of the monthly salary, 1% of the monthly basic salary for those rated 3.
- ii. Fixed salary adjustment: NT\$500 per person per month (same below).

- 3) The annual salary adjustment in 2022 was implemented on April 1, 2022. The average salary increase of all employees was 6.02%, and the maximum salary increase can reach 8.46%. In spite of the environment continuously affected by COVID-19 and the low profit, the salary adjustments show the determination of the Bank to fulfill the duty of care towards its employees and implement corporate social responsibility.

Rating	2022		
	Level	All Members Salary Adjustment	Annual Salary Adjustment
	Comparing with Civil Servants Salary Increase		
	Salary Adjustment	Fixed Salary Adjustment	Performance Salary Adjustment
6 (premium)	4%	500	3.3%
5A (excellent)	4%	500	2.5%
5B (excellent)	4%	500	2.3%
4A (good)	4%	500	1.8%
4B (well)	4%	500	1.6%
4C (normal)	4%	500	1.4%
3 (qualified)	4%	500	1%
2 (unqualified)	4%	-	-
1 (unqualified)	4%	-	-
Average		6.02%	

g. Compensation of employees and remuneration of directors

The Bank accrued compensation of employees and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Bank's board of directors on March 2023 and March 29, 2022, respectively, are as follows:

Accrual rate	For the Year Ended December 31	
	2022 (Expected)	2021
Employees' compensation	5.0%	5.0%
Remuneration of directors	0.4%	0.4%
Amount		
	<u>\$ 692,192</u>	<u>\$ 534,849</u>
Employees' compensation	<u>\$ 55,000</u>	<u>\$ 42,788</u>
Remuneration of directors		
	<u>For the Year Ended December 31</u>	<u>2021</u>

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

Due to changes in accounting estimates, the actual amount of compensation of employees and directors' remuneration, which was resolved in the meeting of the board of directors dated on March 29, 2022 and March 26, 2021 differs from what was accrued in the financial statements for 2021 and 2020. The difference was then adjusted to profit and loss for 2022 and 2021.

	For the Year Ended December 31	
	2021	2020
	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>
Amounts approved in the board of directors' meeting	\$ 534,849	\$ 42,788
Amounts recognized in the annual consolidated financial statements	\$ 537,415	\$ 42,707
Differences	\$ (2,566)	\$ 81
	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>
	\$ 360,242	\$ 28,995
	\$ 447,199	\$ 35,200
	\$ (86,957)	\$ (6,205)

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

### 31. INCOME TAX

a. Major components of tax expense recognized in loss

	2022	2021
Current income tax	\$ 1,627,585	\$ 878,770
In respect of the current period	3,044	280
Deferred income tax		
In respect of the current period	372,319	432,363
Income tax expense recognized in profit or loss	\$ 2,002,948	\$ 1,311,413

A reconciliation of accounting profit and income tax expenses is as follows:

	2022	2021
Profit before tax	\$ 12,974,099	\$ 10,115,216
Income tax expense calculated at the statutory rate	2,594,819	2,023,043
Non-deductible expenses in determining taxable income	17,178	4,122
Income tax on unappropriated earnings	3,044	280
Overseas' branch's additional income of deferred tax effect	28,601	85,837
Tax-exempt income	(743,156)	(740,396)
Non-deductible tax of overseas branches	119,201	-
Adjustments for prior years' tax	(118,956)	(211,396)
Others	102,217	149,923
Income tax expense recognized in profit or loss	\$ 2,002,948	\$ 1,311,413

b. Income tax recognized in other comprehensive income

	2022	2021
Deferred tax		
In respect of the current year:		
Exchange differences on translation	\$ 167,956	\$ (74,327)
Unrealized gains (losses) on financial assets at FVTOCI	(130,532)	(25,025)
Actuarial gains (losses) on defined benefit plan	274,226	65,126
Total income tax benefit recognized in other comprehensive income	\$ 311,650	\$ (34,226)

c. Current tax assets and liabilities

	2022	2021
Current tax assets	\$ 44,675	\$ 344,089
Others		
Current tax liabilities	\$ 873,126	\$ 344,773
Income tax payable		
Deferred tax assets and liabilities		

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Ending Balance
Deferred tax assets					
Temporary differences	\$ 970,050	\$ (21,194)	\$ -	\$ -	\$ 948,856
Doubtful debts	2,369,453	264,940	(311,650)	1,065	2,323,808
Others				1,065	
	\$ 3,339,503	\$ 243,746	\$ (311,650)	\$ 1,065	\$ 3,272,664
Deferred tax liabilities					
Land value increment tax	\$ 6,154,216	\$ -	\$ -	\$ -	\$ 6,154,216
Temporary differences	2,647,870	616,065	-	-	3,263,935
	\$ 8,802,086	\$ 616,065	\$ -	\$ -	\$ 9,418,151

For the year ended December 31, 2021

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences	\$ 1,242,885	\$ (272,835)	\$ -	\$ -	\$ 970,050
Doubtful debts	2,002,568	347,812	34,226	(15,153)	2,369,453
Others	<u>3,325,453</u>	<u>74,977</u>	<u>34,226</u>	<u>(15,153)</u>	<u>3,339,503</u>
<u>Deferred tax liabilities</u>					
Land value increment tax	\$ 6,154,216	\$ -	\$ -	\$ -	\$ 6,154,216
Temporary differences	2,140,531	507,339	-	-	2,647,870
Others	<u>8,294,747</u>	<u>507,339</u>	<u>-</u>	<u>-</u>	<u>8,802,086</u>

e. Income tax assessments

The Bank's income tax returns through 2019 had been examined and cleared by the tax authority.

32. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issued on August 17, 2022. The basic and diluted after-tax earnings per stock for 2021 were adjusted retrospectively as follows:

	Unit: NT\$ Per Stock	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per stock	\$ 0.84	\$ 0.83
Diluted earnings per stock	<u>0.84</u>	<u>0.83</u>

The earnings and weighted average number of common stock outstanding in the computation of earnings per stock were as follows:

	For the Year Ended December 31	
	2022	2021
Net profit for the year	<u>\$ 10,971,151</u>	<u>\$ 8,803,803</u>

The weighted average number of common stock outstanding (in thousands of stock) is as follows:

	For the Year Ended December 31	
	2022	2021
Weighted average number of common stock in the computation of basic earnings per stock	10,593,457	10,593,457
Effect of potentially dilutive common stock:		
Compensation of employees issued	<u>47,156</u>	<u>35,946</u>
Weighted average number of common stock used in the computation of diluted earnings per stock	<u>10,640,613</u>	<u>10,629,403</u>

The Bank may settle compensation or bonuses paid to employees in cash or stock; therefore, the Bank assumes that the entire amount of the compensation or bonus will be settled in stocks and the resulting potential stocks will be included in the weighted average number of stocks outstanding used in the computation of diluted earnings per stock, as the effect is dilutive. Such dilutive effect of the potential stocks is included in the computation of diluted earnings per stock until the number of stocks to be distributed to employees is resolved in the following year.

33. CAPITAL RISK MANAGEMENT

a. Summary

The Bank's goals in capital management are as follows:

- 1) The Bank's qualified regulatory capital should meet the requirement of capital adequacy regulations and reached the minimum capital adequacy ratio.
- 2) To ensure that the Bank is able to meet the capital needs, it should be evaluated periodically and observed the variation between regulatory capital and risk assets to keep common equity ratio in the interval approved by the board of directors.
- 3) Related to the calculation of qualified regulatory capital and legal capital were according to the regulation of administration.

b. Capital management procedures

The Bank kept capital adequacy ratio completely to meet the requirement of the administration and declared to the administration quarterly.

In addition, the capital management procedures for the overseas subsidiaries of the Bank were carried out according to the regulation of local administrations.

The Bank's capital adequacy performance, which was calculated based on Regulations Governing the Capital Adequacy and Capital Category of Banks, was reported to the Asset and Liability Management Committee of the Bank periodically. The regulatory capital was classified into Tier 1 Capital, other Tier 1 Capital and Tier 2 Capital.

- 1) Tier 1 Capital: Include Common Equity and other Tier 1 Capital

Common Equity: Include common stock (include capital collected in advance), Capital reserves (exclude additional paid-in capital in excess of par - preferred stock), accumulated profit, reserve and adjusted equity. Deduct: Legal adjustments.



- 2) Other Tier 1 Capital: Include noncumulative perpetual preferred stock, noncumulative perpetual subordinated debts. Deduct: Legal adjustments.
- 3) Tier 2 Capital: Include cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation reserve, long-term subordinated debt, non-perpetual preferred stock include stock issue price 45% of financial assets at fair value through other comprehensive income convertible bonds, operating reserves and allowance for doubtful accounts. Deduct: Legal adjustments.

c. Capital adequacy

Item	Period		
	December 31, 2022	December 31, 2021	
Self-owned capital	Common equity Tier I	\$ 151,087,455	\$ 147,811,903
	Other Tier I capital	26,800,000	23,112,609
	Tier II capital	44,729,315	40,719,243
	Self-owned capital	222,616,770	211,643,755
Credit risk	Standardized approach	1,478,748,906	1,341,705,186
	IRB	-	-
	Securitization	4,048,285	3,727,948
Risk-weighted assets	Basic indicator approach	-	-
	Standardized approach/ optional standard	53,254,318	50,940,357
	Advanced internal rating based approach	-	-
	Market price risk	20,328,112	17,132,475
Total	1,556,379,621	1,413,505,966	
Capital adequacy ratio	14.30%	14.97%	
Common equity Tier I to risk-weighted assets ratio	9.71%	10.46%	
Tier I capital to risk-weighted assets ratio	11.43%	12.09%	
Leverage ratio	6.26%	6.31%	

Note 1: The ratios are calculated in accordance with the Regulations Governing the Capital Adequacy and Capital category of Banks.

Note 2: Annual financial report should include the capital adequacy ratio in current and previous period. Besides semiannual report should disclose the ratio the end of last year.

Note 3: Formula:

- a. Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital
- b. Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5
- c. Capital adequacy = Self-owned capital ÷ Risk-weighted assets
- d. Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets
- e. Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets
- f. Leverage ratio = Tier I capital ÷ Adjusted average assets

34. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments not measured at fair value

December 31, 2022

Financial assets	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost	\$ 485,011,259	\$ 91,016,207	\$ 384,038,310	\$ -	\$ 475,054,517
Financial liabilities	51,219,465	-	119,465	51,169,917	51,289,382
Bank notes payable					
December 31, 2021					
Financial assets	Carrying Amount	Fair Value			Total
Financial assets at amortized cost	\$ 405,256,329	\$ 38,553,326	\$ 366,213,556	\$ -	\$ 404,766,882
Financial liabilities	51,278,335	-	61,78,335	46,595,019	52,773,354
Bank notes payable					

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

1) Fair value hierarchy

December 31, 2022

Fair Value Measurement of Financial Instruments	Fair Value			Total
	Level 1	Level 2	Level 3	
Non-derivative financial products				
Assets				
Financial assets at FVTPL	\$ 3,616,416	\$ 17,973,574	\$ -	\$ 21,589,990
Financial assets mandatorily measured at FVTPL				
Bond investments	3,616,416	2,769,035	-	6,385,451
Others	-	15,204,539	-	15,204,539
Financial assets at FVTOCI	111,312,590	89,288,691	8,354,418	208,955,699
Stock investments	13,905,929	-	8,354,418	22,260,347
Bond investments	92,173,777	89,288,691	-	181,462,468
Others	5,232,884	-	-	5,232,884
Derivative financial products				
Assets				
Financial assets at FVTPL	1,099,905	8,203,477	-	9,303,382
Financial liabilities	-	6,920,062	-	6,920,062
Financial liabilities at FVTPL				

December 31, 2021

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 458,150	\$ 52,815,291	\$ -	\$ 53,273,441
Financial assets mandatorily measured at FVTPL				
Stock investments	23,166	-	-	23,166
Bond investments	434,984	2,275,485	-	2,710,469
Others	-	50,539,806	-	50,539,806
Financial assets at FVTOCI	93,652,544	61,184,017	11,388,759	166,225,320
Stock investments	15,814,451	-	11,388,759	27,203,210
Bond investments	71,836,840	61,184,017	-	133,020,857
Others	6,001,253	-	-	6,001,253
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	159,609	1,976,002	-	2,135,611
Other financial assets	-	-	-	-
Financial assets for hedging	-	147,321	-	147,321
Liabilities				
Financial liabilities at FVTPL	-	3,150,309	-	3,150,309

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2022

	Financial Assets at FVTOCI	Equity Instrument
Beginning balance	\$ 11,388,759	
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	(3,034,341)	
Ending balance	\$ 8,354,418	

For the year ended December 31, 2021

	Financial Assets at FVTOCI	Equity Instrument
Beginning balance	\$ 8,811,998	
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	2,567,396	
Purchase	9,365	
Ending balance	\$ 11,388,759	

3) Definition for the hierarchy classifications of fair value measurements

a) Level 1

Level 1 inputs are quoted prices unadjusted in active markets for identical financial instruments. An active market indicates the market that is in conformity with all of the following conditions: The products in the market are identical; it is easy to find a knowledgeable and willing transaction counterparty; and price information is available to the public.

The fair values of the Bank investments in listed stock, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices are included in Level 1.

b) Level 2

Level 2 inputs are inputs other than quoted prices with reference to an active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair values of the Bank's investments in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative bank debentures issued by the Bank are included in Level 2.

c) Level 3

The input parameters used are not based on observable market data (unobservable input parameters are those such as option pricing models using historical volatility which cannot represent the expected value of all market participants). The fair values of the Bank's investments in derivatives and equity investments without an active market are included in Level 3.

4) Valuation techniques and assumptions applied for the purpose of measuring fair value

a) Determination of fair value

A quoted market price is used as the fair value when a financial instrument has an active market. Such market prices are provided by the Stock Exchange Corporation, Bloomberg and Reuters, which are all the foundation of fair values for listed equity securities and debt instruments with a quoted market price in an active market.

If the market quotation from the Stock Exchange Corporation, commission merchants, underwriters or pricing service institutions can be frequently and readily obtained and the price represents actual and frequent at arm's length transactions, then a financial instrument is deemed to have an active market. If the above conditions are not met, the market is deemed inactive. In general, a significant price variance between the purchase price and selling price or a significantly increasing price variance are both indicators of an inactive market.

In addition to the above financial instruments with an active market, other financial instruments at fair value are assessed by valuation techniques or by referencing counterparties with other financial instruments at fair value with similar conditions and characteristics in actual practice, including market information obtained by exercising valuation models at the balance sheet date (such as yield curves used by TPEx and TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation).

When a financial instrument has no standardized valuation and has a greater level of complexity, such as interest rate swaps, currency swaps and options, the Bank usually adopt the valuation generally accepted by market users. The inputs used for these financial instruments' valuations are usually observable information in the market.

For financial instruments with greater complexity, the fair value is assessed through the valuation model developed by valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments without quoted market price (including debt instruments of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Bank need to make appropriate estimates based on assumptions.

b) The types and nature of the valuation methods for financial instruments used by the Bank and its subsidiaries are as follows:

- i. NTD central government bonds: The bond market rate and theoretical interest rate are price-per-hundred conversions announced by TPEX.
- ii. NTD corporate bonds and bank notes: The corporate bond reference rate is announced by TPEX, and the Bank uses the appropriate credit rate and the remaining period to calculate the yield rate and convert it to price-per-hundred.
- iii. NTD convertible corporate bonds: The closing prices of outright purchase/sale trading are listed on TPEX on the valuation day. If the price is not available, the price is referenced from the outright purchase/sale trading information listed on TPEX.
- iv. Securitization instruments: Prices are those quoted from Bloomberg.
- v. NTD short-term bills: The TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation are discounted from future cash flows.
- vi. Foreign securities: The latest prices quoted from Bloomberg, Reuters or other systems on the valuation day are used, if there is no available price or valuation, then the price used is that which is quoted from counterparties.
- vii. Listed stock, call/put warrants and depositary receipts: The closing price listed on TWSE or TPEX is adopted.
- viii. Unlisted stock: The fair value is referenced from related financial information or estimated using the price or parameter of listed companies which have similar service attributes.
- ix. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.

x. Derivatives:

- i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.
- ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.
- iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.

- iv) Certain derivatives use the quoted price from counterparties.
- xi. Mix tools: The price from the active market, deal brokers and evaluation models is used.
- c) Adjustments for credit risks and the definitions are as follows:

Credit valuation adjustment (CVA) is a measurement for derivatives which are not transacted through the stock market, or for over-the-counter derivatives. CVA reflects the fair value should a counterparty default and the possibility of not collecting the derivative's full market value.

CVA is calculated by applying the loss given default (LGD) to the exposure at default (EAD), along with the consideration of the counterparty's probability of default (PD), assuming the condition that the Bank does not default.

c. The impact of the interest rate benchmark reform

The financial instruments of the Bank affected by the interest rate benchmark reform include loan, floating-rate bonds and asset exchanges. The link of interest rate benchmark is London Interbank Offered Rate (LIBOR). It is expected that LIBOR will be replaced by the alternative interest rate recommended by the interest rate reform group of various countries; the differences of the two rates are discussed in the next paragraph.

LIBOR is a forward-looking interest rate indicator that implies market expectations for future interest rate trends, and includes inter-bank credit discounts. The alternative interest rate recommended by the interest rate reform group of various countries is Overnight Financing Rate (secured or unsecured), which is a retrospective interest rate indicator calculated using actual transaction data, and does not include credit discounts. Therefore, when an existing contract is modified from a linked LIBOR to a linked Overnight Financing 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 Bank has formulated a plan for LIBOR conversion and exit and has handled risk management policy adjustments, internal process adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues required to match the interest benchmark reform. The Bank has identified all the information systems and internal processes that need to be updated, and has updated some of them. The Bank has started to discuss with the counterparties of the financial instruments how to amend the affected contracts, which is expected to be completed by December 31, 2021 for the position other than U.S. dollars and by December 31, 2022 for U.S. dollars.

Due to the interest benchmark reform, the Bank faces interest rate basis risks. If the Bank fails to complete the negotiation with the counterparty in the financial instrument, it will bring about material uncertainty, and trigger exposure to interest rate risk that the Bank had not expected.

December 31, 2022

	LIBOR		Projects Affected by Interest Rate Benchmark Reform		JPY LIBOR		EUR LIBOR	
	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts
Non-derivative financial assets								
Loans - syndicated loans	\$ 105,617,832	21						
Loans - other loans	10,835,900	5						
Derivative financial assets	6,599,218	27						
ECB asset exchange products	2,455,000	1						

December 31, 2021

	USD LIBOR		Projects Affected by Interest Rate Benchmark Reform Indicators		JPY LIBOR		EUR LIBOR	
	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts
Non-derivative financial assets								
Loans - syndicated	\$ 232,413,326	308	\$ 900,096	1	\$ -	-	\$ -	-
Loans - other loans	15,173,857	45	-	-	53,872	1	6,553	1
Holding bonds	13,166,077	62	-	-	-	-	-	-
Derivative financial assets								
ECB asset exchange and structured products	2,212,400	1	-	-	-	-	-	-

d. Financial risk management objectives and policies

1) Market risk

- a) The source and definition of market risk

Market risk is the uncertainty of changes in fair value of on- and off-balance sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices and commodity prices.

The major market risks of the Bank are equity securities price risks, interest rate risks, and exchange rate risks. The majority of equity securities risk includes domestic public stock, over-the-counter stock, emerging market stock, domestic stock index options and stock index futures. The main position of interest rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Bank's investments denominated in foreign currencies, such as foreign currency spots, currency futures and foreign currency options.

- b) Market risk management policy

The Bank classifies the financial instruments held by the Bank as trading book and banking book, and determines the market risk as interest rate risk, exchange rate risk, and equity security price risk. The Bank establishes "Market Risk Management Regulation", "Derivative Financial Trading Process" and various financial instruments related regulations to manage the market risk of overall foreign exchange position, normal position, interest rate position of trading book and equity security position. The overall interest rate risk management of banking book belongs to assets and liabilities management committee.

The market risk management regulations are as follows:

- i. Establish the market risk management process to ensure the risk would be identified, measured, monitored and reported.
- ii. Measure and monitor the market risk and keep it under the risk limit and minimize unexpected loss from market risk.
- iii. Follow the regulations of Basel Accord.
- iv. Establish the market risk management system and economic capital allocation process.
- v. Monitor the credit line management of financial instrument, sensitivity analysis, stress testing and the calculation of VaR, and report the result of market risk monitoring to risk management committee periodically and the board of directors quarterly.

c) Market risk management procedures

According to "Whole Risk Management Policy", risk management department is the second line of defense against the market risk. Risk management department performs the market risk management, establishes related management process, and reports to the appropriate level of the management. Besides, risk management department establishes independent risk management process and ensures its effectiveness.

- i. Identifying and measuring

The effective market risk management process begins with identifying the inherent risk of operating activities and financial instruments. The Bank reviews the risk identifying method timely when the market environment changes and makes necessary adjustment to ensure the effective operation of the market risk management process. The Bank's risk management department identifies market risk factors and measures the market risk. The market risk factors refer to the factors which affect the interest rate, exchange rate or the fair value of equity instruments. The market risk factors include the position, profits and loss, loss from stress testing, PVOI, Delta, VaR, etc.

- ii. Monitoring and reporting

The Bank controls market risk by managing risk limits. The risk management department sets various trading limits, such as position limits, stop-loss limits, and maximum potential loss. The trading limits are implemented only after they are reported to and approved by the board of directors.

The risk management department calculates exposures and estimated gains and losses on positions daily to make sure that the positions held and losses do not exceed the limits approved by the board of directors and prepares reports to the high-level management and the board of directors periodically for their sufficient understanding of the implementation of the market risk management and, if necessary, issuance of additional guidance.

The risk management department reports important market risk issues, such as discovery of possible loss on positions in each trading book or identification of weakness in the market risk management system, to the risk management committee in order to improve the effectiveness of the market risk management.

- iii. Stress testing

The stress testing is one of the important tools for risk management. It is used for verifying effects on the investment portfolio due to some extremely disadvantageous but possible stressful events and for analyzing exposure level and risk tolerance in such situations and furthermore evaluating the portfolio loss or the impact on the capital. The Bank performs stress testing for forecasting risk and for assessment and reinforcement of statistical models or historical data limitations.

- d) Trading book market risk management

The trading book refers to the position of financial instruments held for trading or hedging. The position of financial instruments held for trading refers to the position which earns profits from actual or expected short-term price fluctuations.

- i. Strategy

The Bank determines the risk limitation of the investment portfolio of trading book by evaluating trading strategy, trading category, and annual performance.

- ii. Management policy and procedures
 

The Bank follows “Market Risk Management Rules”, “Derivative Financial Trading Process” and various financial instruments related regulations as the important management rules of trading book.
- iii. Valuation policy
 

The trading positions are valued on a real-time or daily basis. The hedging derivatives are valued at least twice a month. The resources of fair value of financial instruments are categorized as: (1) those derived from quoted prices in active markets; (2) the latest price without active market; (3) valuation without active market.
- iv. Risk measuring methods
  - i) The sensitivity of the interest rate changes of investment portfolio is measured by DV01. The sensitivity of the foreign exchange derivatives is measured by the sensitivity factors (Delta, Gamma, and Vega).
  - ii) With regard to the Bank’s Value at Risk assumptions and calculation methods, refer to item i.
  - iii) The Bank performs the stress test quarterly and report the result to risk management committee periodically.
- e) Trading book interest rate risk management
  - i. Definition of interest rate risk
 

Interest rate risk is fair value changes in interest rate risk position held by the Bank due to interest rate changes. The risks are mainly in debt securities and interest rate derivatives.
  - ii. Management procedures on trading book interest rate risk
 

The Bank defines the trading limit of trading book and the stop-loss limit of different financial instruments by assessing the credit and the financial position of the issuers.
  - iii. Measuring methods
 

The interest rate factor sensitivity of debt securities and interest rate derivatives is measured by DV01. With regard to the Bank’s Value at Risk assumptions and calculation methods, please refer to item i.
- f) Banking book interest rate risk management
  - i. Definition of banking book interest rate risk
 

The Bank’s banking book interest rate risk means the unfavorable change of interest rate of non-trading-book interest rate position which changes the present value of revenue and costs or assets and liabilities and causes a decrease in earnings or impairment of economic value.
- ii. Management strategy on banking book interest rate risk
 

According to the Bank’s interest rate risk management policy, the Bank has set various measurement indicators and limits on banking book interest rate risk. To pursue profits and steady growth of stockholder value without exposure to extreme loss risks, the Bank applies appropriate management strategy including on- and off-balance sheet adjustments and maintains appropriate amounts of assets and liabilities.
- iii. Banking book interest rate risk report/range of measuring system
 

The Bank mainly applies standard method for interest rate risk sensitivity gap analysis to measure banking book interest rate risks. The responsible department periodically measures banking book interest rate risks and reports to related departments and to the asset and liability management committee in order to adopt appropriate strategies for adjusting banking book interest rate risk combinations. Assessment information of banking book interest rate risk would be presented to the board of directors periodically to let the high-level management controls such risks.
- g) Exchange rate risk management
  - i. Definition of exchange rate risk
 

Every financial derivative listed in the trading book is affected by changes in exchange rate risk factors that affect the profit and loss of the commodity, and all foreign exchange positions of the Bank must be included in the measurement. The exchange rate risk of the Bank is mainly due to the derivatives business as spot and forward foreign exchange and exchange rate options. Most of the foreign exchange transactions that the Bank engages in are based on the principle of leveling customer positions on the same day. The exchange rate option is based on back-to-back transactions, so the exchange rate risk assumed is relatively small.
  - ii. Exchange rate risk management policy, procedures and measuring methods
 

To control exchange rate risk, the Bank has set operating limits and stop-loss limits for the trading rooms and traders of each unit, and keep losses within an acceptable range.

Exchange rate derivatives use Delta, Gamma, Vega, and other sensitivity factors to measure the sensitivity of such commodities to exchange rates and their volatility.

The exchange rate risk is mainly based on the risk value control basis, refer to item i.
- h) Equity security price risk management
  - i. Definition of equity security price risk
 

Equity security price risk is the valuation effect on the position held by the Bank when the equity security price changes. The Bank’s equity security price risk mainly comes from public and over-the-counter stock, index futures and options.
  - ii. Equity security price risk management purpose
 

Avoid drastic fluctuations in the price of equity securities, which may adversely affect the Bank’s financial position or suffer loss of earnings. Hoping to improve the efficiency of capital utilization and improve business operations.



iii. Equity security price risk management procedures

The Bank sets restrictions on credit extensions with the same person, the same concerned party or the same affiliate to control the risk concentration. Risk management department monitors unrealized gain or loss of the holding position daily. If unrealized loss is over the stop-loss threshold, risk management department would notice the department which holds the position to subject to the related regulations. The department which holds the position should report to risk management committee if unrealized loss is over the stop-loss threshold but the department still holds the position.

iv. Measuring methods

The equity security price risk of trading book is monitored and controlled by VaR, please refer to item i.

The Bank would perform stress testing for the equity security price risk of non-trading position and report the result to risk management committee.

i) Market risk measuring method

i. Value at Risk, "VaR"

The Bank uses VaR model and stress testing to evaluate the risk of trading portfolio the market risk and the maximum expected loss of positions held through assumptions of changing market situation. VaR is the statistical estimation of potential losses of existing positions arising from unfavorable market changes. VaR refers to the maximum potential loss that the Bank might be exposed to within the confidence interval (99%), which means there is a certain probability (1%) that the actual loss would exceed VaR. Significant loss caused by excessive market volatility could not be avoided by using VaR.

The Bank has been using historical simulation method to calculate VaR since January 27, 2014. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Bank would use proxy to respond to the limitations mentioned above.

According to the Bank's "Risk Management Committee Establishment Points", the risk appetite of trading book market risk, operating limits and VaR limits should be approved by the risk management committee. VaR is an important internal risk control in the Bank. The VaR limits of investment portfolio are approved annually by the risk management committee and reported to the board of directors. In addition, the daily actual VaR is monitored by the Bank's risk management department.

ii. As of December 31, 2022 and 2021, the Bank's VaR factors based on historical simulation method were as follows:

	For the Year Ended December 31, 2022			Ending Balance
	Average	Highest	Lowest	
Exchange VaR	\$ 170,459	\$ 249,923	\$ 109,264	\$ 234,694
Interest rate VaR	8,036	31,360	1,452	31,275
Equity securities VaR	1,823	3,887	-	-
Value at risk	<u>\$ 180,318</u>	<u>\$ 285,170</u>	<u>\$ 110,716</u>	<u>\$ 265,969</u>

	For the Year Ended December 31, 2021			Ending Balance
	Average	Highest	Lowest	
Exchange VaR	\$ 156,023	\$ 204,762	\$ 102,778	\$ 123,113
Interest rate VaR	6,382	16,927	982	12,458
Equity securities VaR	1,899	8,165	-	991
Value at risk	<u>\$ 164,304</u>	<u>\$ 229,854</u>	<u>\$ 103,760</u>	<u>\$ 136,562</u>

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of December 31, 2022 and 2021 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2022	New Taiwan Dollars
Foreign Currency	Exchange Rate	
Financial assets		
Monetary items		
USD	\$ 8,137,762	\$ 250,032,737
GBP	356,134	13,201,887
AUD	2,423,383	50,357,899
HKD	1,027,693	4,049,110
CAD	43,921	996,128
ZAR	4,280,300	7,743,063
JPY	80,499,585	0,2321
EUR	1,353,741	32,7600
NZD	230,290	19,4500
RMB	10,994,419	4,4110

(Continued)



For the years ended December 31, 2022 and 2021, net foreign exchange gains were \$1,597,718 thousand and \$500,015 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Bank and entities under its control.

- 3) Credit risk
- a) Credit risk source and definition
- Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability to fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate volatility of the collateral and market liquidity risk of the collateral.
- b) Credit risk management policy

The related mechanism and procedures for monitoring credit risk includes:

- i. The Bank continuously improves its credit risk management technology and its efficiency to meet the requirements of internal operations, business scale and management objectives and build up the risk management system that fits the requirement of accuracy and completeness of the Bank's risk management technology.
- ii. The Bank is building a complete monitoring mechanism, setting up a loan early warning system to track down bad indications and risk changes of high-risk credits, setting up "corporate clients' risk exposure and credit risk quick-search system" to understand the negative reporting and transactions with the Bank in order to enhance the credit risk's identification, measurement and monitoring and improve the quality of risk management.
- iii. "Chang Hwa Bank Customer Credit Define Notice and Control Index Notice" has been developed to strengthen the control of customer credit risk and to prevent the Bank's debts from being damaged.
- iv. To control concentration risk, the Bank sets limits for statutory single creditors, related companies, stakeholders limit of the Bank, industries, real estate, and high-risk industries in mainland China to monitor and control the overall credit risk. In addition, in order to effectively control the credit risk limit control of the Bank's credit, securities investment and derivative financial product transactions with customers, the credit risk limit of the same legal person and group companies are distinguished according to the risk rating, so as to strengthen the Bank's management on credit, investment and of derivative financial product transactions.
- v. The Bank actively utilizes the database system and related risk quantification tools to identify, measure and monitor risks. The Bank also adjusts risk management policies and procedures in a timely manner to implement an independent and professional risk management mechanism, which enhances risk management effectiveness.
- vi. The Bank implements strict and forward-looking credit risk stress testing to respond to the events or changes which may be unfavorable to the Bank and in compliance with the requirements of the competent authority supervising risk management and improves the effectiveness of the Bank's risk management.

	December 31, 2022	New Taiwan Dollars
Foreign Currency	Exchange Rate	Dollars
\$	30.7250	\$ 464,749,023
USD	37.0700	7,837,339
GBP	20.7800	33,547,897
AUD	3.9400	2,648,015
HKD	22.6800	1,453,516
CAD	1.8090	7,242,011
ZAR	0.2321	28,136,459
JPY	32.7600	37,186,498
EUR	19.4500	3,347,248
NZD	4.4110	46,515,027
RMB		(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2021	New Taiwan Dollars
Foreign Currency	Exchange Rate	Dollars
\$	27.6550	\$ 229,309,010
USD	37.3600	2,227,254
GBP	20.0900	34,799,215
AUD	3.5460	3,411,975
HKD	21.6600	2,319,613
CAD	1.7340	7,558,447
ZAR	0.2405	24,446,524
JPY	31.3800	24,304,438
EUR	18.9400	87,938
NZD	4.643	87,938
RMB	4.3410	46,667,039

Financial liabilities

Monetary items		
USD	27.6550	\$ 410,882,033
GBP	37.3600	2,285,423
AUD	20.0900	23,047,127
HKD	3.5460	2,678,627
CAD	21.6600	2,292,364
ZAR	1.7340	7,178,118
JPY	0.2405	23,151,708
EUR	31.3800	25,279,100
NZD	18.9400	898,514
RMB	4.3410	50,943,115

vii. The Bank is holding sessions and training in risk management to strengthen risk management intelligence and increase the Group's financial institution of loan.

viii. Information on credit risk would be presented to the high-level management periodically.

The Bank's expected credit loss and measuring methods for major business operations are described as follows:

i. Credit business (including loan commitments and guarantees)

The various types of credit assets of the Bank are classified as follows based on credit quality and internal and external ratings.

i) A determined significant increase in credit risk since initial recognition.

At the end of every reporting period, the Bank evaluates the risk of default on credit assets occurring over their expected lifetime to determine whether the credit risk has increased significantly since their initial recognition.

For this credit risk evaluation, the Bank considers corroborative information (including forward-looking information) which indicates a significant increase in credit risk since initial recognition of the credit assets. The key indicators include:

- Quantitative indicators

A change in internal credit rating

A financial instrument is determined as having a significant increase in credit risk since initial recognition if its internal credit rating is at the level of 16-18 or if the score of a housing loan debtor is lower than 340.

- Qualitative indicators

A credit account is rated as ordinary overdue in accordance with the Bank's "Detailed Rules for the Processing of Ordinary-overdue Accounts".

The result of the credit review shows that the credit application and the loan application are inconsistent.

A list of early warning accounts and the latest financial statements show a net worth of less than three-fourths of the share capital.

ii) Definition of the credit-impaired financial assets

A credit account that meets one of the following conditions is classified under Stage 3 (credit impaired):

- The debtor's payment of the principal or interest is past due for more than 3 months from the end of the credit term, or the Bank has already petitioned or withdrawn the debtor's collateral.
- The case has been agreed to be repaid in installments and is exempt from being listed as an overdue loan.
- The case was negotiated and adopted in accordance with the debt negotiation mechanism set by the Association of Banks in 2006.

- The case has been negotiated and agreed upon in accordance with "The Statute for Consumer Debt Clearance" (excluding secured debt fulfilled under the original contractual conditions).

- The case is ruled to undergo restructuring or liquidation by the court.

- The case is ruled to be restricted by the court.

- The case is declared bankrupt by the court.

- The case involves credit accounts of a debtor, excluding credit card accounts, which is partly transferred to class A and B non-performing loans (excluding the sixth item of class B: The credit account is totally guaranteed and the interest payment is not past due during the inheritance period after the death of the debtor and the collateral provider), as well as overdue loans or bad debt loans.

- Enterprises apply to the Ministry of Economic Affairs for credit and debt negotiation in accordance with the "Operating Guidelines for Assisting Enterprises in Bank Credit and Debt Negotiation by the Ministry of Economic Affairs".

- The case involves a credit account which has an internal credit rating at the level of 19-21.

- The case is a mortgage loan credit account of the Bank which has no rating score.

- The case is a credit account which is determined as Stage 3 by the internal or external auditors, or the risk management department of the Bank.

iii) Expected credit loss measurement

The Bank classifies credit assets into the following nine categories by the characteristics of the debtor's industry and organization size:

Business	Combination
	Government
	Large enterprise
	Small enterprise
Corporate banking loans	Legal person/group
	Overseas credit account
	Other groups
	Individual - residential loan group
Individual banking loans	Individual - other groups (unsecured)
	Individual - other groups (secured)

The Bank measures the expected credit loss as follows:

- Stage 1, no significant increase in credit risk

The Bank measures the loss allowance for Stage 1 financial instruments at an amount equal to the 12-month ECLs based on past loss experience. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its estimated future cash flows, estimated at the forward-looking adjusted PD and discounted at the effective interest rate.

- Stage 2, significant increase in credit risk

The Bank measures the loss allowance for Stage 2 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its computed outcome which is discounted at the effective interest rate. The computed outcome is the product of the unpaid principal for each year end over instruments expected lifetime, the forward-looking adjusted PD, and the LGD.

- Stage 3, credit impairment

The Bank measures the loss allowance for Stage 3 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the asset's EAD carrying amount and the present value of its estimated future cash flows, estimated assuming the credit impairment situation is given and discounted at effective interest rate.

The PD and EAD and LGD are used to measure the impairment loss for financial assets in the credit business:

- PD is determined using past credit-impaired situations to predict the probability of credit impairment in normal situation in a year. The PD for Stage 3 financial instruments is determined as 100%. The PD for Stages 1 and 2 are based on the categories and the remaining lifetime for each credit account. The credit accounts are divided into groups by remaining lifetimes. The PD of each group is determined as the PD of each credit quality stage. The Bank shall update the probability of default at least once a year.

- The EAD is the total expected exposure amount of default which includes the unsecured line of credit. The exposure amount of impairment-tested off-balance sheet assets (i.e. guarantees, letters of credit issued yet unused, irrevocable loan commitments issued, and revocable loan commitments issued) is converted into the equivalent exposure amount of on-balance sheet assets through a credit conversion factor (CCF). The CCF is determined according to the credit risk standardized approach of the Capital Adequacy Ratio as either 0%, 20%, 50% or 100% by referring to the respective off-balance sheet item's characteristics.

- The LGD is one minus the present value of the annual recovery rate. The annual recovery rate refers to the annual recovery amount of principal (including litigation expenses) and interest over non-performing loans plus accrued interest and litigation expenses

iv) Forward-looking information

The Bank classifies credit assets as either corporate banking - domestic, corporate banking - overseas and individual banking business. Macroeconomic indicators for each the above categories are estimated using the domestic economic growth rate, global economic growth rate and the domestic unemployment rate, respectively, and are updated at least once a year.

Macroeconomic indicators include the actual statistical value of the past five years and predicted value of the current year and the next five years at the time of calculation. The forward-looking adjusted PD is adjusted based on the reasonableness of each value's predicted trend.

The total amount of undiscounted ECL at the time of initial recognition of the credit-impaired financial assets - loans which were purchased or originated is as follows:

	December 31	
	2022	2021
Discounts and loans	\$ 4,734,831	\$ 6,343,716

- ii. Call loans to banks

The Bank evaluates the credit status of counterparties before deals are closed. The Bank grants different limits to counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Bank assesses the credit limits of counterparties by level and financial status; the Bank efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reporting.

Additionally, in accordance with the application of IFRS 9, the Bank performs credit impairment assessments for call loans to banks, transfers the related credit losses to each of the three stages of credit impairment, and measures the related expected credit loss, so as to ensure adequate allowance for losses, in accordance with regulations.

- iii. Debt instruments

The Bank identifies and manages the credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

A change in an external credit rating announced by international credit rating institutions (e.g. S&P and Moody's) is one of the quantitative indicators for judging a significant increase in the credit risk of financial assets at amortized cost and investments in debt instruments at FVTOCI. The measurement of ECL is calculated using the PD and LGD announced periodically by international credit rating institutions. The international credit rating institutions consider forward-looking information when establishing credit ratings. Thus, when the Bank measures ECL using such credit ratings it holds that an adequate evaluation of the forward-looking information, which was used by the institutions for establishing such credit rating, is inherent therein.

- c) Credit risk hedging or mitigation policies

- i. Collateral

The Bank has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, the Bank manages and assesses the collateral following the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, the Bank stipulates the security mechanism for loans and the conditions and terms for collateral offsetting to state clearly that the Bank reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in the Bank in order to reduce the Bank's credit risks.

ii. Credit line credit risks and control over concentration of credit risks

To avoid the concentration of credit risks, the Bank has included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments (group) in the guidelines for investment, securities investment and derivative financial product transactions with customers, the credit risk limit for the same legal person and group company is distinguished according to the risk rating, to manage the concentration risk on the assets, and the Bank has set credit limits by industry, conglomerate, real estate loan, and high-risk industries in China to supervise concentration of credit risk in these categories, and control single counterparties, related companies, group, industries, and ultimate risks concentration of various types of credit risk by country. Various credit limits are regularly evaluated and revised in a timely manner based on the economic circumstances, financial environment and business development strategies, etc.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Bank's balance sheets:

**December 31, 2022**

Discounts and loans	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			Total
		Collateral	Master Netting Arrangement	Other Credit Enhancements	
Financial assets at PVTPL	\$ 1,687,583,295	\$ 1,182,196,535	\$ -	\$ -	\$ 1,182,196,535
Investments in debt instruments at PVTCL	30,893,372	5,204,239	-	-	5,204,239
Investments in debt instruments at amortized cost	186,462,477	6,554,790	-	-	6,554,790
	485,011,259	-	-	-	-

**December 31, 2021**

Discounts and loans	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			Total
		Collateral	Master Netting Arrangement	Other Credit Enhancements	
Financial assets at PVTPL	\$ 1,558,047,545	\$ 1,141,074,804	\$ -	\$ -	\$ 1,141,074,804
Investments in debt instruments at PVTCL	55,469,052	5,463,610	-	-	5,463,610
Investments in debt instruments at amortized cost	138,789,010	5,673,099	-	-	5,673,099
	405,256,329	-	-	-	-

The carrying amount of financial assets with maximum exposure is as follows:

Credit rating	Discounts and Loans				Total
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	
Levels 1-15	Stage 1 12-month Expected Credit Losses	Stage 2 Lifeline Expected Credit Losses	Stage 3 Lifeline Expected Credit Losses	Stage 3 Lifeline Expected Credit Losses	Total
Levels 1-15	\$ 943,632,595	\$ 24,385,520	\$ 5,101	\$ 968,023,216	\$ 968,023,216
Levels 16-18	-	45,404,532	1,359,402	46,763,934	46,763,934
Levels 19-21	-	1,927,294	83,16,887	83,16,887	83,16,887
No rating	660,219,461	-	1,852,805	662,072,266	662,072,266
Total carrying amount	\$ 1,603,852,056	\$ 71,717,346	\$ 12,013,893	\$ 1,687,583,295	\$ 1,687,583,295
Expected credit losses	\$ 2,695,633	\$ 2,842,301	\$ 4,089,850	\$ 9,627,784	\$ 9,627,784
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts					\$ 12,113,104
					\$ 21,740,888

Credit rating	Discounts and Loans				Total
	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021	
Levels 1-15	Stage 1 12-month Expected Credit Losses	Stage 2 Lifeline Expected Credit Losses	Stage 3 Lifeline Expected Credit Losses	Stage 3 Lifeline Expected Credit Losses	Total
Levels 1-15	\$ 843,628,326	\$ 1,400,133	\$ 7,218	\$ 845,035,677	\$ 845,035,677
Levels 16-18	-	55,351,067	2,358,013	57,709,080	57,709,080
Levels 19-21	-	-	9,938,976	9,938,976	9,938,976
No rating	639,944,451	3,336,733	2,082,628	645,363,812	645,363,812
Total carrying amount	\$ 1,483,572,777	\$ 60,087,933	\$ 14,386,835	\$ 1,558,047,545	\$ 1,558,047,545
Expected credit losses	\$ 2,085,940	\$ 2,116,259	\$ 5,294,105	\$ 9,496,304	\$ 9,496,304
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts					\$ 10,544,387
					\$ 20,040,691

Carrying amount	Guarantees Issued in Guarantee Business				Total
	December 31, 2022	December 31, 2022	December 31, 2022	December 31, 2022	
Expected credit losses	Stage 1 12-month Expected Credit Losses	Stage 2 Lifeline Expected Credit Losses	Stage 3 Lifeline Expected Credit Losses	Stage 3 Lifeline Expected Credit Losses	Total
\$ 54,825,450	\$ 170,792	\$ 102,548	\$ 22,132	\$ 220,255	\$ 55,098,790
194,409	3,714				

Carrying amount	Guarantees Issued in Guarantee Business				Total
	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021	
Expected credit losses	Stage 1 12-month Expected Credit Losses	Stage 2 Lifeline Expected Credit Losses	Stage 3 Lifeline Expected Credit Losses	Stage 3 Lifeline Expected Credit Losses	Total
\$ 56,701,087	\$ 209,997	\$ 2,198	\$ 22,221	\$ 234,335	\$ 57,007,861
209,916					

Carry amount - non-cancellable	Loan Commitments				Total
	December 31, 2022	December 31, 2022	December 31, 2022	December 31, 2022	
Expected credit losses - non-cancellable	Stage 1 12-month Expected Credit Losses	Stage 2 Lifeline Expected Credit Losses	Stage 3 Lifeline Expected Credit Losses	Stage 3 Lifeline Expected Credit Losses	Total
\$ 72,274,764	\$ 781,216,059	\$ 3,983,795	\$ 366	\$ 76,258,925	\$ 76,258,925
709,441,295	19,333,754	15,349,959	51,776	724,843,030	724,843,030
					\$ 801,101,955
					\$ 100,346
					\$ 88,522
					\$ 207
					\$ 188,868

The Bank's information on prominent concentration of credit risk was as follows:

	Loan Commitments			
	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 84,678,473	\$ 1,837,912	\$ -	\$ 86,516,385
Carry amount - cancellable	<u>619,875,212</u>	<u>9,699,276</u>	<u>697,165</u>	<u>630,271,653</u>
	\$ 704,553,685	\$ 11,537,188	\$ 697,165	\$ 716,788,038
Expected credit losses - non-cancellable	\$ 48,561	\$ 10,757	\$ -	\$ 59,318
Expected credit losses - cancellable	<u>93,726</u>	<u>121</u>	<u>137</u>	<u>93,984</u>
	\$ 142,287	\$ 10,878	\$ 137	\$ 153,302

d) Maximum exposure to credit risk

The maximum credit risk exposures of various financial instruments held by the Bank are the same as per book amounts. Refer to the notes to the financial statements.

As of December 31, 2022 and 2021, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrepealably maximum amount of exposure) was as follows:

Financial Instrument Type	December 31	
	2022	2021
Unused loan commitments (excluding credit card)	\$ 76,258,925	\$ 86,516,385
Credit card commitments	197,579	206,280
Unused issued letters of credit	20,023,484	27,110,452
Guarantees issued in guarantee business	55,098,790	57,007,861

e) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Bank has not engaged in transactions that involved a prominent concentration to one client or one transaction party but has engaged in transaction parties of similar industry type or from similar region.

Industry Type	December 31, 2022	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 97,045,484	6
Manufacturing	421,576,092	25
Wholesale and retail	154,938,416	9
Real estate and leasing	146,820,811	9
Service	40,762,873	2
Individuals	617,202,084	37
Others	<u>209,237,535</u>	12
	\$ 1,687,583,295	

Industry Type	December 31, 2021	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 63,359,170	4
Manufacturing	389,189,156	25
Wholesale and retail	143,892,162	9
Real estate and leasing	114,427,751	7
Service	36,749,544	2
Individuals	614,841,150	40
Others	<u>195,588,612</u>	13
	\$ 1,558,047,545	

Geographic Location	December 31, 2022	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,563,624,424	93
America	72,040,281	4
Europe	29,883,525	2
Others	<u>22,035,065</u>	1
	\$ 1,687,583,295	

Geographic Location	December 31, 2021	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,470,803,500	94
America	59,710,639	4
Europe	15,729,593	1
Others	<u>11,803,813</u>	1
	\$ 1,558,047,545	

c) Maturity analysis of non-derivative financial assets and liabilities

Securities Type	December 31, 2022	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 505,386,760	30
Secured		
Properties	1,017,315,891	60
Others	164,880,644	10
	<u>\$ 1,687,583,295</u>	
Securities Type	December 31, 2021	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 416,972,742	27
Secured		
Properties	972,031,286	62
Others	169,043,517	11
	<u>\$ 1,558,047,545</u>	

f) Financial assets credit quality and non-performing impairment analysis

A portion of financial assets held by the Bank, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, securities investments purchased under resale agreements, refundable deposits, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

4) Liquidity risk management

a) The definition of liquidity risk

Liquidity risk is the potential loss that the Bank may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth.

b) Liquidity risk management procedures

According to the Bank's liquidity risk management policy, the Bank clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and asset and liability committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about the liquidity risk assessment should be reported to the board of directors to let the high-level management understand the Bank's funding liquidity.

As of December 31, 2022 and 2021, the ratio of the liquidity reserve was 25.85% and 26.00%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

The Bank adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to perform maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2022					Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	
Major maturity fund inflows	\$ 36,768,481	\$ -	\$ -	\$ -	\$ -	\$ 36,768,481
Cash and cash equivalents	52,332,478	6,785,046	5,523,061	10,018,270	34,693,445	109,352,300
Due from the Central Bank and call loans to banks	18,825,813	880,733	739,658	309,862	80,797	18,825,813
Financial assets at FVTPL	1,079,688	136,531,436	149,994,236	244,601,248	858,856,067	20,180,116
Receivables	59,366,238	-	-	-	-	59,366,238
Due from banks	-	-	-	-	-	-
Investments in equity instruments designated at FVTOCI	-	-	-	-	22,493,222	22,493,222
Investments in debt instruments at FVTOCI	-	-	-	199,252	96,426,731	96,426,731
Investments in debt instruments at amortized cost	218,200,000	25,760,000	15,230,000	43,384,513	42,201,947	344,776,460
Other maturity funds	403,572,146	160,787,215	171,476,925	298,603,408	1,083,657,287	2,127,097,281
Major maturity fund outflows	-	-	-	-	-	-
Deposits from the Central Bank and banks	286,172	66,616	5,064	149,356	-	501,208
Due to the Central Bank and banks	3,085,000	25,000	-	-	-	3,085,000
Securities sold under repurchase agreements	496,182	444,831	488,913	1,501,902	1,507,816	941,013
Payables	28,885,714	2,058,487	488,913	274,728,162	950,415,489	34,442,832
Deposits and remittances	157,480,058	183,378,800	151,457,310	13,000,000	38,100,000	1,719,459,819
Bank notes payable	-	-	-	-	-	13,000,000
Other maturity fund outflow items	29,652	49,670	38,606	359,464	3,379,697	3,857,066
	190,182,753	188,017,404	151,969,825	289,238,884	993,465,002	1,833,531,928
Cap	\$ 213,389,391	\$ 18,230,189	\$ 19,487,032	\$ 8,864,524	\$ 90,254,585	\$ 313,265,343

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2021					Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	
Major maturity fund inflows	\$ 26,681,099	\$ -	\$ -	\$ -	\$ -	\$ 26,681,099
Cash and cash equivalents	75,976,832	5,901,721	4,675,895	8,091,754	30,672,032	125,318,234
Due from the Central Bank and call loans to banks	51,003,490	896,208	509,264	106,204	87,743	51,003,490
Financial assets at FVTPL	25,282,289	108,388,729	139,624,212	212,626,856	822,413,018	26,834,708
Receivables	76,252,787	-	-	-	-	76,252,787
Due from banks	-	-	-	-	-	-
Investments in equity instruments designated at FVTOCI	-	-	-	-	27,436,310	27,436,310
Investments in debt instruments at FVTOCI	-	-	-	728,190	69,984,173	70,692,363
Investments in debt instruments at amortized cost	235,800,000	22,710,509	7,441,118	30,844,596	30,988,164	327,784,387
Other maturity funds	491,136,487	137,908,167	152,241,489	252,519,600	27,961,232	2,796,123,232
Major maturity fund outflows	-	-	-	-	-	-
Deposits from the Central Bank and banks	254,509	82,463	8,327	174,145	-	519,644
Due to the Central Bank and banks	10,000	20,000	-	27,667,470	-	27,697,470
Securities sold under repurchase agreements	641,099	731,761	1,568,020	1,218,942	822,588	1,372,860
Payables	29,990,603	701,412	1,406,541,223	243,210,099	921,455,085	34,301,565
Deposits and remittances	158,022,344	167,767,198	-	-	51,100,000	1,630,995,949
Bank notes payable	-	-	-	-	-	51,100,000
Other maturity fund outflow items	15,723	70,013	100,269	341,186	5,205,674	5,323,865
	188,928,228	169,372,847	142,218,039	272,611,824	978,383,547	1,751,220,353
Cap	\$ 302,202,219	\$ 431,466,680	\$ 10,023,450	\$ 230,092,242	\$ 30,939,325	\$ 291,606,072



d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Bank, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

(New Taiwan Dollars and Foreign Currencies Combined in T thousands of New Taiwan Dollars)

Item	December 31, 2022				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Foreign currency derivative instruments	\$ 150,244,270	\$ 241,318,607	\$ 100,107,030	\$ 36,591,391	\$ 528,261,298
Inflows	150,002,889	244,262,189	100,651,970	36,571,312	531,488,360
Outflows	1,088,772	-	-	-	1,088,772
Others	17,251	-	-	-	17,251
Total outflows	\$ 150,244,270	\$ 241,318,607	\$ 100,107,030	\$ 36,591,391	\$ 528,261,298
Total inflows	\$ 151,108,912	\$ 244,262,189	\$ 100,651,970	\$ 36,571,312	\$ 532,594,383

(New Taiwan Dollars and Foreign Currencies Combined in Thousands of New Taiwan Dollars)

Item	December 31, 2021				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Foreign currency derivative instruments	\$ 183,810,946	\$ 228,568,500	\$ 138,358,458	\$ 131,047,484	\$ 683,168,138
Inflows	183,006,206	228,316,604	138,273,044	131,266,791	682,239,295
Outflows	413	-	-	-	413
Others	116,609	-	-	-	116,609
Total outflows	\$ 183,811,359	\$ 228,568,500	\$ 138,358,458	\$ 131,047,484	\$ 683,169,313
Total inflows	\$ 183,141,658	\$ 228,316,604	\$ 138,273,044	\$ 131,266,791	\$ 682,374,447

e) Maturity analysis of off-balance sheet items

Bank's off-balance sheet items - irrevocable loans, guarantees, and letters of credit - presented based on the residual time from the balance sheet date to the maturity date were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2022				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Unsettled loan commitments (excluding credit card)	\$ 61,860,301	\$ 36,335	\$ 4,298,327	\$ 1,176,446	\$ 67,281,225
Credit card commitments	10	91	104	501	1,973,298
Unsettled issued letters of credit	20,016,257	7,227	-	-	20,023,484
Guarantees issued in guarantee business	54,992,187	371	18,435	1,178,105	55,098,790
Total	\$ 136,868,755	\$ 44,024	\$ 4,316,866	\$ 1,178,105	\$ 151,578,778

(In Thousands of New Taiwan Dollars)

Item	December 31, 2021				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Unsettled loan commitments (excluding credit card)	\$ 74,143,110	\$ 1,169,762	\$ 1,821,642	\$ 1,855,484	\$ 78,520,388
Credit card commitments	12	154	129	687	206,280
Unsettled issued letters of credit	27,092,365	18,087	-	-	27,110,452
Guarantees issued in guarantee business	56,861,910	373	71,134	-	57,007,861
Total	\$ 158,097,397	\$ 1,188,376	\$ 1,892,905	\$ 1,856,171	\$ 170,840,978

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of United States Dollars)

Item	December 31, 2022				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Major maturity fund inflows	\$ 60,862	\$ -	\$ -	\$ -	\$ 60,862
Cash and cash equivalents	849,818	34,966	42,625	82,630	1,010,042
Due from the Central Bank	89,965	109,892	150,694	10,332	359,883
Financial assets at FVTPL	1,09,882	507,584	319,289	327,298	5,929,911
Receivables	6,711,118	15,508	117,836	131,499	2,197,971
Investments in debt instruments at FVOCI	12,973	-	213,859	322,732	2,750,424
Investments in debt instruments at amortized cost	-	-	844,602	383,491	1,408,093
Other maturity fund inflow items	2,158,175	607,260	-	-	12,846,024
Major maturity fund outflows	6,265	-	-	67	6,332
Deposits from the Central Bank and banks	770,306	556,000	45,000	-	1,371,306
Due to the Central Bank	580,962	76,972	11,339	7,617	676,895
Payables	4,326,561	4,397,019	2,411,723	2,460,315	17,286,389
Deposits and remittances	55,951	2,000	2,468,062	105,590	1,664,941
Other maturity fund outflow items	5,740,045	5,031,991	-	3,774,433	19,484,963
Gap	\$ 4,581,820	\$ 4,354,031	\$ 1,623,459	\$ 4,513,430	\$ 16,642,869

Note: The amounts listed above were the position in U.S. dollars of the Bank.

(In Thousands of United States Dollars)

Item	December 31, 2021				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Major maturity fund inflows	\$ 176,846	\$ -	\$ -	\$ -	\$ 176,846
Cash and cash equivalents	3,169,276	511,972	22,785	118,873	3,822,843
Due from the Central Bank	82,081	137,489	127,592	35,407	322,569
Financial assets at FVTPL	494,061	718,644	590,578	439,866	2,242,149
Receivables	939,068	718,644	590,578	439,866	5,878,856
Investments in debt instruments at FVOCI	-	26,038	34,043	87,208	1,522,874
Investments in debt instruments at amortized cost	-	-	-	-	1,006,044
Other maturity fund inflow items	5,000	1,394,143	774,098	681,354	38,391
Major maturity fund outflows	4,866,332	-	-	-	5,614,821
Deposits from the Central Bank and banks	8,507	502	753	1,506	11,608
Due to the Central Bank	2,050,652	170,000	11,339	7,617	2,220,652
Payables	71,999,464	71,999,464	3,468	749	149,999,155
Deposits and remittances	3,538,068	2,523,086	2,348,136	2,431,175	15,867,533
Other maturity fund outflow items	63,938	2,169	581	189	77,087
Gap	\$ 4,677,837	\$ 4,374,619	\$ 1,623,459	\$ 4,513,430	\$ 16,642,869

Note: The amounts listed above were the position in U.S. dollars of the Bank.

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type	December 31, 2022			December 31, 2021		
	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)
Corporate	\$ 2,132,505	\$ 571,720,648	0.38%	\$ 3,566,251	\$ 533,356,439	0.67%
Finance	332,152	498,660,563	0.07%	590,183	409,849,957	0.14%
Mortgage loans (Note d)	360,172	38,657,623	0.93%	319,822	386,691,129	0.08%
Credit cards (Note e)	6,237	3,669,172	0.17%	2,322	2,750,615	0.09%
Consumer Finance	583,976	223,466,130	0.26%	700,231	233,917,709	0.31%
Other (Note f)	1,026,388	1,026,388	100%	1,026,388	1,026,388	100%
Total	3,401,331	1,682,532,324	0.20%	5,199,232	1,550,941,251	0.34%

Business Type	December 31, 2022			December 31, 2021		
	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)
Secured	\$ 2,132,505	\$ 571,720,648	0.38%	\$ 3,566,251	\$ 533,356,439	0.67%
Unsecured	1,268,826	1,110,811,676	0.11%	1,632,981	1,017,584,812	0.16%
Total	3,401,331	1,682,532,324	0.20%	5,199,232	1,550,941,251	0.34%

Note a: Non-performing loans are classified in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by the MOF.

Note b: Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) (0944000378)).

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Non-performing loans

Note d: Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Non-performing loans of credit cards

Note e: Mortgage loans are for borrowers to build or repair buildings, allowing the borrowers, their spouses or their minor children to fully use their building as collateral and to mortgage their rights to financial institutions.

Note f: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) (0944010050)), excluding credit loans of credit cards and cash cards.

Note g: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, excluding mortgage loans, cash cards, credit loans and credit cards.

Note h: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) (0940004940)) non-recourse receivable factorings are not defined as non-performing loans until compensation from factors or insurance companies are ascertained to be non-recoverable.

Note i: The Bank does not engage in cash cards business.

Business Type	December 31, 2022		December 31, 2021	
	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note a)	\$ -	\$ 283	\$ -	\$ 483
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	702	18,851	379	18,973
Total	702	19,134	379	19,456

Note a: Negotiated loans and accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note b: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 097003189440).

b. Concentration of credit risk

Rank (Note a)	December 31, 2022		As Proportion of Net Equity (%) (Note d)
	Transaction Party (Note b)	Loans (Note c)	
1	A Corporation (railway transportation industry)	\$ 20,371,434	12.05
2	B Group (uncategorized other financial services)	15,547,588	9.20
3	C Group (other holdings industry)	15,018,908	8.89
4	D Group (steel smelting industry)	13,074,879	7.74
5	E Group (airline industry)	12,680,935	7.50
6	F Group (panel and component manufacturing industry)	10,642,737	6.30
7	G Group (integrated circuit manufacturing)	9,829,664	5.82
8	H Group (steel manufacturing industry)	8,103,038	4.79
9	I Group (vessel carriers industry)	7,635,656	4.52
10	J Group (real estate development industry)	7,630,000	4.51

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities =  $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$  (N.T. dollars only)

Item	December 31, 2022				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 13,445,593	\$ 705,325	\$ 516,568	\$ 3,527,508	\$ 18,194,994
Interest-sensitive liabilities	20,635,711	2,181,705	1,967,327	-	24,784,743
Interest sensitivity gap	(7,190,118)	(1,476,380)	(1,450,759)	3,527,508	(6,589,749)
Net equity					5,735,17
Ratio of interest-sensitive assets to liabilities					73.41%
Ratio of interest sensitivity gap to net equity					(1,149.01%)

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

Item	December 31, 2021				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 14,561,894	\$ 694,462	\$ 144,977	\$ 1,863,808	\$ 17,265,141
Interest-sensitive liabilities	19,175,855	1,969,321	1,739,879	-	22,885,055
Interest sensitivity gap	(4,613,961)	(1,274,859)	(1,594,902)	1,863,808	(5,619,914)
Net equity					649,452
Ratio of interest-sensitive assets to liabilities					75.44%
Ratio of interest sensitivity gap to net equity					(865.33%)

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

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, offshore banking unit (OBU), and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities =  $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$  (U.S. dollars only)

d. Profitability

Item	December 31, 2022	December 31, 2021
Return on total assets	Pretax 0.50%	0.42%
	After tax 0.42%	0.36%
Return on net equity	Pretax 7.62%	6.01%
	After tax 6.44%	5.23%
Profit margin	32.71%	31.30%

Note a: Return on total assets =  $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity =  $\frac{\text{Income before (after) tax}}{\text{Average net equity}}$

Note c: Profit margin =  $\frac{\text{Income after tax}}{\text{Net revenue and gains}}$

Rank (Note a)	December 31, 2021		As Proportion of Net Equity (%) (Note d)
	Transaction Party (Note b)	Loans (Note c)	
1	A Corporation (railway transportation industry)	\$ 22,877,522	13.34
2	E Group (airline industry)	21,367,459	12.46
3	D Group (steel smelting industry)	17,094,552	9.97
4	B Group (uncategorized other financial services)	15,640,000	9.12
5	C Group (other holdings industry)	13,987,639	8.16
6	K Group (uncategorized other electronic components manufacturing)	8,866,543	5.17
7	H Group (steel manufacturing industry)	8,407,940	4.90
8	I Group (chemical material manufacturing)	6,437,970	3.75
9	L Group (financial leasing industry)	6,314,622	3.68
10	G Group (integrated circuit manufacturing)	6,066,755	3.54

Note a: Sorted by the balance of loans on December 31, 2022 and 2021, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

Note b: Transaction party is in accordance with article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, accounts receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Note d: The percentage of loans to equity for the period: Domestic banks should use bank equity to calculate; the Taiwan branch of foreign banks should use branch's equity to calculate.

c. Interest rate sensitivity

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2022				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 1,723,831,510	\$ 28,194,615	\$ 61,887,025	\$ 212,740,968	\$ 2,026,654,118
Interest-sensitive liabilities	460,738,064	1,128,589,010	85,028,062	51,199,618	1,725,554,754
Interest sensitivity gap	1,263,093,446	(1,100,394,395)	(23,141,037)	161,541,350	301,099,364
Net equity					145,891,689
Ratio of interest-sensitive assets to liabilities					117.45%
Ratio of interest sensitivity gap to net equity					206.39%

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2021				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 1,672,672,463	\$ 43,876,223	\$ 49,178,969	\$ 171,185,747	\$ 1,936,913,402
Interest-sensitive liabilities	378,882,176	1,105,812,367	118,959,750	60,709,834	1,664,364,127
Interest sensitivity gap	1,293,790,287	(1,061,936,144)	(69,780,781)	110,475,913	272,599,275
Net equity					148,085,043
Ratio of interest-sensitive assets to liabilities					116.38%
Ratio of interest sensitivity gap to net equity					184.05%

Note a: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

g. Trust accounts

Under article 3 of the Trust Law, the Bank can offer trust services. The items and amounts of trust accounts as of December 31, 2022 and 2021 were as follows:

	December 31	
	2022	2021
Special purpose trust accounts - domestic	\$ 36,374,202	\$ 35,332,088
Special purpose trust accounts - foreign	74,276,891	69,433,968
Insurance trust	9,855	9,792
Retirement and breads trust	947,490	469,848
Umbilical cord blood trust	14,827,483	13,398,917
Money claim and guarantee trust	51,800	53,800
Marketable securities trust	1,647,702	1,599,911
Real estate trust	27,958,276	17,611,862
Securities under custody	278,623,588	269,259,270
Other money trust	2,573,759	2,965,986
	<u>\$ 437,291,046</u>	<u>\$ 410,135,442</u>

h. Disclosures on trust assets and liabilities and assets register as required by Enforcement Rules of ROC Trust Law Article 17 were as follows:

	Balance Sheet of Trust			
	December 31		December 31	
	2022	2021	2022	2021
<b>Trust Assets</b>			<b>Trust Liabilities</b>	
Bank deposits	\$ 5,026,631	\$ 5,001,811	Trust capital	\$ 121,240,527
Insurance claims	51,800	53,800	Insurance claims	51,800
Financial assets	5,384,097	4,489,515	Marketable securities trust	1,596,332
Common stock	120,366,081	112,146,085	Real estate trust	17,612,800
Mutual funds	4,492,791	2,168,259	Securities under custody	278,623,588
Bonds	3,845	-	payable	299
Interest receivable	15,456,039	12,993,462	Withholding income tax	314,937
Land	543,815	543,815	Profit and loss	94,093
Buildings	7,342,359	3,479,425	Unappropriated retained earnings - realized capital gain/loss	(9,378)
Construction in progress	278,623,588	269,259,270	Unappropriated retained earnings - gain on revenue/expense investment	1,340,123
Securities under custody	-	-	Unappropriated retained earnings	(1,087,692)
	<u>\$ 437,291,046</u>	<u>\$ 410,135,442</u>	Total trust liabilities	<u>\$ 437,291,046</u>
Total trust assets	<u>\$ 437,291,046</u>	<u>\$ 410,135,442</u>		<u>\$ 410,135,442</u>

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2022 and 2021, respectively.

e. Maturity analysis of assets and liabilities

	December 31, 2022						December 31, 2021					
	0-10 Days		11-30 Days		Period Remaining until Due Date and Amount Due		0-10 Days		11-30 Days		Period Remaining until Due Date and Amount Due	
	Total	More Than 1 Year	Total	More Than 1 Year	91-180 Days	181 Days-1 Year	Total	More Than 1 Year	91-180 Days	181 Days-1 Year	Total	More Than 1 Year
Major maturity cash inflows	\$ 2,206,994,030	\$ 248,078,952	\$ 195,324,110	\$ 259,257,470	\$ 190,562,686	\$ 309,141,224	\$ 1,104,129,578	\$ 1,104,129,578	\$ 1,104,129,578	\$ 1,104,129,578	\$ 1,104,129,578	\$ 1,104,129,578
Major maturity cash outflows	2,949,482,586	127,536,810	207,184,526	457,116,195	382,618,074	618,665,350	1,156,861,631	1,156,861,631	1,156,861,631	1,156,861,631	1,156,861,631	1,156,861,631
Gap	(642,488,556)	102,542,142	(11,860,416)	(197,858,725)	(192,055,388)	(309,524,126)	(52,732,053)	(52,732,053)	(52,732,053)	(52,732,053)	(52,732,053)	(52,732,053)

	December 31, 2021						December 31, 2021					
	0-10 Days		11-30 Days		Period Remaining until Due Date and Amount Due		0-10 Days		11-30 Days		Period Remaining until Due Date and Amount Due	
	Total	More Than 1 Year	Total	More Than 1 Year	91-180 Days	181 Days-1 Year	Total	More Than 1 Year	91-180 Days	181 Days-1 Year	Total	More Than 1 Year
Major maturity cash inflows	\$ 2,215,889,039	\$ 251,993,312	\$ 278,639,240	\$ 248,899,098	\$ 195,039,094	\$ 310,608,280	\$ 1,081,350,105	\$ 1,081,350,105	\$ 1,081,350,105	\$ 1,081,350,105	\$ 1,081,350,105	\$ 1,081,350,105
Major maturity cash outflows	2,914,907,121	137,608,015	230,111,018	423,418,450	360,543,270	631,610,719	1,142,609,909	1,142,609,909	1,142,609,909	1,142,609,909	1,142,609,909	1,142,609,909
Gap	(699,018,082)	114,297,397	(48,527,322)	(174,565,352)	(165,504,176)	(121,002,439)	(111,259,804)	(111,259,804)	(111,259,804)	(111,259,804)	(111,259,804)	(111,259,804)

Note: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

	December 31, 2022				December 31, 2021			
	Period Remaining until Due Date and Amount Due		Period Remaining until Due Date and Amount Due		Period Remaining until Due Date and Amount Due		Period Remaining until Due Date and Amount Due	
	1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year
Major maturity cash inflows	\$ 11,480,936	\$ 5,610,436	\$ 3,537,987	\$ 1,728,954	\$ 8,304,227	\$ 8,304,227	\$ 8,304,227	\$ 8,304,227
Major maturity cash outflows	13,387,602	7,751,665	4,247,844	4,833,468	5,840,426	5,840,426	5,840,426	5,840,426
Gap	(1,906,666)	(2,141,229)	(709,857)	(3,104,514)	(2,463,801)	(2,463,801)	(2,463,801)	(2,463,801)

	December 31, 2021				December 31, 2021			
	Period Remaining until Due Date and Amount Due		Period Remaining until Due Date and Amount Due		Period Remaining until Due Date and Amount Due		Period Remaining until Due Date and Amount Due	
	1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year
Major maturity cash inflows	\$ 14,105,738	\$ 5,594,662	\$ 3,802,090	\$ 3,142,718	\$ 5,991,485	\$ 5,991,485	\$ 5,991,485	\$ 5,991,485
Major maturity cash outflows	12,393,915	5,928,287	5,147,960	6,365,736	7,422,539	7,422,539	7,422,539	7,422,539
Gap	1,711,823	(333,625)	(1,345,870)	(3,223,018)	(1,431,054)	(1,431,054)	(1,431,054)	(1,431,054)

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.

f. Non-performing loan selling information

Transaction Date	Trading Partners	December 31, 2022			
		Non-perform Loan Composition	Book Value	Price	Distribution Profit
2021.10.21	FIG/Whiter Capital Partners (Financial Trading) Limited	International lending	\$ 543,227	\$ 554,313	\$ 11,086
			None	None	None

## Trust Assets Register

	December 31 2022	2021
<b>Investments</b>		
Bank deposits	\$ 5,026,631	\$ 5,001,811
Insurance claims	51,800	53,800
Financial assets		
Common stock	5,384,097	4,489,515
Mutual funds	120,366,081	112,146,085
Bonds	4,492,791	2,168,259
Land	15,456,039	12,993,462
Buildings	543,815	543,815
Construction in progress	7,342,359	3,479,425
Others	3,845	-
Securities under custody	278,623,588	269,259,270
Total trust assets	<u>\$ 437,291,046</u>	<u>\$ 410,135,442</u>

## Income Statement of Trust

	2022	2021
<b>Investments</b>		
Revenue		
Interest income	\$ 59,786	\$ 56,687
Dividends	186,288	76,737
Gain on mutual funds	27,445	20,801
Foreign exchange gains	943,610	848,921
Realized capital gain - mutual funds	15,300	5,456
Realized capital gain - bonds	-	6,091
Realized capital gain - quoted stock	-	208
	<u>1,232,429</u>	<u>1,014,901</u>
Expense		
Maintenance	(3,877)	(3,813)
Tax expense	(5,624)	(3,899)
Others	(447)	(832)
Foreign exchange losses	(898,420)	(882,843)
Realized capital loss - bonds	(3,226)	(13,386)
Realized capital loss - mutual funds	(5,898)	(4,381)
Realized capital loss - quoted stock	-	(11,654)
	<u>(917,492)</u>	<u>(920,808)</u>
	<u>\$ 314,937</u>	<u>\$ 94,093</u>

## 36. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

Name	Relationship
Director and managers	The Bank's director and managers
Taishin Financial Holding	The Bank's related party in substance
Taishin International Bank	The subsidiary of Bank's related party in substance
Chang Hua Commercial Bank, Ltd.	The Bank's subsidiary
Chiang Hwa Bank Venture Capital Co., Ltd.	The Bank's subsidiary
Chungghwa Post Co., Ltd.	The Bank's corporate director
The Export-Import Bank	Its director is the Bank's corporate director
Land Bank	Its director is the Bank's corporate director
Taiwan Business Bank	Its director is the Bank's corporate director
Taichung Commercial Bank Co., Ltd.	Its director is the spouse of the Bank's manager
Taiwan High Speed Rail Corporation	Its director is the Bank's corporate director
Yang Ming Marine Transport Corporation	Its director is the Bank's corporate director
Unity OPTO Technology Co., Ltd.	Its director is the Bank's corporate director
Powertec Electronical Corporation	Its director is the Bank's corporate director
CSBC Corporation	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
China Airlines, Ltd.	Its director is the Bank's corporate director
Lungteh Shipbuilding Co., Ltd.	Its director is the Bank's corporate director
Others	Other related parties (IAS 24 "Related Party Disclosures")

b. Significant transactions with related parties

1) Loans	Balance	Percentage of Loans (%)
Balance as of December 31, 2022	\$ 24,104,591	1.45
Balance as of December 31, 2021	26,472,136	1.72

For the years ended December 31, 2022 and 2021, interest rates ranged from 1.26%-6.51% and from 0.89%-3.57%, respectively, and interest income amounted to \$501,057 thousand and \$476,325 thousand, respectively.

2) Guaranteed loans

	December 31, 2022				Collateral
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	
CSBC Corporation	\$ 2,082,149	\$ 2,236,261	\$ 20,821	0.50-0.65	None
Yang Ming Marine Transport Corporation	1,514,475	1,514,475	15,145	0.80-1.00	None
Lungteh Shipbuilding Co., Ltd.	102,347	127,162	1,023	1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None
December 31, 2021					
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Yang Ming Marine Transport Corporation	\$ 1,514,475	\$ 1,514,475	\$ 15,145	0.80-1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None
CSBC Corporation	2,116,261	2,136,516	21,163	0.50-0.65	None
Lungteh Shipbuilding Co., Ltd.	128,642	131,447	1,286	1.00	None

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of December 31, 2022	\$ 31,294,718	1.34
Balance as of December 31, 2021	52,357,498	2.43

For the years ended December 31, 2022 and 2021, the interest rates intervals were both between 0.00%-13.00%; the interest expense amounted to \$479,935 thousand and \$71,517 thousand, respectively.

The interest rate for managers' deposits amounting to \$480 thousand per person was 13% per annum. The part of deposit exceeding \$480 thousand will earn interest calculated at the demand savings rate. The interest rates and other terms provided to the other related parties are the same as those offered to general public.

4) Transactions of derivative financial products

	December 31, 2022			December 31, 2021		
	Contract	Duration	Current Valuation Gain (Loss)	Contract	Duration	Current Valuation Gain (Loss)
Chunghua Post Co., Ltd.	Currency swaps	2022.4.7-2023.5.22	\$ 320,947	Currency swaps	2021.7.22-2022.7.22	\$ (88,984)
			Financial assets at fair value through profit or loss			Financial liabilities at fair value through profit or loss
			\$ 320,947			\$ 88,984

	December 31, 2022				Collateral	Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans		
<u>Consumer loans</u>	\$ 19,774	\$ 21,246	\$ 19,774	\$ -	Credit	None
42 accounts						
<u>Self-use residential mortgage loans</u>	1,554,719	1,655,516	1,554,719	-	Real estate	None
249 accounts						
<u>Others</u>	20,237,161	20,318,882	20,237,161	-	Credit and station equipment	None
Taiwan High Speed Rail Corporation						
China Airlines, Ltd.	750,000	750,000	750,000	-	Credit and fund guarantee	None
Unity Opto Technology Co., Ltd.	633,239	635,886	633,239	-	Credit and fund and plant	None
CSBC Corporation	365,795	2,007,292	365,795	-	Credit and land and plant	None
Lungteh Shipbuilding Co., Ltd.	203,326	286,782	203,326	-	Credit and fund and plant	None
Other - 9 corporation accounts (Note 1)	333,610	3,599,491	333,610	-	Credit and fund guarantee and real estate	None
Other - 6 individual accounts (Note 2)	6,967	8,451	6,967	-	Foreign currencies and deposit	None

	December 31, 2021				Collateral	Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans		
<u>Consumer loans</u>	\$ 25,121	\$ 26,009	\$ 25,121	\$ -	Credit	None
46 accounts						
<u>Self-use residential mortgage loans</u>	1,544,923	1,584,022	1,544,923	-	Real estate	None
243 accounts						
<u>Others</u>	22,559,661	23,962,050	22,559,661	-	Credit and station equipment	None
Taiwan High Speed Rail Corporation						
China Airlines, Ltd.	1,000,000	1,000,000	1,000,000	-	Credit and fund guarantee	None
Unity Opto Technology Co., Ltd.	628,471	629,593	628,471	-	Credit and land and plant	None
Powertec Electronic Corporation	266,512	466,027	-	266,512	Plant	None
Lungteh Shipbuilding Co., Ltd.	108,899	168,705	108,899	-	Credit and land and plant	None
Other - 11 corporation accounts (Note 1)	338,342	1,765,235	338,342	-	Credit and fund guarantee and real estate	None
Other - 5 individual accounts (Note 2)	207	414	207	-	Deposit	None

Note 1: The balance of each corporate entity does not exceed \$0.1 billion.

Note 2: The balance of each single entity does not exceed 1% of the total ending balance.

Mortgage loans to managers within \$8,000 thousand and credit loans within \$800 thousand per person all bore interests were 1.64% and 1.01% in December 31, 2022 and 2021, respectively. The interest rates and other terms provided to the other related parties are the same as those offered to the public.





b. TDK Corporation filed a legal proceeding against the Bank for damages in the amount of \$45,794 thousand. On April 19, 2017, the Taiwan Superior Court passed a verdict partially in favor of and partially against the Bank, and the Bank shall compensate the damages in the amount of \$11,448 thousand. The Bank appealed to the Supreme Court. The Supreme Court held hearings on September 3, 2019, November 4, 2019, January 14, 2020, May 11, 2020, July 16, 2020, September 30, 2020, November 25, 2020, January 25, 2021, April 12, 2021 and July 26, 2021. On September 7, 2021, the Taiwan Superior Court ruled in favor of the Bank without damages, but on October 26, 2021, TDK Corporation appealed to the Taiwan Superior Court. The Supreme Court convened a mediation court for TDK Corporation on February 8, 2022 and the Court rendered a judgment in favor of the Bank in the form of Supreme Court Judgment No. 1307 of 2022 on July 7, 2022.

c. The Bank's North Taichung branch was fined due to the misappropriation of customers' deposits. The customer filed a lawsuit against the Bank at the Taiwan Taichung District Court on June 25, 2021 regarding the misappropriation of the deposit amount and the loss of wealth management products. The subject-matter amount of money was \$369,778 thousand. On December 20, 2022, the amount of the subject matter of the lawsuit was changed to \$422,695 thousand. The fourth trial was held on October 4, 2022, and no decision has yet been made.

### 39. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Material transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2021	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2021	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2021	None
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2021	None
6	Sale of NPL	Note 35
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

d. Others

The Bank signed two-year information system service contracts in the amounts of \$2,000 thousand and \$46 thousand each on April 8, 2020 and April 30, 2020, with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hwa Bank Venture Capital Co., Ltd., respectively and in 2022, the Bank recognized other income according to the former contract in the amount of \$1,250 thousand.

The Bank signed three-year legal advice service contract with its subsidiary, Chang Hwa Bank Venture Capital Co., Ltd., on November 26, 2020. Under the contract, the annual service fee is \$68 thousand. In 2022, the Bank recognized other income in the amount of \$65 thousand.

The Bank signed three-year information system service contracts in the amounts of \$4,410 thousand and \$68 thousand each on April 6, 2022 and February 15, 2022, with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hwa Bank Venture Capital Co., Ltd. In 2022, the Bank recognized other income according to the latter contract in the amount of \$21 thousand.

### 37. PLEDGED ASSETS

The summary of the Bank's pledged assets as of December 31, 2022 and 2021 is as follows:

Pledged Assets	Description	December 31	
		2022	2021
Investments in debt instruments at FVTOCI	Bonds	\$ 1,208,237	\$ 6,617,187
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,453,625	41,438,275
Refundable deposits	Cash	913,170	1,321,318
Reserves for demand Account	Cash	-	35,000,000

### 38. CONTINGENT LIABILITIES AND COMMITMENTS

a. In addition to those mentioned in Note 7, the Bank had the following contingent liabilities and commitments as of December 31, 2022 and 2021:

	December 31	
	2022	2021
Trust liabilities	\$ 437,291,046	\$ 410,135,442
Unused loan commitments (excluding credit cards)	76,258,925	86,516,385
Credit card commitments	197,579	206,280
Unused issued letters of credit	20,023,484	27,110,452
Guarantees issued in guarantee business	55,098,790	57,007,861
Repayment notes and times deposit held for custody	18,843,464	14,130,756
Liabilities on joint loans	271,744	434,699

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, appointment and security as of December 31, 2022 were \$741,987 thousand, \$73,083 thousand, \$805,782 thousand and \$142,801 thousand, respectively.

b. Information on the Bank's Investees

No.	Item	Explanation
1	Investees' names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2021	None
5	Accumulated purchases and sales balance of specific marketable security over NT\$200 million or 10% of outstanding capital for the year ended December 31, 2021	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2021	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2021	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2021	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT\$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

c. Investment in mainland China: Table 2

d. Information of major shareholders: The name of the shareholder, shareholding amount and ratio of shareholders with a shareholding ratio more than 5%. (Table 3)

Note b: 1) Imputed stock refers to the purchase of securities with equity or derivative commodity contracts (not yet converted into equity holding), which is linked to the equity of the reinvestment business according to the agreed transaction conditions and the bank's commitment to be used as Article 74 of The Banking Act of The Republic of China stipulates that for the purpose of reinvestment, under the assumption of conversion, the shares acquired as a result of the conversion.

2) The above-mentioned "securities with equity" refers to the securities stipulated in the first paragraph of Article 11 of the Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.

3) The above-mentioned "derivative commodity contract" refers to those who meet the definition of derivative instruments in IFRS 9, such as stock options.

Note c: Limited company organization.

41. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the divisions which are identified by the type of services provided. The accounting policies adopted in the operating segments are the same as those described in Note 4. The operating results and identified assets of the operating segments are disclosed in the consolidated financial statements.

40. INFORMATION ON INVESTEEES

Investee's Name (Note a)	Investee's Location	Principal Business Activities	Ownership Interest (%)	Investment Bank Value	Recognized Investment Income (in unit of Current Yuan)	Current Stock (Note b)	Imputed Stock (Note b)	Sum of Ownership (Note a)	Stock (Note c)	Ownership Interest (%) (Note d)
China Hua Commercial Bank, Ltd.	China	Banking	100.00	¥ 11,629,532	¥ -22,121.31	-	-	-	-	100.00
Chong Hwa Bank, Venture Capital	Taipei City	Venture capital business	100.00	1,132,847	69,589	10,628,667	-	104,286,647	10,600,000	100.00
Asia Pacific Broadcast Telecom Co., Ltd.	Taipei City	Type I Land type II telecommunications business	0.23	5,997.2	-	9,831,471	-	9,831,471	9,831,471	0.23
Taiwan High Speed Rail Corporation	Taipei City	High speed rail road	0.79	1,279,175	-	44,500,000	-	44,500,000	44,500,000	0.79
Taiwan Stock Exchange Co., Ltd.	Taipei City	Securities brokerage margin lending, margin loan and other securities business	3.00	2,752,521	-	30,760,737	-	30,760,737	30,760,737	3.00
Taiwan Sugar Co., Ltd.	Tainan City	Manufacture cornstarch products of sugar and other products	0.41	1,427,547	-	232,464,159	-	232,464,159	232,464,159	0.41
Taiwan Power Co., Ltd.	Taipei City	Generation of power	0.71	1,353,428	-	23,572,632	-	23,572,632	23,572,632	0.71
United Microelectronics Corp., Ltd.	Taipei City	Manufacture and sale of semiconductors	5.53	3,113,160	-	359,003	-	359,003	359,003	5.53
Leasica Service Co., Ltd.	Taipei City	IT maintenance and repair of IT equipment	5.00	1,601,000	-	125,000	-	125,000	125,000	5.00
China Resources Investment Holdings Co., Ltd.	Taipei City	Investment	4.95	412,800	-	5,000,000	-	5,000,000	5,000,000	4.95
Neuman Asset Management	Taipei City	Securities investment trust	4.09	64,904	-	1,413,725	-	1,413,725	1,413,725	4.09
Financial Information Service Co., Ltd.	Taipei City	Type II telecommunications business	1.26	181,468	-	6,889,242	-	6,889,242	6,889,242	1.26
China Resources Bank, Ltd.	Taipei City	Banking	1.09	379,545	-	4,756,449	-	4,756,449	4,756,449	1.09
Taiwan Access Management Co., Ltd.	Taipei City	Acquisition of electronic banks	0.15	1,867,200	-	12,000,000	-	12,000,000	12,000,000	0.15
United Financial Asset Service Co., Ltd.	Taipei City	Acquisition of related party	2.94	45,500	-	5,000,000	-	5,000,000	5,000,000	2.94
Financial Evaluation Co., Ltd.	Taipei City	Financial information systems	4.12	8,388	-	9,054,475	-	9,054,475	9,054,475	4.12
Taiwan Depository & Clearing Corporation	Taipei City	Provide book entry of securities	0.08	6,851.5	-	484,550	-	484,550	484,550	0.08
Taiwan Access Management Co., Ltd.	Taipei City	Acquisitions	0.79	501	-	417,068	-	417,068	417,068	0.79
Taiwan Mobile Payment	Taipei City	Electronic information provider	3.00	9,538	-	1,800,000	-	1,800,000	1,800,000	3.00
Taiwan Urban Regeneration & Financial Service Co., Ltd.	Taipei City	Urban Regeneration	5.00	12,700	-	2,500,000	-	2,500,000	2,500,000	5.00

Note a: The investees' voting shares, and imputed stock were owned by the Bank and related parties.





STATEMENT 10

**CHANG HWA COMMERCIAL BANK, LTD.**

**STATEMENT OF EMPLOYEE BENEFIT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Employee Benefit Expenses	Net Non-interest Income	Total
Payroll expenses	\$ 9,068,385	\$ 244,598	\$ 9,312,983
Labor and health insurance expenses	661,401	-	661,401
Pension expenses	1,136,621	-	1,136,621
Director compensation	68,948	-	68,948
Other employee benefit expenses	470,533	-	470,533
	<u>\$ 11,405,888</u>	<u>\$ 244,598</u>	<u>\$ 11,650,486</u>

- The Bank had 6,687 and 6,619 employees in 2022 and 2021, respectively, including 9 non-employee directors in both years.
- The average employee benefits expense was \$1,734,282 and \$1,705,394 in 2022 and 2021, respectively.
- The average employee payroll expense was \$1,394,577 and \$1,341,869 in 2022 and 2021, respectively.
- Adjustment of average employee payroll expenses was 3.93%.
- The Bank's remuneration policy:
  - The remuneration of directors (including the chairman of the board and independent directors) is based on the provisions of Article 20, Clause 13 of the Bank's Articles of Incorporation. The amount of remuneration is determined by the board of directors in accordance with the level of remuneration of directors of financial institutions equivalent to the size of the Bank. The Board of Directors' Performance Evaluation Measures, Article 7, Paragraph 1, Paragraph 2, stipulates that, in conjunction with the results of the Board's performance evaluation, the remuneration of directors (including the chairman of the board and independent directors) shall be regularly evaluated annually.
  - The remuneration of the general manager is determined by the board of directors in accordance with Article 20, Clause 14 of the Bank's Articles of Incorporation.
  - The remuneration of the deputy general manager shall be determined by the board of directors in accordance with Article 20, Clause 14 of the Bank's Articles of Incorporation, and shall be paid within the scope of the "Salary of Current Employees of Chang Hwa Bank".
  - For employees of the Bank except for those mentioned, their salaries are based on the "Salary of Current Employees of Chang Hwa Bank".

STATEMENT 7

**CHANG HWA COMMERCIAL BANK, LTD.**

**STATEMENT OF SECURITIES SOLD UNDER REPURCHASE AGREEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**  
(In Thousands of New Taiwan Dollars)

Item	Per Value	Amount
Bonds with repurchase agreements		
Government bonds		\$ 941,013
108-7 Note A	\$ 852,800	

STATEMENT 8

**CHANG HWA COMMERCIAL BANK, LTD.**

**STATEMENT OF FOREIGN EXCHANGE GAIN (LOSS)  
FOR THE YEAR ENDED DECEMBER 31, 2022**  
(In Thousands of New Taiwan Dollars)

Item	Amount
Spot transaction	\$ 1,597,718

STATEMENT 9

**CHANG HWA COMMERCIAL BANK, LTD.**

**STATEMENT OF NET OTHER NON-INTEREST INCOME (LOSS)  
FOR THE YEAR ENDED DECEMBER 31, 2022**  
(In Thousands of New Taiwan Dollars)

Item	Amount
Lease income	\$ 157,910
Securities brokerage income	109,881
Other miscellaneous net loss	(53,238)
	<u>\$ 214,553</u>



STATEMENT 11**CHANG HWA COMMERCIAL BANK, LTD.****STATEMENT OF DEPRECIATION AND AMORTIZATION EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

Item	Amount
Depreciation and amortization expenses	
Depreciation expense	\$ 1,166,084
Amortization expense	<u>331,298</u>
	<u>\$ 1,497,382</u>

STATEMENT 12**CHANG HWA COMMERCIAL BANK, LTD.****STATEMENT OF OTHER GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

Item	Amount
Other general and administrative expenses	
Rental expense	\$ 219,361
Repair and warranty expenses	214,090
Insurance expense	522,468
Professional service fees	268,759
Tax	1,932,745
Others	<u>1,201,403</u>
	<u>\$ 4,358,826</u>

## VII | Review and Analysis of Financial Status, Financial Performance, and Evaluation of the Risk Management

### A. Financial Status for the Past Two Years (Consolidated)

Unit: NT\$ thousand

Item	Year	2022/12/31	2021/12/31	Fluctuation	
				Amount	Rate of Change (%)
Total assets		2,684,852,319	2,551,106,497	133,745,822	5.24
Total liabilities		2,515,824,101	2,379,654,042	136,170,059	5.72
Total equity		169,028,218	171,452,455	(2,424,237)	-1.41

Analysis of variance in increase/decrease:

The main reason for the difference in total equity is the increase in unrealized fair value losses on investments in stocks and debt instruments recorded under other equity.

### B. Financial Performance for the Past Two Years (Consolidated)

Unit: NT\$ thousand

Item	Year	2022	2021	Increase (Decrease) Amount	Rate of Change (%)
Net non-interest income		9,493,287	8,220,253	1,273,034	15.49
Net revenue and gains		34,138,590	28,685,958	5,452,632	19.01
Bad debts expense, commitment and guarantee liability provision		3,319,215	1,793,845	1,525,370	85.03
Operating expenses		17,768,647	16,771,674	996,973	5.94
Income before income tax from continuing operations		13,050,728	10,120,439	2,930,289	28.95
Net income from continuing operations		10,971,151	8,803,803	2,167,348	24.62
Net income (loss)		10,971,151	8,803,803	2,167,348	24.62

a. Analysis of variance in increase/decrease

1. Net income of interest: The growth in business volume and the increase in interest rates during the current period was the main contributing factor.
2. Net non-interest income: The increase in gains and losses from foreign exchange and investments in foreign exchange-based derivative financial instruments were the main contributing factors.
3. Bad debts expense, commitment and guarantee liability provision: The growth of loans increased by approximately 8.40% YoY, which was the main contributing factor.

b. Expected business operational targets and its basis

The Bank's 2023 business operational targets are based on the growth of various businesses in the previous year, estimated economic growth rate of each forecasting institution for this year, and the Bank's business promotion policy. Please refer to I. Letter to Shareholders "B. 2023 Highlights of Business Plans b. Business Operational Targets."

c. The possible impact on the Bank's future financial business and the response plan

None.

## C. Cash Flow

### a. Liquidity analysis for the past two years

Item	Year	2022	2021	Rate of Change (%)
Cash flow ratio		-40.67%	37.39%	-78.06%
Cash flow adequacy ratio		-36.43%	217.95%	-254.38%
Cash flow satisfaction ratio		2,489%	-7,219%	9,708%

Analysis of variance in increase/decrease:

The cash flow-related ratio in 2022 has changed by more than 20%, mainly due to the increase in net cash outflow from operating activities in 2022 compared to 2021.

### b. Improvement plan for insufficient liquidity

None.

### c. Cash flow analysis for the next year

Unit: NT\$ thousand

Cash balance at the beginning of the period (1)	Expected annual net cash flow from operating activities (2)	Expected annual investment and net cash flow of financing (3)	Expected cash surplus (deficit) (1) + (2) + (3)	Remediation measures against expected cash flow deficit	
				Investment	Financing
104,820,099	(7,642,599)	8,033,141	105,210,641	-	-

## D. Impact of Major Capital Expenditures on Financial Business in Recent Years

### a. Implementation of major capital expenditures and source of funds

Unit: NT\$ thousand

Project	Actual or expected source of funds	Actual or Expected Completion Date	Total Funding Requirement	Actual or Expected Implementation Status of Funds		
				2020	2021	2022
Urban renewal work of Peimen Branch	Funds of the Bank	2023/05/31	393,398	51,142	173,094	137,689
Urban renewal work of Chengtung Branch	Funds of the Bank	2026/06/30	616,785	0	31,887	6,869
Construction work of Chiencheng building	Funds of the Bank	2027/12/31	3,601,900	15,507	10,338	7,753

### b. Potential benefits

Enhance the Bank's corporate image, increase the Bank's business assets, save rental expenditure, and lease redundant offices for increasing the rental revenues.

## E. The Reinvestment Policy in Recent Years, the Major Reasons for Its Profits or Losses, Improvement Plan and Investment Plan for the Next Year

### a. Reinvestment business (excluding subsidiary bank)

The Bank's main profit from reinvestments in last year is dividend income. The Bank regularly reviews and evaluates each reinvestment company's earnings and operating conditions. The Bank will continue searching for new investment targets while balancing profitability, security, growth, liquidity, and diversification principles.

### b. The Bank's subsidiary bank

The Bank's subsidiary bank, Chang Hua Commercial Bank, Ltd. recorded a YoY increase in income before income tax in 2022 compared with 2021, mainly due to increased net gains and losses from investments and net interest income from banking services. The Bank will strengthen its depository services in 2023, prudently and steadily expand its credit services, increase its credit guarantee ratio, enhance customer asset quality management, diversify its bond investments, and make timely adjustments to increase capital gains and interest income.

## F. Analysis and Evaluation of Risk Management for Last Year and Published Date of Annual Report

a. A series of qualitative and quantitative information for various risks

1. Credit risk management system and accrued capital:

### Credit Risk Management System 2022

Item	Contents
1. Strategies, Goals, Policies, and Procedures for Credit Risk	<p>(1) Credit Risk:</p> <p>Through the establishment of risk management mechanism and analysis of risk information, understand the development trend of risk management and implement it in related businesses to achieve the following goals:</p> <ol style="list-style-type: none"> <li>① Build bank-wide consensus on risk management.</li> <li>② Provide effective risk management mechanism to facilitate the development of new loan products to ensure the sound development of the Bank.</li> <li>③ Provide management with appropriate risk management information to facilitate decision-making and measure risks and rewards, thereby enhancing shareholders' value.</li> <li>④ Provide expected loss information according to experiences in credit risk losses.</li> <li>⑤ Convene seminars and education training on risk management for enhancing awareness of risk management as well as increasing credit assets quality of the Bank.</li> </ol> <p>Management procedures:</p> <p>Formulate credit risk management related system, regulations, operating rules and standard operating procedures. Use various risk information to strengthen the identification, measurement and monitoring functions of credit risk, and improve the quality of the Bank's risk management.</p> <p>(2) Country Risk:</p> <p>The Bank has formulated the "Country Risk Management Regulations", which uses the external credit rating information of each region or country as the basis for identifying country risks and integrates the Bank's risk appetite, and establishes a country risk limit framework for country risk measurement and allocation to effectively control country risk. In addition, in response to the restrictions of external regulations (FSC AI822 "Total Quota Calculation Sheet of Credit Business, Investment, Due and Call Loans to Mainland China") and effectively control the risk exposure to China, since September 19, 2014, the China risk management method defined by AI822 has been integrated for simultaneous control, and for the bank-wide country risk, it has been divided into two parts including bank-wide country risk (excluding China) and China country risk exposure.</p> <p>Management procedures:</p> <ol style="list-style-type: none"> <li>① Based on the national credit rating information and rating selection principles of three credit rating agencies, Moody's, S&amp;P and Fitch, the Bank's country risk rating is determined.</li> <li>② The total country risk limit is calculated based on the multiple of the net worth announced in the Bank's most recent annual financial statements, which serves as the upper limit of the Bank's possible country risk exposure value.</li> <li>③ Within the total country risk limit, according to the allocation ratios of individual country risk ratings, and taking into account the political and economic conditions of each country and the business needs of the unit, the individual country risk limit for the next year is drawn up. The Bank's total limit in China follows the external regulatory supervision limit standards and undergoes an annual review for adjustment.</li> <li>④ Measure and monitor the exposure value, and suspend, reduce or cancel the use of the country's risk limit for countries whose political and economic conditions are unstable or credit risk has been downgraded.</li> <li>⑤ Summarize the risk data of each country by month, and compile the "Country Risk Management Report" after analysis.</li> </ol> <p>(3) Financial Counterparty Risk:</p> <p>The Bank introduced the concept of the New Basel Capital Accord, based on the management concept of the group's total limit and total exposure value, established a limit structure and formulated risk management regulations from top to down to identify, measure and monitor the Bank's financial transaction counterparties' credit risk portfolio, and report the results to the management level, in order to meet the requirements of domestic and foreign supervisory agencies, and to effectively use capital and maximize the Bank's income.</p> <p>Management procedures:</p> <ol style="list-style-type: none"> <li>① In accordance with the principle of rating selection, the credit ratings of financial counterparties by external rating agencies are adopted as the basis for the Bank's internal credit risk classification and rating.</li> <li>② According to the type and level of financial counterparties, the net worth or combined net worth of the financial counterparties is used to calculate the total limit, which is considered as the upper limit of the possible exposure value of each financial counterparty, and then calculates various risk limits and limits for each business or product.</li> <li>③ Based on each limit and taking into account the business needs of each unit and the use of the limit, the use limit and reserve limit are drawn up within the total limit of each financial counterparty.</li> <li>④ Through the monitoring and reporting procedures of financial counterparty risks, the Bank's financial counterparty risks can be effectively managed.</li> </ol>

**Credit Risk Management System  
2022**

Item	Contents
2. Management Organization and Framework for Credit Risk	<p>1. The Bank has established three risk management divisions: Credit Management Division, Risk Management Division, and Loan Asset Management Division for setting up a professional and complete risk management function. The Credit Management Division is in charge of credit case review, business unit credit case review, and management and maintenance of e-Loan credit automatic system, for the prudent process of credit investigation and review; the Risk Management Division is responsible for integrating risk, credit risk, market risk, and operational risk policy formulation and risk control; the Loan Asset Management Division is in charge of control of overdue loans, collections, bad debts, and management of non-performing debt collection operations (including the e-Loan loan asset management subsystem); all divisions can implement it in accordance with regulations.</p> <p>2. The Bank has also set up Risk Management Committee and Asset and Liability Management Committee, chaired by the Bank's President who convenes the monthly meetings. The committee is responsible for evaluating and monitoring the Bank's risk-taking capacity and the actual risk exposure, determining risk response strategies and in compliance with risk management procedures, and submitting risk management reports to the Board of Directors on a quarterly basis to enhance risk management quality by consolidating relevant review, monitoring and coordination actions.</p>
3. Scope and Features of the Credit Risk Report and Measurement System	<p>1. Credit Risk:</p> <p>(1) Through various risk information monitoring reports, regularly inspect and monitor the credit risk concentration of the Bank's credit customers, and provide accurate and real-time information to enable senior executives and relevant business units to grasp the credit risk situation in a timely manner as a basis for policy or business adjustments.</p> <p>(2) Effectively assess the Bank's internal capital adequacy, implement rigorous and forward-looking stress tests, assess the probability and severity of stress events in advance, and formulate response and contingency plans to meet the regulatory requirements of the competent authority and improve the Bank's effectiveness of risk management.</p> <p>(3) Establish a corporate credit rating system and personal credit score card to provide quantitative measurement indicators of credit risk for corporate and personal credit customers during the credit application process, as a reference for credit approval, risk pricing, early warning systems, and post-loan management, to clearly distinguish the degree of credit risk of the credit account.</p> <p>(4) Based on the principle of prudent operation, establish credit asset evaluation operation rules, use quantitative and qualitative indicators to identify the credit quality stage of credit assets, and measure the expected credit loss of credit assets after adjusting forward-looking information with the overall index data.</p> <p>2. Country and financial counterparty credit risk: Regularly monitor and review the exposure situation of country risk and financial counterparty credit risk, reveal the main exposure categories, asset quality classification, concentration, portfolio management exposure value and large exposure distribution, etc., for the risk management decision-making level to control correct information to adjust risk allocation in a timely manner. Using various risk management systems and derivative financial commodity risk weights, calculate the pre-settlement risk (Pre-settlement Risk, PSR) risk value of derivative financial commodities, so as to measure and control the risk.</p>
4. Policies for Credit Risk Hedging or Risk Mitigation, and Strategies and Procedures for Monitoring the Continued Effectiveness of Avoidance and Risk Mitigation Tools	<p>1. Through the establishment of collateral policies, the Bank regulates acceptable collateral and valuation methods to ensure that collateral can be promptly disposed of and effectively reimbursed in the event of a default by the borrower; or the Bank adopts underwriting by credit guarantee fund and deposit offsetting agreements as a method of transferring all or part of the risk.</p> <p>2. Actively use qualified and effective risk mitigation tools to reduce or transfer the loan credit risk of the Bank to strengthen the protection of creditor's rights and achieve the effect of reducing statutory capital accrual.</p> <p>3. Establish relevant operating regulations, procedures or system establishments for the risk mitigation tools, and use appropriate evaluation mechanisms and audit systems to continuously monitor the value changes of the risk mitigation tools and the validity of relevant legal documents to avoid the negative interaction between risk concentration and overall risk occurs due to the use of risk mitigation tools.</p> <p>4. For credit cases with the probability of loss is relatively high and the loss is serious, credit products, high-risk industries, and objects with bad credit, etc., should be avoided; or respond with a higher price.</p>
5. Approach for Statutory Capital Accrual	Standardized Approach.

## Risk Exposure Amount and Accrued Capital after Risk Mitigation under the Credit Risk Standardized Approach

December 31, 2022 Unit: NT\$ thousand

Exposure Type	Risk Exposure Amount after Mitigation	Accrued Capital
Sovereigns	585,606,989	87,730
Non-central government public sector entities	36,331,329	975,714
Banks (included multilateral development banks and qualifying central counterparties)	199,564,372	6,179,777
Corporate (included securities and insurance firms)	561,539,184	40,699,252
Claims on retail	82,040,792	2,741,184
Property risk exposure	1,128,318,905	60,959,415
Equity security investments	22,937,219	2,023,042
Equity securities investments of funds and venture capital firms	775,417	62,033
Other assets	81,745,933	3,442,974
Total	2,698,860,140	117,171,121

2. Risk management system, risk exposure amount of securitization and accrued capital:

## Risk Management System of Securitization

2022

Item	Contents
1. Management Strategies and Procedures for Securitization	The Bank's investment in asset securitization products must be handled in accordance with the Bank's "Operation Guidelines for Asset Securitization Products Investment". The content includes management strategies and procedures, and its structure includes purpose, basis, business strategy, business principles and guidelines, business processes, internal control systems, regular assessments, accounting treatment methods, internal audit systems, authority and limit management, and risk management measures.
2. Management Organization and Framework for Securitization	<ol style="list-style-type: none"> <li>1. Treasury Division, Overseas branches, and Offshore Banking Branch are trading units for asset securitization products.</li> <li>2. Credit Management Division is responsible for the review of project application.</li> <li>3. Risk Management Division monitors the credit risk, market risk, and operational risks, including authorized quota, rating, deadline and stop-loss limit rules.</li> <li>4. Settlements Section of Treasury Division is responsible for the backend operations with Offshore Banking Branch, including transaction confirmation, settlement and accounting operations.</li> <li>5. IT Division installs and maintains the IT system.</li> <li>6. Financial Management Division is responsible for regular evaluation.</li> <li>7. Internal Auditing Division oversees the internal control.</li> </ol>



**Risk Management System of Securitization  
2022**

Item	Contents
3. Scope and Features of the Securitization Risk Report and Measurement System	<p>1. Credit Risk:</p> <p>(1) The trading front desk should keep an eye on the credit status of the purchased asset securitization products and the underlying instruments in the asset pool, conduct annual audits, and prepare written reports for future reference.</p> <p>(2) If the Risk Management Division finds that the non-performing loan is abnormal, causing the Bank to incur a high risk of loss, it should notify the front desk trader to take necessary countermeasures in a timely manner.</p> <p>(3) In case of breach of contract such as failure to collect interest on time, failure to collect principal and interest when due, the front desk traders should immediately report to the Risk Management Division, Financial Management Division, and Loan Asset Management Division (foreign units should also report to the International Banking Division), and inform Credit Management Division and Internal Auditing Division.</p> <p>2. Market Risk: The Risk Management Division shall formulate appropriate measurement methods for the market risk factors contained in asset securitization products, review the pricing and evaluation methods of the products, and submit the trading holding positions to the Board of Managing Directors every six months to review whether the risk load is within the allowable range.</p> <p>3. Operational Risk: A clear standard operating procedure (SOP) should be established for business executives to follow, and the operational risk control and self-assessment (RCSA) should be carried out.</p>
4. Policies for Securitization Hedging or Risk Mitigation, and Strategies and Procedures for Monitoring the Continued Effectiveness of Avoidance and Risk Mitigation Tools	N/A
5. Approach for Statutory Capital Accrual	Standardized Approach.
6. General Qualitative Disclosure Requirements: (1) The purpose of securitization and the types of risks borne and retained by the Bank for re-securitization (2) Other risks associated with securitized assets (such as liquidity risk) (3) The different roles played by the Bank during securitization and the participation level in every stage (4) Describe the monitoring procedures adopted for credit risk and market risk exposures associated with securitization (5) The Bank's management policy for using credit risk mitigation when offsetting the risks retained by securitization and re-securitization	None.
7. Provide an overall description of the Bank's accounting policies on securitization	None.
8. The name of the External Credit Assessment Institution (ECAI) engaged for asset securitization within the Banking Book and the ECAI's involvement in every type of securitized asset	None.
9. Describe any material changes of quantitative information since the last reporting period (such as asset transfer between the Banking Book and the Trading Book)	None.

(1) Engagement of Securitization (As of December 31, 2022): None.

(2) Securitization Exposure Amount and Accrued Capital - By Type of Transaction:

December 31, 2022. Unit: NT\$ thousand

Role of Bank	Type of book	Type of exposure	Type of asset	Traditional				Combined		In total			
				Risk exposure amount				Accrued Capital (2)	Risk amount exposure	Accrued Capital (4)	Risk exposure Amount (5)=(1)+(3)	Accrued Capital (6)=(2)+(4)	Accrued capital before securitization
				Keep or buy	Provide liquid financing amount	Provide credit enhancement	Subtotal (1)						
Non-originator	Banking book	Commercial real estate-backed securities	6,979,193			6,979,193	111,667			6,979,193	111,667		
		Collateralized mortgage obligations	12,778,103			12,778,103	212,196			12,778,103	212,196		
	Trading book												
	Subtotal		19,757,296			19,757,296	323,863			19,757,296	323,863		
Originator	Banking book												
	Trading book												
	Subtotal												
Total			19,757,296			19,757,296	323,863			19,757,296	323,863		

(3) Securitization Products Information:

① Information Summary of Investment Securitization Products

December 31, 2022. Unit: NT\$ thousand

Item	Asset Accounts	Original cost	Accumulated profit or loss	Accumulated impairment	Carrying amount
Commercial Mortgage Backed Securities (CMBS)	Fair value through other comprehensive income financial assets (FVOCI), investments in debt instruments at amortized cost (AC)	7,908,633	(929,440)		6,979,193
Collateralized Mortgage Obligations (CMO)	Fair value through other comprehensive income financial assets (FVOCI), investments in debt instruments at amortized cost (AC)	12,802,985	(24,882)		12,778,103

- ② I. Investment in securitized commodities with a single original cost of \$300 million or more (excluding those held by the Bank as the originator for credit enhancement purposes):

Name of Securities	Asset Accounts	Currency	Issuer and Its Location	Date of Purchase	Date of Maturity	Coupon Rate	Credit Rating
GINNIE MAE REMIC TRUST 2020 172 AL	Fair value through other comprehensive income financial assets (FVOCI)	USD	GNMA U.S.A.	2020/11/25	2062/9/16	1.15%	Moody's Aaa
GINNIE MAE REMIC TRUST 2020-182 A	Fair value through other comprehensive income financial assets (FVOCI)	USD	GNMA U.S.A.	2020/12/22	2063/6/16	1.25%	Moody's Aaa
GINNIE MAE REMIC TRUST 2021-103 GZ	Investment in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/6/28	2051/6/20	2.00%	Moody's Aaa
GINNIE MAE REMIC TRUST 2021-107	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/6/28	2051/6/20	2.00%	Moody's Aaa
GINNIE MAE REMIC TRUST 2021-11 AH	Fair value through other comprehensive income financial assets (FVOCI)	USD	GNMA U.S.A.	2021/1/25	2062/12/16	1.25%	Moody's Aaa
GINNIE MAE REMIC TRUST 2021-114 CZ	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/6/28	2051/6/20	2.50%	Moody's Aaa
GINNIE MAE REMIC TRUST 2021-115 MZ	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/6/28	2051/6/20	2.50%	Moody's Aaa
GINNIE MAE REMIC TRUST 2021-116 LZ	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/7/28	2051/7/20	2.50%	Moody's Aaa
GINNIE MAE REMIC TRUST 2021-117 Z	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/7/29	2051/7/20	2.50%	Moody's Aaa
GINNIE MAE REMIC TRUST 2021-118 JZ	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/7/29	2051/7/20	2.50%	Moody's Aaa
GINNIE MAE REMIC TRUST 2021-119 MZ	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/7/29	2051/7/20	2.50%	Moody's Aaa
GINNIE MAE REMIC TRUST 2021-12 A	Fair value through other comprehensive income financial assets (FVOCI)	USD	GNMA U.S.A.	2021/1/27	2063/3/16	1.25%	Moody's Aaa
GINNIE MAE REMIC TRUST 2021-121 JZ	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/7/28	2051/7/20	2.50%	Moody's Aaa

December 31, 2022. Unit: NT\$ thousand

Repayment	Original Cost	Accrued Profit or Loss	Accrued Impairment	Carrying Amount	Excess	Formation of Assets Pool
Interest is paid monthly, and the principal is paid monthly with early repayment	510,378	(106,352)	0	404,026	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	375,715	(77,475)	0	298,240	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	300,995	158	0	301,153	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	408,781	241	0	409,022	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	543,854	(109,462)	0	434,392	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	396,009	50	0	396,059	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	311,011	39	0	311,050	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	371,534	23	0	371,557	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	432,613	77	0	432,690	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	370,013	39	0	370,052	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	481,982	87	0	482,069	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	515,421	(105,554)	0	409,867	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	370,167	89	0	370,256	None	Loan on Senior Real Estate Mortgage

Name of Securities	Asset Accounts	Currency	Issuer and Its Location	Date of Purchase	Date of Maturity	Coupon Rate	Credit Rating	
GINNIE MAE REMIC TRUST 2021-125 PZ	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/7/27	2051/7/20	2.50%	Moody's Aaa	
GINNIE MAE REMIC TRUST 2021-138 QZ	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/8/26	2051/8/20	2.50%	Moody's Aaa	
GINNIE MAE REMIC TRUST 2021-139 Z	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/8/25	2051/8/20	2.50%	Moody's Aaa	
GINNIE MAE REMIC TRUST 2021-149 ZG	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/8/25	2051/8/20	2.50%	Moody's Aaa	
GINNIE MAE REMIC TRUST 2021-17 D	Fair value through other comprehensive income financial assets (FVOCI)	USD	GNMA U.S.A.	2021/1/27	2061/1/16	0.75%	Moody's Aaa	
GINNIE MAE REMIC TRUST 2021-20	Fair value through other comprehensive income financial assets (FVOCI)	USD	GNMA U.S.A.	2021/2/23	2062/8/16	1.25%	Moody's Aaa	
GINNIE MAE REMIC TRUST 2021-34 AC	Fair value through other comprehensive income financial assets (FVOCI)	USD	GNMA U.S.A.	2021/2/19	2063/3/16	1.40%	Moody's Aaa	
GINNIE MAE REMIC TRUST 2021-35	Fair value through other comprehensive income financial assets (FVOCI)	USD	GNMA U.S.A.	2021/2/23	2062/12/16	1.25%	Moody's Aaa	
GINNIE MAE REMIC TRUST 2021-5 A	Fair value through other comprehensive income financial assets (FVOCI)	USD	GNMA U.S.A.	2021/1/22	2061/1/16	1.25%	Moody's Aaa	
GINNIE MAE REMIC TRUST 2021-58 YA	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/4/29	2051/4/20	1.90%	Moody's Aaa	
GINNIE MAE REMIC TRUST 2021-66 MB	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/4/29	2051/4/20	1.75%	Moody's Aaa	
GINNIE MAE REMIC TRUST 2021-70 AN	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/4/27	2063/4/16	2.00%	Moody's Aaa	
GINNIE MAE REMIC TRUST 2021-86 ZH	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/5/27	2051/5/20	2.00%	Moody's Aaa	
GINNIE MAE REMIC TRUST 2021-89 CZ	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/5/26	2051/5/20	2.00%	Moody's Aaa	

Repayment	Original Cost	Accrued Profit or Loss	Accrued Impairment	Carrying Amount	Excess	Formation of Assets Pool
Interest is paid monthly, and the principal is paid monthly with early repayment	440,766	53	0	440,819	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	325,775	37	0	325,812	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	456,105	25	0	456,130	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	483,094	27	0	483,121	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	554,786	(109,614)	0	445,172	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	536,540	(109,186)	0	427,354	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	474,410	(95,992)	0	378,418	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	544,736	(110,356)	0	434,380	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	531,142	(107,674)	0	423,468	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	441,016	(38)	0	440,978	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	507,238	294	0	507,532	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	520,691	147	0	520,838	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	544,859	744	0	545,603	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	497,245	267	0	497,512	None	Loan on Senior Real Estate Mortgage



Name of Securities	Asset Accounts	Currency	Issuer and Its Location	Date of Purchase	Date of Maturity	Coupon Rate	Credit Rating
GINNIE MAE REMIC TRUST 2021-98 ZK	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/6/25	2051/6/20	2.00%	Moody's Aaa
GINNIE MAE REMIC TRUST 2022-127 JC	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2022/8/24	2050/8/20	4.00%	Moody's Aaa
GINNIE MAE REMIC TRUST 2022-128 PD	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2022/8/24	2052/7/20	4.00%	Moody's Aaa
GINNIE MAE REMIC TRUST 2022-146 CZ	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2022/8/26	2052/8/20	5.00%	Moody's Aaa
GINNIE MAE REMIC TRUST 2022-18 KA	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2022/3/22	2052/1/20	2.50%	Moody's Aaa
GINNIE MAE REMIC TRUST 2022-71 AP	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2022/4/28	2038/12/16	1.75%	Moody's Aaa
GINNIE MAE REMIC TRUST 2022-72 A	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2022/4/27	2046/9/16	2.00%	Moody's Aaa
GINNIE MAE REMIC TRUST 2022-74 A	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2022/4/28	2039/10/16	2.00%	Moody's Aaa
GINNIE MAE REMIC TRUST 2022-77 AC	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2022/4/27	2054/6/16	2.25%	Moody's Aaa
GINNIE MAE REMIC TRUST 21-105 BZ	Investments in debt instruments at amortized cost (AC)	USD	GNMA U.S.A.	2021/6/28	2051/6/20	2.00%	Moody's Aaa

II. The position held by the Bank as the originator of securitization for the purpose of credit enhancement: None.

III. The Bank acts as a buyer of credit-impaired assets or a clearing buyer of securitized products: None.

③ The Banks acts as guarantee agency for securitized products or provide liquidity financing: None

Repayment	Original Cost	Accrued Profit or Loss	Accrued Impairment	Carrying Amount	Excess	Formation of Assets Pool
Interest is paid monthly, and the principal is paid monthly with early repayment	555,532	229	0	555,761	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	602,409	19	0	602,428	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	606,343	16	0	606,359	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	613,106	-	0	613,106	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	580,922	14	0	580,936	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	584,048	430	0	584,478	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	554,820	430	0	555,250	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	588,583	281	0	588,864	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	578,985	499	0	579,484	None	Loan on Senior Real Estate Mortgage
Interest is paid monthly, and the principal is paid monthly with early repayment	567,099	507	0	567,606	None	Loan on Senior Real Estate Mortgage

3. Operational risk management system and accrued capital:

**Operational Risk Management System  
2022**

Item	Contents
1. Management Strategies and Procedures for Operational Risk	<p>The Bank establishes "Guidelines for Operational Risk Management" to create a sound framework for managing operational risks and develop appropriate process and strategies for managing operational risks. When carrying out daily operations, each unit should fully implement operational risk management in accordance with relevant regulations, and use various risk management tools to identify, evaluate, monitor and control the operational risks of the Bank's main products, operating activities, operational processes, information systems and procedures for operational risk reporting.</p>
2. Management Organization and Framework for Operational Risk	<ol style="list-style-type: none"> <li>1. The supervisory units of the Bank's operational risk management include the Board of Directors and the Risk Management Committee. The Board of Directors is responsible for approving the Bank's operational risk management structure, implementation policies, and operational risk appetite; the Risk Management Committee is responsible for reviewing risk management matters and supervising the implementation.</li> <li>2. All units of the Bank follow three lines of defense to implement a sound operational risk management mechanism.               <ol style="list-style-type: none"> <li>(1) Each unit of the bank manages daily operational risks in accordance with the operating regulations and operating procedures of the relevant business in accordance with its functions and business scope.</li> <li>(2) The Risk Management Division is responsible for planning and establishing operational risk management policies and systems, designing operational risk management tools and procedures, and monitoring bank-wide risk exposure.</li> <li>(3) The Internal Auditing Division is responsible for reviewing the actual implementation of operational risk management in each unit and assisting the Board of Directors and senior management in checking and evaluating the effectiveness of operational risk management.</li> </ol> </li> </ol>
3. Scope and Features of the Operational Risk Report and Measurement System	<ol style="list-style-type: none"> <li>1. To facilitate the measurement and management of the measurement results of operational risks, the Bank has set up loss data management system, a risk control and self-assessment system and a key risk indicator monitoring system.</li> <li>2. The Bank collects operational risk loss events through loss data management system, and then categorizes the risks according to authorities' regulations and types of losses. This helps the Bank to understand the loss situation of internal operational risks.</li> <li>3. The Bank's operational risk and control self-assessment (RCSA) system begins with the business management units and overseas business units, where examinations and self-assessments are conducted according to the risks and controls of their respective businesses, compile their operational risk self-assessment tables, and review the rules and regulations of their respective businesses. Business execution and business management units then conduct operational risk self-assessments and assess adoptions of related controls, each risk item's occurrence frequency and influence level in the future, then input the results in the system to analyze potential operational risk exposures situation.</li> <li>4. For the main risks of the Bank, set key risk indicators and their corresponding thresholds and limits, and use them as early warning information through continuous monitoring and management.</li> <li>5. The Bank integrates operational risk-related matters and regularly compiles operational risk management reports so that the Bank's board of directors, senior managers, and business management units can fully understand the implementation status and serve as a reference for decision-making.</li> </ol>
4. Policies for Operational Risk Hedging or Risk Mitigation, and Strategies and Procedures for Monitoring the Continued Effectiveness of Avoidance and Risk Mitigation Tools	<ol style="list-style-type: none"> <li>1. Each business management unit of the Bank selects appropriate risk countermeasures for its related businesses based on the operational risk assessment and monitoring results of key risk indicators and the Bank's exposure risk situation, and considers the use of outsourcing, insurance, etc., to offset risks or take appropriate measures, such as strengthening employee education and training, improving operating procedures, or strengthening systems, etc., to control operational risks within a tolerable range; in addition, before the launch of new products, new activities, new processes and new systems, the Bank also conducts operational risk identification and assessment to measure possible risks and plan their risk countermeasures.</li> <li>2. In case of catastrophes, epidemics, strikes, information system breakdowns or any other events that would result in operational discontinuity, the Bank establishes the "Chang Hwa Bank Business Continuity Plan" for all units to serve as guidelines for prevention, preparation, reporting, responding, and post-event reporting to maintain the Bank's business operations in order to protect the rights of customers and mitigate financial and personnel losses to the minimum.</li> <li>3. Through operational risk and Control self-assessment, the Bank regularly assesses the residual risks of the control plans of each risk item, which ensures the validity and effectiveness of the control plans.</li> </ol>
5. Approach for Statutory Capital Accrual	<p>Standardized Approach.</p>

Accrued Capital for Operational Risk

December 31, 2022 Unit: NT\$ thousand

Year	Gross Operating Profit	Accrued Capital
2020	26,795,528	
2021	28,388,611	
2022	35,627,534	
Total	90,811,673	

4. Market risk management system and accrued capital:

Market Risk Management System  
2022

Item	Contents
1. Management Strategies and Procedures for Market Risk	<p>1. Strategies:</p> <ul style="list-style-type: none"> <li>(1) Plan market risk management in order to ensure effective identification, measurement, monitoring and reporting of relevant risks.</li> <li>(2) Through measuring and monitoring market risk, the Bank ensures that risk control assumed fall within the risk appetite to lower the Bank's unexpected loss arising from market risks.</li> <li>(3) Develop and implement relevant regulations comply with country's supervisory authority and the Basel Capital Accord.</li> <li>(4) Establish and develop market risk management system and economic capital allocation procedures.</li> </ul> <p>2. Procedures: The market risk management process is divided into five aspects: identification, measurement, monitoring, reporting, and management execution procedures, and is handled in accordance with the content of the Bank's "Market Risk Management Standards".</p>
2. Management Organization and Framework for Market Risk	<p>According to the risk management framework and duties stated in the Bank's "Integrated Risk Management Policies," the Market Risk Section under Risk Management Division acts as the second line of defense, and performs risk control and management mechanisms as outlined below:</p> <ul style="list-style-type: none"> <li>1. Implement market risk management based on the business items listed in the Bank's "Business Duties Division Table", develop relevant procedures or operating standards, and report to the appropriate level according to the division of business duties.</li> <li>2. Establish an independent risk management mechanism so that the market risk management process is handled in accordance with policy to avoid conflicts of interest. At the same time, make good use of management information systems and strengthen personnel training to improve risk management efficiency and ensure the effectiveness of the risk management mechanism.</li> </ul>
3. Scope and Features of the Market Risk Report and Measurement System	<ul style="list-style-type: none"> <li>1. Internal reporting: <ul style="list-style-type: none"> <li>(1) Periodically brief to the Risk Management Committee on the status of market risk monitoring to provide senior management with sufficient information.</li> <li>(2) In the event of exceeding limits or discovering abnormal situation, necessary information shall be provided pursuant to the established reporting framework and internal reporting procedures.</li> <li>(3) The Bank periodically brief to the Board of Directors and the Risk Management Committee on the status and concentration of the Bank's investment portfolio to help them determine whether the Bank's strategies should be adjusted.</li> </ul> </li> <li>2. External disclosure: <ul style="list-style-type: none"> <li>(1) The Bank should fully disclose the market risks it faces, and identify, measure and monitor the techniques used to manage these risks so that market participants can evaluate the Bank's market risk management.</li> <li>(2) The degree to which information is disclosed shall be commensurate with the scale of the Bank's business activity, risk exposure status, and level of complexity.</li> </ul> </li> </ul>
4. Policies for Market Risk Hedging or Risk Mitigation, and Strategies and Procedures for Monitoring the Continued Effectiveness of Avoidance and Risk Mitigation Tools	<ul style="list-style-type: none"> <li>1. Set up market-related risk limits and management mechanism.</li> <li>2. In the event of exceeding the approved limits, Risk Management Division should notify the head managers of trading units immediately. Trading units shall reduce and take measures to offset their risk position or apply to raise their limits.</li> <li>3. Those written reports expressing the events of exceeding the limits should be filed to the Executive Vice President who oversees the Risk Management Division and should also be reported to the Risk Management Committee.</li> <li>4. Risk Management Division should monitor the follow-up actions continuously. If the trading units do not take proper action, Risk Management Division should report to the Risk Management Committee and notify the Internal Auditing Division.</li> </ul>

Market Risk Management System  
2022

Item	Contents
5. Approach for Statutory Capital Accrual	Standardized Approach.

## Accrued Capital for Market Risk

December 31, 2022 Unit: NT\$ thousand

Risk Category	Accrued Capital
Interest Rate Risk	1,517,570
Equity Security Risk	0
FX Risk	407,262
Commodity Risk	0
Options (simplified approach)	1,175
Total	1,926,007

## 5. Liquidity Risk Management:

2022

Item	Contents
1. Management Strategies and Procedures for Liquidity Risk	According to the Bank's liquidity risk management policy, specify the liquidity risk measurement indicators and assess the liquidity risk coping ability, and establish a mechanism for monitoring, regular assessment and real-time reporting, and stipulate the Bank's contingency strategies, related unit's duties for taking appropriate countermeasures in a timely manner when a liquidity crisis occurs.
2. Management Organization and Framework for Liquidity Risk	With respect to the Bank's organizational structure for handling liquidity risks, the relevant units shall be responsible for capital liquidity operations, monitoring and regular assessment of liquidity risks, and provide reports and recommendations to the Asset and Liability Management Committee.
3. Scope and Features of the Liquidity Risk Report and Measurement System	Assessment and analysis of the status of liquidity risk management shall be conducted and reported to the Asset and Liability Management Committee and the Board of Directors on a regular basis, which enable senior management to supervise the Bank's treasury liquidity position.
4. Policies for Liquidity Risk Hedging or Risk Mitigation, and Strategies and Procedures for Monitoring the Continued Effectiveness of Avoidance and Risk Mitigation Tools	When the Bank has an early warning signal of a market crisis or a liquidity emergency, it shall adopt relevant emergency countermeasures in accordance with the provisions of the Bank's liquidity risk management policy, and formulate a contingency plan at the Asset and Liability Management Committee. Report the follow-up processing situation to the board of managing directors, so that the senior management can supervise the situation of liquidity risk management.

## (1) NTD maturity date structure analysis table:

December 31, 2022 Unit: NT\$ thousand

	Total	Remaining balance to maturity					
		0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days to 1 year	More than 1 year
Primary inflow upon maturity	2,306,494,030	248,078,952	195,324,110	259,257,470	190,562,686	309,141,234	1,104,129,578
Primary outflow upon maturity	2,949,482,586	127,536,810	207,184,526	457,116,195	382,618,074	618,665,350	1,156,361,631
Period gap	(642,988,556)	120,542,142	(11,860,416)	(197,858,725)	(192,055,388)	(309,524,116)	(52,232,053)

Note: The above amount refers to the amount in NTD of the Bank.

## (2) USD maturity date structure analysis table:

December 31, 2022 Unit: US\$ thousand

	Total	Remaining balance to maturity				
		0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	30,662,540	11,480,936	5,610,436	3,537,987	1,728,954	8,304,227
Outward remittance of due fund	36,061,005	13,387,602	7,751,665	4,247,844	4,833,468	5,840,426
Period gap	(5,398,465)	(1,906,666)	(2,141,229)	(709,857)	(3,104,514)	2,463,801

Note: The above amount refers to the amount in US dollars of the Bank.

b. The impact of domestic and foreign major policies and law amendment exerting on the Bank's financial operations and countermeasures

The "Green Finance Action Plan 3.0" promoted by the FSC, aims to build a sustainable financial ecology and encourage the deepening development of green financial products or services. Apart from focusing on the potential risks associated with ESG, banks can also seize related opportunity by providing green products to fulfill their corporate social responsibility. In order to increase customers' willingness to buy insurance, the Bank has planned a "Home Comprehensive Insurance" project which includes compensation for natural disasters such as typhoons, floods, and earthquakes, as well as exclusive renewable energy clauses that encourage using green building materials in repairs. This project aims to assist customers in mitigating climate change-related risks while promoting investment-type insurance products linked to ESG accounts. Customers can purchase solar equipment with a contingency plan to address climate change-related risks through a special project offering loan insurance for solar equipment. In addition, the Bank incorporated ESG lending indicators into an important basis for corporate credit business, and launched "sustainable performance-linked loans" to encourage customers to practice sustainable environmental management and promote ESG development.

c. The impact of technological (including cybersecurity risks) and industrial changes on the Bank's financial operations and countermeasures

1. In response to the development trend of financial technology, the Bank has completed the establishment of a mobile insurance application operation platform, and actively expanded the mobile insurance application business of cooperative insurance companies, reducing the manpower burden of operations and the risk of operational omissions, in order to improve customer satisfaction and stickiness, and achieve a win-win situation for customers and the Bank.

2. To address the information security risks arising from financial technology changes and industry transformations, the Bank conducts annual external reviews to confirm whether its information security management system, business continuity management system, and personal data management system comply with international standards. The Bank has also established Security Information and Event Management (SIEM), Endpoint Detection and Response (EDR), Database Audit Monitoring System (Imperva, Guardium), event log storage system (N-Cloud), virtual patch protection system, and data leakage protection system to provide information security protection and monitoring. These measures ensure that the Bank offers high-quality information system services to its customers and mitigates the risk of customer data theft during its business operations.

d. The impact of the bank's changing corporate image and countermeasures

In recent years, the Bank has attached great importance to the promotion of ESG activities, and has been recognized by domestic and foreign institutions (please refer to the 2022 Sustainability Performance listed on the inside cover of the annual report), which will enhance the image of the Bank and improve operational efficiency. The Bank will continue to attach importance to various issues of ESG, and strengthen communication with stakeholders to achieve the goal of sustainable development.

e. Expected benefits, potential risks, and countermeasures from mergers and acquisitions

None.



f. Expected benefits, potential risks, and countermeasures of expanding operation locations

Domestic operation locations: No plans to expand business locations temporarily.

Overseas operation locations:

1. Expected Benefits:

- (1) Increase the Bank's market share and international reputation.
- (2) Establish overseas operation bases for Taiwanese businessmen in major overseas investment areas to provide more convenient financial services for customers and increase their willingness to deal with the Bank and increase operational volume which will result in more revenue.
- (3) Expand the variety of customer groups could diversify operation risk, in the meantime, cultivate international financial talents to enhance operational strength.
- (4) Set up operational bases in countries with great development potential in the financial market, share the benefits of regional economic growth, and improve the Bank's overall operating performance.

2. Possible Risks:

- (1) The international situation is changing rapidly and the economic pace of development varies between countries.
- (2) Facing competition from local banks.
- (3) Global banking supervision has become more stringent and the cost of compliance has increased.

3. Countermeasures :

- (1) The Bank will thoroughly assess the operational environment, financial market potential, and local Taiwanese business industry's allocation and operation layout. In addition, the Bank should also appoint consultants or accountants familiar with local financial regulations to provide consulting services in laws to reduce the risk of compliance.
- (2) Properly use resources to deeply understand the local financial market and business development opportunities, and establish a good and stable market relationship.

g. Risks faced by business concentration and the countermeasures

The Bank has been continuously developing new financial products such as deposit, lending, foreign exchange, trust, derivatives, wealth management and mobile payment, so that the Bank can meet the diverse needs of its customers. There is no business concentration occurred.

h. Risks and effect of the change of management exerting on the Bank and the countermeasures

None.

i. With respect to the Directors and shareholders who own more than 1% of shares, the impact of large-scale transfer of their equity and their replacement on the Bank's risks and the countermeasures

None.

j. Litigation or non-litigation events

1. Litigation cases of the Bank

With respect to the Bank's lawsuit with TDK Corporation involving claims for damage in the amount of NT\$45,793,530, the Taiwan High Court ruled in favor of the Bank in the first instance (The Taiwan High Court reexamined case No.88 in 2019). TDK Corporation was not satisfied and filed an appeal. The Supreme Court ruled on July 7, 2022, in appeal case number 1307, dismissing the appeal and confirming the Bank's win.

2. Litigations involving major shareholders holding more than 1% of the Bank's shares:

(1) Mega International Commercial Bank Co., Ltd.

On September 30, 2016, Mega International Commercial Bank filed a joint lawsuit against Tsai and Wu, claiming NT\$ 5,761,953,509. On January 13, 2021, Mega International Commercial Bank filed an appeal for NT\$ 200 million, and the appellate court rendered a partial verdict in favor of the Bank on October 4, 2022. On November 7, 2022, Mega International Commercial Bank filed another appeal for NT\$ 140 million against Tsai and Wu.

(2) Bank of Taiwan

The Bank of Taiwan is in a legal dispute with Tang Eng Iron Co., Ltd. regarding a cooperative land development project to construct a building on March 2, 2007. The Supreme Court ruling is finalized in favor of the Bank of Taiwan on December 15, 2022.

k. Other major risks and countermeasures

1. The Bank commissions a third-party professional organization to conduct an information security assessment every year in accordance with the "Regulations on Information Security Assessment of Computer Systems for Financial Institutions." In 2022, we also included the "Major deficiencies in the security design of electronic banking transactions in the banking industry" issued by the Financial Examination Bureau, FSC, to improve our electronic banking security.

2. In response to the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" and "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets," a third party was appointed to conduct a compliance assessment of the overall information security implementation for 2022, which will serve as the basis for issuing the Internal Control Statement.

## G. Emergency Response Mechanisms

1. In case of catastrophes, epidemics, strikes, information system breakdowns or any other events that would result in operation discontinuity, the Bank stipulated the "Business Continuity Plan," "Directions of Emergency Response Measures for Compulsory Collective Isolation Responding to Epidemics," "Information Operations Disaster Recovery Plan," "Material Contingencies Procedures" and relevant contingency plans for various businesses for all units to serve as guidelines for prevention, preparation, reporting, responding, and post-event reporting to maintain the Bank's business operations in order to protect the rights of customers and mitigate the Bank's personnel and financial losses to minimum.

2. In order to implement information security management, the Bank stipulated "Enforcement Rules of Information Securities Incidents Notification," to establish efficient procedure of information security incidents. If the Bank meets information security incidents, the Bank can handle information security incidents in real time through information security incidents reporting management system, provide all levels of personnel identify, assess, and control the scope of the security incident instantly and take appropriate contingency measures immediately to reduce damage in accidents.

3. In order to implement the security maintenance and management of personal data files, the Bank has formulated the "Security Maintenance Plan for Personal Information File," "Personal Information Management Regulations," and "General Data Protection Regulation (GDPR)," as guidelines for each unit of the Bank to follow in case of personal data security incidents. Each unit of the Bank follows the guidelines for incident reporting, response handling, and preventive and improvement measures in order to protect the rights and interests of customers.

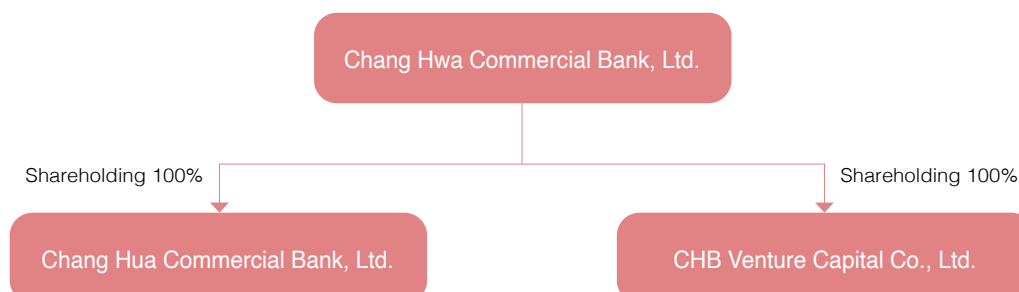
## H. Other Important Events

None.

## VIII | Special Notes

### A. Information Regarding the Bank's Affiliates

#### a. The Bank's affiliates



#### b. Basic data of the Bank's affiliates

Unit: thousand

Enterprise Name	Establishment Date	Address	Paid-in Capital	Main Business
Chang Hua Commercial Bank, Ltd.	September 10, 2018	No.371, Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province, P.R.C.	CNY 2,500,000	Banking Industry
CHB Venture Capital Co., Ltd.	April 17, 2019	10F., No.57, Sec. 2, Zhongshan N. Road, Zhongshan District, Taipei City 10412, Taiwan, R.O.C.	NTD 1,042,686	Venture Capital Industry

#### c. Information of Chairperson, Directors, Supervisors and President of the Bank's affiliates

December 31, 2022

Enterprise Name	Position	Name	Shareholding	
			Shares	%
Chang Hua Commercial Bank, Ltd.	Chairperson	Ming-Jeng Shyn	Unissued	100
	Director	Chao-Chung Chou, Bin Chen, Hsueh-Ni Hsieh, Huan-Yu Chiu, Rueih-Hwa Cheng		
	Independent Director	Lian-Shui Li, Mei-Jhu Huang, Rveen-Fong Chu		
	Supervisor	Bin Lu		
CHB Venture Capital Co., Ltd.	President	Huan-Yu Chiu	104,268,647	100
	Chairperson	Chiao-Hsiang Chang		
	Director	Chih-Chen Hsu, Fu-Jinn Chiou		
	Supervisor	Hsiu-Chuan Teng		
	President	Yu-Ling Tang		

#### d. Operation overview of the Bank's affiliates

December 31, 2022 Unit: NT\$thousand

Enterprise Name	Capital	Total Assets	Total Liability	Net Worth	Operating Revenue	Operating Profits	Net Profit (After Tax)	EPS (After Tax)
Chang Hua Commercial Bank, Ltd. (Note 1)	12,117,288	34,219,240	20,589,916	13,629,324	1,263,727	800,950	221,219	N.A. (Note2)
CHB Venture Capital Co., Ltd.	1,042,686	1,146,744	14,569	1,132,175	92,498	67,950	69,481	0.71

Note 1: The capital amount of Chang Hua Commercial Bank, Ltd. is converted based on the exchange rate at the time of the bank's remittance, each item in the balance sheet is converted at the evaluation exchange rate on December 31, 2022, the profit and loss category is converted at the average exchange rate in 2022.

Note 2: Chang Hua Commercial Bank, Ltd. has no issued shares, EPS is not applicable.

e. Consolidation of financial statements of affiliates: Please refer to annual report p.122 ~p.182

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chang Hwa Commercial Bank, Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,  
CHANG HWA COMMERCIAL BANK, LTD.



Joanne Ling  
Chairperson

February 23, 2023

**B. Private Placement of Securities and Bank Debentures in the Most Recent Years and Published Date of Annual Report.**

None.

**C. The Shares of the Company Held or Disposed of by its Subsidiaries in the Most Recent Years and Published Date of Annual Report.**

None.

**D. Other Supplementary Notes.**

None.

**E. Events with Material Impact on Shareholders' Rights or Security Prices in accordance with Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act:**

None.

# IX | Directory of Head Office & Branches & Subsidiaries

Domestic Offices	Address	Tel
Head Office (Taichung)	No. 38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)	(04) 22222001
Head Office (Taipei)	No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Business Department	No. 38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)	(04) 22230001
Taichung Branch	1F., No. 78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22650011
Pei-Taichung Branch	No. 6, Sec. 2, Taiwan Blvd., West Dist., Taichung City 40354, Taiwan (R.O.C.)	(04) 22011122
Nan-Taichung Branch	1F., No. 102, Taichung Rd., South Dist., Taichung City 40250, Taiwan (R.O.C.)	(04) 22243181
Peitun Branch	1F., No. 10, Beitun Rd., North Dist., Taichung City 40459, Taiwan (R.O.C.)	(04) 22322922
Chung-Kang Branch	No. 651, Sec. 2, Taiwan Blvd., Xitun Dist., Taichung City 40759, Taiwan (R.O.C.)	(04) 23271717
Shuinan Branch	No. 447, Sec. 3, Wenxin Rd., Beitun Dist., Taichung City 40667, Taiwan (R.O.C.)	(04) 22969966
Nantun Branch	No. 306, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 40866, Taiwan (R.O.C.)	(04) 23220011
Hsitun Branch	No. 923, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 40767, Taiwan (R.O.C.)	(04) 23593435
Keelung Branch	1F., No. 60, Ai 4 <sup>th</sup> Rd., Ren'ai Dist., Keelung City 20048, Taiwan (R.O.C.)	(02) 24233933
Jenai Branch	No. 100, Xiao 2 <sup>nd</sup> Rd., Ren'ai Dist., Keelung City 20042, Taiwan (R.O.C.)	(02) 24233941
Tung-Keelung Branch	1F., No. 57, Xin 1 <sup>st</sup> Rd., Xinyi Dist., Keelung City 20145, Taiwan (R.O.C.)	(02) 24233861
Ilan Branch	1F., No. 16, Guangfu Rd., Yilan City, Yilan County 26043, Taiwan (R.O.C.)	(03) 9352511
Lotung Branch	No. 194, Zhongzheng Rd., Luodong Township, Yilan County 26547, Taiwan (R.O.C.)	(03) 9551171
Suao Branch	1F., No. 121, Sec. 1, Zhongshan Rd., Su'ao Township, Yilan County 27041, Taiwan (R.O.C.)	(03) 9961116
International Banking Division	2F., No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25621919
Central Branch	1F., No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25514256
Trust Division	12F., No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Offshore Banking Branch	10F., No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Taipei Branch	No. 27, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 10046, Taiwan (R.O.C.)	(02) 23617211
Chengnei Branch	1F., No. 68, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02) 23113791
Tunhwa Branch	No. 71, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10682, Taiwan (R.O.C.)	(02) 27849821
Wanhua Branch	No. 304, Kangding Rd., Wanhua Dist., Taipei City 10852, Taiwan (R.O.C.)	(02) 23060201
Shuangyuan Branch	No. 312, Juguang Rd., Wanhua Dist., Taipei City 10860, Taiwan (R.O.C.)	(02) 23042141
Hsimen Branch	No. 169-2, Xining S. Rd., Wanhua Dist., Taipei City 10844, Taiwan (R.O.C.)	(02) 23719271
Peimen Branch	1F., No. 19, Sec. 1, Yanping N. Rd., Datong Dist., Taipei City 10341, Taiwan (R.O.C.)	(02) 25586271
Yunglo Branch	1F., No. 120, Sec. 1, Dihua St., Datong Dist., Taipei City 10344, Taiwan (R.O.C.)	(02) 25585151

Domestic Offices	Address	Tel
Chiencheng Branch	No. 130, Sec.1, Yanping N. Rd., Datong Dist., Taipei City 10341, Taiwan (R.O.C.)	(02) 25555121
Tatung Branch	No. 199, Sec. 3, Chongqing N. Rd., Datong Dist., Taipei City 10369, Taiwan (R.O.C.)	(02) 25919113
Min-Sheng Branch	No. 54-1, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei City 10574, Taiwan (R.O.C.)	(02) 27121311
Chungshan North Rd. Branch	No. 111, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10448, Taiwan (R.O.C.)	(02) 25711241
Ching-Kuang Branch	No. 609, Linsen N. Rd., Zhongshan Dist., Taipei City 10460, Taiwan (R.O.C.)	(02) 25950551
Chien-Kuo Branch	No. 136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City 10657, Taiwan (R.O.C.)	(02) 27033737
Chilin Branch	1F., No. 98, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 10457, Taiwan (R.O.C.)	(02) 25626151
Chang-An E. Rd. Branch	No. 23-1, Sec. 1, Chang'an E. Rd., Zhongshan Dist., Taipei City 10441, Taiwan (R.O.C.)	(02) 25230739
Tungmen Branch	1F., No. 139, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City 10064, Taiwan (R.O.C.)	(02) 23921241
Chung-Cheng Branch	1F., No. 47, Sec. 1, Jinshan S. Rd., Zhongzheng Dist., Taipei City 10056, Taiwan (R.O.C.)	(02) 23560000
Kuting Branch	No. 25, Sec. 2, Roosevelt Rd., Da'an Dist., Taipei City 10643, Taiwan (R.O.C.)	(02) 23517211
Chung-Hsiao Tung Lu Branch	No. 164, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 10688, Taiwan (R.O.C.)	(02) 27713151
Yung-Chun Branch	1F., No. 176-1, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 11072, Taiwan (R.O.C.)	(02) 27682322
Taan Branch	No. 177, Sec. 1, Heping E. Rd., Da'an Dist., Taipei City 10644, Taiwan (R.O.C.)	(02) 23213214
Heping Branch	No. 106, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 10675, Taiwan (R.O.C.)	(02) 33169009
Hsin-Yi Branch	No. 155, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City 10681, Taiwan (R.O.C.)	(02) 27039081
Jen-Ho Branch	No. 31, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 10685, Taiwan (R.O.C.)	(02) 27514066
Taipei World Trade Center Branch	3F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 11012, Taiwan (R.O.C.)	(02) 27203101
Guanglong Branch	1F., No. 78, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City 11052, Taiwan (R.O.C.)	(02) 27207678
Chengtung Branch	1F., No. 188, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 10488, Taiwan (R.O.C.)	(02) 27153535
Chunglun Branch	1F., No. 201, Sec. 2, Bade Rd., Zhongshan Dist., Taipei City 10491, Taiwan (R.O.C.)	(02) 27312211
Fu-Hsing Branch	No. 367, Fuxing N. Rd., Songshan Dist., Taipei City 10543, Taiwan (R.O.C.)	(02) 27173222
Sung-Chiang Branch	No. 261, Songjiang Rd., Zhongshan Dist., Taipei City 10483, Taiwan (R.O.C.)	(02) 25024923
Chengde Branch	1F., No. 81, Sec. 4, Chengde Rd., Shilin Dist., Taipei City 11166, Taiwan (R.O.C.)	(02) 28868989
Shihlin Branch	No. 21, Fude Rd., Shilin Dist., Taipei City 11163, Taiwan (R.O.C.)	(02) 28822354
Tienmu Branch	1F., No. 33, Dexing W. Rd., Shilin Dist., Taipei City 11158, Taiwan (R.O.C.)	(02) 28333232
Sungshan Branch	No. 165, Yongji Rd., Xinyi Dist., Taipei City 11063, Taiwan (R.O.C.)	(02) 27625242
Hsi-Sung Branch	1F., No. 213, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City 10569, Taiwan (R.O.C.)	(02) 27639611
Tung-Taipei Branch	No. 126, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 10595, Taiwan (R.O.C.)	(02) 25704567
Dongxing Branch	1F., No. 88, Sec. 4, Bade Rd., Songshan Dist., Taipei City 10565, Taiwan (R.O.C.)	(02) 21711115
Hsi-NeiHu Branch	1F., No. 26, Ln. 513, Ruiguang Rd., NeiHu Dist., Taipei City 11492, Taiwan (R.O.C.)	(02) 27978966
Tachih Branch	No. 589, Bei'an Rd., Zhongshan Dist., Taipei City 10463, Taiwan (R.O.C.)	(02) 25337861



Domestic Offices	Address	Tel
Nei-Hu Branch	No. 19, Ruihu St., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02) 26590766
Tung-Hu Branch	1F., No. 109, Sec. 6, Minquan E. Rd., Neihu Dist., Taipei City 11490, Taiwan (R.O.C.)	(02) 27904567
Sinhu Branch	No. 180, Xinhu 2 <sup>nd</sup> Rd., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02) 27931616
Nankang Branch	No. 48, Sec. 3, Nangang Rd., Nangang Dist., Taipei City 11510, Taiwan (R.O.C.)	(02) 27833456
Nankang Science Industrial Park Branch	2F-3, No. 3, Park St., Nangang Dist., Taipei City 11503, Taiwan (R.O.C.)	(02) 26558169
Wufenpu Branch	1F., No. 92, Zhongpo N. Rd., Nangang Dist., Taipei City 11562, Taiwan (R.O.C.)	(02) 27852787
Mucha Branch	No. 48, Sec. 3, Muxin Rd., Wenshan Dist., Taipei City 11664, Taiwan (R.O.C.)	(02) 86617377
Beitou Branch	1F., No. 6, Ln. 452, Daye Rd., Beitou Dist., Taipei City 11268, Taiwan (R.O.C.)	(02) 28968585
Hsi-Chih Branch	No. 93, Zhongxing Rd., Xizhi Dist., New Taipei City 22158, Taiwan (R.O.C.)	(02) 26947878
Xike Branch	1F., No. 217, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City 22161, Taiwan (R.O.C.)	(02) 21653111
Tanshui Branch	1F., No. 211, Sec. 2, Zhongshan N. Rd., Tamsui Dist., New Taipei City 25152, Taiwan (R.O.C.)	(02) 26219998
Juifang Branch	No. 38, Sec. 3, Mingdeng Rd., Ruifang Dist., New Taipei City 22441, Taiwan (R.O.C.)	(02) 24972860
Sanchungpu Branch	No. 89, Sec. 1, Chongxin Rd., Sanchong Dist., New Taipei City 24148, Taiwan (R.O.C.)	(02) 29733450
Pei-Sanchungpu Branch	1F., No. 68, Zhengyi N. Rd., Sanchong Dist., New Taipei City 24147, Taiwan (R.O.C.)	(02) 29823111
Hsi-Sanchung Branch	No. 22, Sec. 2, Chongyang Rd., Sanchong Dist., New Taipei City 24161, Taiwan (R.O.C.)	(02) 29820221
Nan-Sanchung Branch	No. 82, Zhongzheng S. Rd., Sanchong Dist., New Taipei City 24143, Taiwan (R.O.C.)	(02) 29771234
San Ho Rd. Branch	No. 368, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City 24154, Taiwan (R.O.C.)	(02) 22871441
Luchou Branch	1F., No. 77, Zhongzheng Rd., Luzhou Dist., New Taipei City 24757, Taiwan (R.O.C.)	(02) 22851000
Hsintien Branch	No. 135, Sec. 1, Beixin Rd., Xindian Dist., New Taipei City 23147, Taiwan (R.O.C.)	(02) 29141650
Pei Hsin Branch	1F., No. 9, Baoqiang Rd., Xindian Dist., New Taipei City 23144, Taiwan (R.O.C.)	(02) 29131071
ChiCheng Branch	No. 98, Minquan Rd., Xindian Dist., New Taipei City 23141, Taiwan (R.O.C.)	(02) 22189001
Yungho Branch	1F., No. 69, Sec. 2, Yonghe Rd., Yonghe Dist., New Taipei City 23444, Taiwan (R.O.C.)	(02) 29243334
Fuho Branch	No. 139, Fuhe Rd., Yonghe Dist., New Taipei City 23449, Taiwan (R.O.C.)	(02) 29221171
Chungho Branch	1F., No. 182, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02) 22492711
Shuangho Branch	No. 801, Zhongzheng Rd., Zhonghe Dist., New Taipei City 23552, Taiwan (R.O.C.)	(02) 22259988
Lide Branch	1F., No. 142, Lide St., Zhonghe Dist., New Taipei City 23512, Taiwan (R.O.C.)	(02) 22239888
Hsinchuang Branch	No. 119, Xintai Rd., Xinzhuang Dist., New Taipei City 24242, Taiwan (R.O.C.)	(02) 29937101
Wugu Industrial Park Branch	No. 3-1, Wugong 5 <sup>th</sup> Rd., Xinzhuang Dist., New Taipei City 24890, Taiwan (R.O.C.)	(02) 22993311
Nan-Hsinchuang Branch	No. 657-1, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 24257, Taiwan (R.O.C.)	(02) 29066599
SyYuan Branch	No. 228, Siyuan Rd., Xinzhuang Dist., New Taipei City 24250, Taiwan (R.O.C.)	(02) 29967137
Sinshu Branch	1F., No. 266-1, Xinshu Rd., Xinzhuang Dist., New Taipei City 24262, Taiwan (R.O.C.)	(02) 22086767
Taishan Branch	1F., No. 111, Quanxing Rd., Taishan Dist., New Taipei City 24341, Taiwan (R.O.C.)	(02) 22970809

Domestic Offices	Address	Tel
Linkou Branch	1F., No. 46, Linkou Rd., Linkou Dist., New Taipei City 24444, Taiwan (R.O.C.)	(02) 26010711
New Linkou Branch	1F., No. 399, Sec. 1, Wenhua 3 <sup>rd</sup> Rd., Linkou Dist., New Taipei City 24448, Taiwan (R.O.C.)	(02) 26085185
Shulin Branch	No. 135, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City 23844, Taiwan (R.O.C.)	(02) 26813621
Panchiao Branch	No. 22, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City 22063, Taiwan (R.O.C.)	(02) 29628161
Kuang-Fu Branch	No. 62, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 22067, Taiwan (R.O.C.)	(02) 29619181
Chiang Tsui Branch	No. 9, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 22047, Taiwan (R.O.C.)	(02) 22591001
Tucheng Branch	No. 45, Sec. 3, Zhongyang Rd., Tucheng Dist., New Taipei City 23671, Taiwan (R.O.C.)	(02) 22691155
Sanhsia Branch	No. 89, Wenhua Rd., Sanxia Dist., New Taipei City 23741, Taiwan (R.O.C.)	(02) 26711261
Taoyuan Branch	No. 73, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 33041, Taiwan (R.O.C.)	(03) 3346130
Ba De Branch	No. 135, Sec. 2, Jieshou Rd., Bade Dist., Taoyuan City 33445, Taiwan (R.O.C.)	(03) 3711222
Pei-Taoyuan Branch	No. 189, Yong'an Rd., Taoyuan Dist., Taoyuan City 33054, Taiwan (R.O.C.)	(03) 3320743
Nankan Branch	No. 7, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 33855, Taiwan (R.O.C.)	(03) 3213666
Tung-Linkou Branch	No. 235, Fuxing 1 <sup>st</sup> Rd., Guishan Dist., Taoyuan City 33375, Taiwan (R.O.C.)	(03) 3975555
Chungli Branch	1F., No. 95, Zhongzheng Rd., Zhongli Dist., Taoyuan City 32041, Taiwan (R.O.C.)	(03) 4252101
Pei-Chungli Branch	No. 155, Zhongxiao Rd., Zhongli Dist., Taoyuan City 32065, Taiwan (R.O.C.)	(03) 4636688
Qingpu Branch	No. 280, Sec. 1, Gaotiezhanqian W. Rd., Zhongli Dist., Taoyuan City 32056, Taiwan (R.O.C.)	(03)2876680
Hsin-Ming Branch	No. 2, Zhongxiao Rd., Pingzhen Dist., Taoyuan City 32447, Taiwan (R.O.C.)	(03) 4941571
Longtan Branch	1F., No. 240-3, Zhongzheng Rd., Longtan Dist., Taoyuan City 32552, Taiwan (R.O.C.)	(03) 4891238
Yangmei Branch	No. 158, Dacheng Rd., Yangmei Dist., Taoyuan City 32643, Taiwan (R.O.C.)	(03) 4783391
Puhsin Branch	No. 82, Zhongxing Rd., Yangmei Dist., Taoyuan City 32654, Taiwan (R.O.C.)	(03) 4824935
Hsinchu Branch	No. 63, Zhongzheng Rd., East Dist., Hsinchu City 30051, Taiwan (R.O.C.)	(03) 5253151
Pei-Hsinchu Branch	No. 110, Sec. 2, Dongda Rd., North Dist., Hsinchu City 30054, Taiwan (R.O.C.)	(03) 5339651
Hsinchu Science-based Industrial Park Branch	2F., No. 5, Gongye E. 6 <sup>th</sup> Rd., Science-based Industrial Park, East Dist., Hsinchu City 30077, Taiwan (R.O.C.)	(03) 5770780
Jhubei Branch	1F., No. 26-3, Taiyuan St., Zhubei City, Hsinchu County 30288, Taiwan (R.O.C.)	(03) 5526898
Chutung Branch	No. 43, Sec. 2, Changchun Rd., Zhudong Township, Hsinchu County 31047, Taiwan (R.O.C.)	(03) 5962280
Miaoli Branch	No. 636, Zhongzheng Rd., Miaoli City, Miaoli County 36049, Taiwan (R.O.C.)	(037) 326455
Yuanli Branch	No. 11, Jianguo Rd., Yuanli Township, Miaoli County 35847, Taiwan (R.O.C.)	(037) 861501
Zhunan Branch	1F., No. 110, Sec. 2, Huanshi Rd., Zhunan Township, Miaoli County 35047, Taiwan (R.O.C.)	(037) 551751
Tachia Branch	No. 405, Shuntian Rd., Dajia Dist., Taichung City 43741, Taiwan (R.O.C.)	(04) 26878711
Chingshui Branch	1F., No. 196, Zhongshan Rd., Qingshui Dist., Taichung City 43654, Taiwan (R.O.C.)	(04) 26225151
Shalu Branch	No. 52, Shatian Rd., Shalu Dist., Taichung City 43353, Taiwan (R.O.C.)	(04) 26358599
Tatu Branch	1F., No. 780, Sec. 2, Shatian Rd., Dadu Dist., Taichung City 43242, Taiwan (R.O.C.)	(04) 26983711

Domestic Offices	Address	Tel
Fengyuan Branch	1F., No. 220, Zhongzheng Rd., Fengyuan Dist., Taichung City 42056, Taiwan (R.O.C.)	(04) 25269191
Daya Branch	1F., No. 1090, Sec. 3, Zhongqing Rd., Daya Dist., Taichung City 42878, Taiwan (R.O.C.)	(04) 25665500
Tantzu Branch	No. 199, Sec. 2, Zhongshan Rd., Tanzi Dist., Taichung City 42755, Taiwan (R.O.C.)	(04) 25322234
Tungshih Branch	No. 456, Fengshi Rd., Dongshi Dist., Taichung City 42343, Taiwan (R.O.C.)	(04) 25877160
Wufeng Branch	No. 900, Zhongzheng Rd., Wufeng Dist., Taichung City 41341, Taiwan (R.O.C.)	(04) 23393567
Taipin Branch	No. 89, Yongfeng Rd., Taiping Dist., Taichung City 41143, Taiwan (R.O.C.)	(04) 22736789
Tsaotun Branch	No. 23, Heping St., Caotun Township, Nantou County 54242, Taiwan (R.O.C.)	(049) 2338101
Nantou Branch	No. 72, Sec. 2, Zhangnan Rd., Nantou City, Nantou County 54063, Taiwan (R.O.C.)	(049) 2226171
Puli Branch	No. 73, Xikang Rd., Puli Township, Nantou County 54555, Taiwan (R.O.C.)	(049) 2983983
Shuilikeng Branch	No. 226, Minquan Rd., Shuli Township, Nantou County 55343, Taiwan (R.O.C.)	(049) 2772121
Changhua Branch	1F., No. 57, Heping Rd., Changhua City, Changhua County 50046, Taiwan (R.O.C.)	(04) 7242101
Dali Branch	1F., No. 20, Sec. 2, Defang Rd., Dali Dist., Taichung City 41262, Taiwan (R.O.C.)	(04) 24181558
Lukang Branch	No. 137, Zhongshan Rd., Lukang Township, Changhua County 50570, Taiwan (R.O.C.)	(04) 7773311
Hemei Branch	1F., No. 428, Daozhou Rd., Hemei Township, Changhua County 50845, Taiwan (R.O.C.)	(04) 7579696
Yuanlin Branch	No. 495, Zhongzheng Rd., Yuanlin City, Changhua County 51041, Taiwan (R.O.C.)	(04) 8322101
Hsihu Branch	No. 158, Sec. 3, Zhangshui Rd., Xihu Township, Changhua County 51441, Taiwan (R.O.C.)	(04) 8853471
Peitou Branch	No. 172, Sec.1, Douyuan Rd., Beidou Township, Changhua County 52146, Taiwan (R.O.C.)	(04) 8882811
Erlin Branch	1F., No. 67, Sec. 5, Douyuan Rd., Erlin Township, Changhua County 52641, Taiwan (R.O.C.)	(04) 8950011
Hsiluo Branch	1F., No. 225, Zhongshan Rd., Xiluo Township, Yunlin County 64848, Taiwan (R.O.C.)	(05) 5863611
Touliu Branch	No. 70, Zhongshan Rd., Douliu City, Yunlin County 64051, Taiwan (R.O.C.)	(05) 5324116
Tounan Branch	No. 100, Zhongshan Rd., Dounan Township, Yunlin County 63042, Taiwan (R.O.C.)	(05) 5974191
Huwei Branch	No. 35, Zhongzheng Rd., Huwei Township, Yunlin County 63242, Taiwan (R.O.C.)	(05) 6322561
Tukoo Branch	1F., No. 308, Guangming Rd., Tuku Township, Yunlin County 63346, Taiwan (R.O.C.)	(05) 6621116
Peikang Branch	No. 51, Wenhua Rd., Beigang Township, Yunlin County 65142, Taiwan (R.O.C.)	(05) 7836121
Talin Branch	No. 246, Xianghe Rd., Dalin Township, Chiayi County 62241, Taiwan (R.O.C.)	(05) 2653221
Chiayi Branch	1F., No. 386, Zhongshan Rd., West Dist., Chiayi City 60041, Taiwan (R.O.C.)	(05) 2278141
Tung-Chiayi Branch	1F., No. 832, Xinsheng Rd., East Dist., Chiayi City 60074, Taiwan (R.O.C.)	(05) 2712811
Pei-Chiayi Branch	No. 290, You'ai Rd., West Dist., Chiayi City 60088, Taiwan (R.O.C.)	(05) 2342166
Hsinying Branch	1F., No. 150, Fuxing Rd., Xinying Dist., Tainan City 73043, Taiwan (R.O.C.)	(06) 6323871
Yung kang Branch	No. 839, Zhongzheng S. Rd., Yongkang Dist., Tainan City 71045, Taiwan (R.O.C.)	(06) 2545386
Chung-Hua Road Branch	No. 473-3, Xiaodong Rd., Yongkang Dist., Tainan City 71069, Taiwan (R.O.C.)	(06) 3125318
Guiren Branch	No. 218, Sec. 2, Zhongshan Rd., Guiren Dist., Tainan City 71146, Taiwan (R.O.C.)	(06) 2391711

Domestic Offices	Address	Tel
Tainan Branch	1F., No. 88, Zhongzheng Rd., West Central Dist., Tainan City 70048, Taiwan (R.O.C.)	(06) 2221281
Yenping Branch	No. 151, Sec. 2, Minquan Rd., West Central Dist., Tainan City 70042, Taiwan (R.O.C.)	(06) 2254161
Hsi-Tainan Branch	No. 94, Sec. 3, Minzu Rd., West Central Dist., Tainan City 70053, Taiwan (R.O.C.)	(06) 2235141
Tung-Tainan Branch	No. 95-1, Sec. 1, Beimen Rd., West Central Dist., Tainan City 70044, Taiwan (R.O.C.)	(06) 2267141
Nan-Tainan Branch	1F., No. 655, Sec. 1, Ximen Rd., South Dist., Tainan City 70245, Taiwan (R.O.C.)	(06) 2263181
Pei-Tainan Branch	No. 367, Sec. 4, Ximen Rd., North Dist., Tainan City 70465, Taiwan (R.O.C.)	(06) 2523450
An-Nan Branch	1F., No. 330, Sec. 4, Anhe Rd., Annan Dist., Tainan City 70969, Taiwan (R.O.C.)	(06) 3556111
Chishan Branch	1F., No. 102, Zhongshan Rd., Qishan Dist., Kaohsiung City 84257, Taiwan (R.O.C.)	(07) 6615481
Kangshan Branch	No. 293, Gangshan Rd., Gangshan Dist., Kaohsiung City 82041, Taiwan (R.O.C.)	(07) 6216111
Fengshan Branch	No. 264, Sanmin Rd., Fengshan Dist., Kaohsiung City 83058, Taiwan (R.O.C.)	(07) 7470101
Luchu Branch	No. 835, Zhongshan Rd., Luzhu Dist., Kaohsiung City 82152, Taiwan (R.O.C.)	(07) 6972151
Ta-Fa Branch	No. 101, Lixing Rd., Daliao Dist., Kaohsiung City 83167, Taiwan (R.O.C.)	(07) 7824356
Kaohsiung Branch	No. 59, Minquan 1 <sup>st</sup> Rd., Lingya Dist., Kaohsiung City 80251, Taiwan (R.O.C.)	(07) 3361620
Chi-Hsien Branch	1F., No. 456, Zhongxiao 1 <sup>st</sup> Rd., Xinxing Dist., Kaohsiung City 80055, Taiwan (R.O.C.)	(07) 2361191
Yencheng Branch	1F., No. 85, Dayong Rd., Yancheng Dist., Kaohsiung City 80343, Taiwan (R.O.C.)	(07) 5313181
Tung-Kaohsiung Branch	1F., No. 109, Zhongzheng 4 <sup>th</sup> Rd., Qianjin Dist., Kaohsiung City 80147, Taiwan (R.O.C.)	(07) 2217741
Nan-Kaohsiung Branch	No. 13, Yongfeng Rd., Qianzhen Dist., Kaohsiung City 80643, Taiwan (R.O.C.)	(07) 7158000
Pei-Kaohsiung Branch	No. 720, Houchang Rd., Nanzi Dist., Kaohsiung City 81142, Taiwan (R.O.C.)	(07) 3662566
Zuoying Branch	1F., No. 280, Bo'ai 4 <sup>th</sup> Rd., Zuoying Dist., Kaohsiung City 81369, Taiwan (R.O.C.)	(07) 3436269
Sanmin Branch	No. 157, Hebei 2 <sup>nd</sup> Rd., Sanmin Dist., Kaohsiung City 80749, Taiwan (R.O.C.)	(07) 2918131
Hsinhsing Branch	No. 139, Zhongzheng 2 <sup>nd</sup> Rd., Lingya Dist., Kaohsiung City 80274, Taiwan (R.O.C.)	(07) 2222200
Chanchen Branch	No. 155, Sanduo 3 <sup>rd</sup> Rd., Qianzhen Dist., Kaohsiung City 80655, Taiwan (R.O.C.)	(07) 3344121
Chiu-Ju Lu Branch	No. 7, Jiuru 2 <sup>nd</sup> Rd., Sanmin Dist., Kaohsiung City 80759, Taiwan (R.O.C.)	(07) 3123101
Chienhsing Branch	1F., No. 1, Yihua Rd., Sanmin Dist., Kaohsiung City 80770, Taiwan (R.O.C.)	(07) 3896789
Po-Ai Branch	No. 517, Bo'ai 1 <sup>st</sup> Rd., Gushan Dist., Kaohsiung City 80466, Taiwan (R.O.C.)	(07) 5545151
Lingya Branch	No. 2, Siwei 4 <sup>th</sup> Rd., Lingya Dist., Kaohsiung City 80247, Taiwan (R.O.C.)	(07) 3353171
Ta-Shun Branch	No. 109, Jianguo 1 <sup>st</sup> Rd., Lingya Dist., Kaohsiung City 80284, Taiwan (R.O.C.)	(07) 7715101
Pingtung Branch	1F., No. 117-2, Zhongzheng Rd., Pingtung City, Pingtung County 90074, Taiwan (R.O.C.)	(08) 7342705
Chaozhou Branch	No. 38, Zhongzheng Rd., Chaozhou Township, Pingtung County 92052, Taiwan (R.O.C.)	(08) 7883911
Tungkang Branch	No. 74, Zhongzheng Rd., Donggang Township, Pingtung County 92849, Taiwan (R.O.C.)	(08) 8351521
Hengchun Branch	No. 22, Hengnan Rd., Hengchun Township, Pingtung County 94641, Taiwan (R.O.C.)	(08) 8899665
Hualien Branch	No. 191, Zhongshan Rd., Hualien City, Hualien County 97047, Taiwan (R.O.C.)	(03) 8323961

Domestic Offices	Address	Tel
Taitung Branch	1F., No. 226, Zhengqi Rd., Taitung City, Taitung County 95044, Taiwan (R.O.C.)	(089) 324311
RC Northern Area 1	2F., No. 47, Sec. 1, Jinshan S. Rd., Zhongzheng Dist., Taipei City 10056, Taiwan (R.O.C.)	(02) 23973801
RC Northern Area 2	3F., No. 182, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02) 22401223
RC Central Area	12F., No. 78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22601588
RC Southern Area	4F., No. 85, Dayong Rd., Yancheng Dist., Kaohsiung City 80343, Taiwan (R.O.C.)	(07) 5219123
Taipei Securities Broker	3F., No. 68, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02) 23619654
Taichung Securities Broker	3F., No. 78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22660011
Chi-Hsien Securities Broker	3F., No. 456, Zhongxiao 1 <sup>st</sup> Rd., Xinxing Dist., Kaohsiung City 80055, Taiwan (R.O.C.)	(07) 2355658

Overseas Units	Address	Tel
New York Branch	685 Third Avenue, 29 <sup>th</sup> Floor, New York, N.Y. 10017, U. S. A.	1-212-6519770
Los Angeles Branch	333 South Grand Avenue, Suite 2250, Los Angeles, CA 90071, U. S. A.	1-213-6207200
Tokyo Branch	Marunouchi Trust Tower Main 7 <sup>th</sup> Fl., 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan	81-3-32128888
London Branch	4 <sup>th</sup> Floor, 6-8 Tokenhouse Yard, London EC2R 7AS United Kingdom	44-20-76006600
Hong Kong Branch	1401, Tower II , The Gateway, 25 Canton Rd., Tsimshatsui, Kowloon, Hong Kong	852-29561212
Singapore Branch	1 Finlayson Green #08-00 Singapore 049246	65-65320820
Manila Branch	43/F, Philamlife Tower, 8767 Paseo de Roxas Makati City, Metro Manila, 1226, Philippines	63-2-7621-0088
Yangon Representative Office	422/426 Corner of Strand Road and Botahtaung Pagoda Road, #10-02, Botahtaung Township, Yangon, Republic of the Union of Myanmar	95-1-8202095

Subsidiaries and their Branches	Address	Tel
CHB Venture Capital Co., Ltd.	10F., No. 57, Sec. 2, Zhongshan N. Road, Zhongshan District, Taipei City 10412, Taiwan, (R.O.C.)	(02)25362951
Chang Hua Commercial Bank, Ltd.	No. 371, Jiang Dong Middle Road, Jianye District, Nanjing City, Jiangsu Province, P.R.C.	86-025-88811000
Chang Hua Commercial Bank, Ltd., Kunshan Branch	1F & 2F, Tower A, 88 Hei Long Jiang North Rd., Kunshan City, Jiangsu Province, P.R.C.	86-512-57367576
Chang Hua Commercial Bank, Ltd., Kunshan Huaqiao Sub-Branch	No. 538, Shangyin Rd., Huaqiao Town Kunshan City, Jiangsu Province, P.R.C.	86-512-36690188
Chang Hua Commercial Bank, Ltd., Dongguan Branch	Room 801, TBA Tower1, No. 11, Dongguan Boulevard, Dong Cheng District, Dongguan City, Guangdong Province, P.R.C.	86-769-23660101
Chang Hua Commercial Bank, Ltd., Fuzhou Branch	No. 04, 05 14F, Hengli City, 128-1, Wusi Road, Fuzhou, Fujian Province, P.R.C.	86-591-86211320
Chang Hua Commercial Bank, Ltd., Nanjing Branch	No. 371, Jiang Dong Middle Road, Jianye District, Nanjing City, Jiangsu Province, P.R.C.	86-025-88811000

Chang Hwa Commercial Bank, Ltd.

Chairperson *Joanne Ling*