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TBB's Annual Report is available at : https://www.tbb.com.tw





Notice to readers If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.



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Flotation at Overseas Stock Exchange and Information Inquiry: None Please refer to Chapter X for the Directory of Head Office and Branch Units. 臺灣中小企業銀行 Taiwan Business Bank <sup>深耕臺灣 連結亞太 布局全球</sup> We can be the best!

# Contents

## 04

16

18

## I. Letter to Shareholders

- 05 1. Operation Results in 2022
- 1 2. Business Plan for 2023
- 14 3. Future Development Strategies
- 14 4. Influences from the External Competitive Environment, Legal Environment, and the Overall Economy
- 15 5. Results of Latest Credit Rating

## II. Bank Profile

### III. Corporate Governance Report

- 19 1. Organization
- 21 2. Directors and Management Team
- 39 3. Operations of Corporate Governance
- 60 4. CPA Professional Fees
- 60 5. Information on Changing CPAs
- 60 6. The Bank's chairman, president, or any manager in charge of finance or accounting matters who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated enterprise
- 61 7. Changes in Shareholdings of Directors, Executive Officers, and Shareholders Conform to the Requirements under Article 11 of the Regulations Governing the Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank
- Information Disclosing the Relationship among Top Ten Shareholders in the Relationship of Related Parties or Spouses, Relatives within the Second Degree of Kinship
- 67 9. Shareholding in the Same Investee Company of a Business Directly or Indirectly Controlled and Managed by Directors, President, Executive Vice Presidents, and SVP & GM of Departments and Branches, and the Consolidated Shareholding Ratio

### **IV. Fund-Raising Status**

- 69 1. Capital and Shares
- 72 2. Issuance Status of Financial Bonds
- Preferred Stocks, Global Depository Receipts, and Employee Stock Warrants, New Restricted Employee Shares, Any Merger and Acquisition Activities, and Acceptance of Transfer of the Shares of Another Financial Institution
- 77 4. Status of Implementation of Capital Allocation Plans

### V. Business Operation

- 79 1. Business Scope
- 91 2. Employees
- 94 3. Corporate Responsibilities and Moral Conduct
- 94 4. Number of Non-managerial Full-time Employees and Their Average and Median Salaries
- 94 5. Information Equipment
- 95 6. Cyber Security Management
- 97 7. Labor-Management Relations
- 98 8. Important Contracts
- 99 9. Relevant Information on Securitization Products



**68** 

78

## 100

## **VI. Financial Status**

- 1 Condensed Consolidated Balance Sheets and Consolidated Statements of Comprehensive Income for the Past Five Years
- 105 2. Financial Analysis for the Past Five Years
- 3. Audit Committee's Audit Report on the 2022 Financial Statements
- 112 4. Representation Letter for 2022 Consolidated Financial Statements
- 113 5. Independent Auditors' Report for 2022 Consolidated Financial Statements
- 126 6. 2022 Consolidated Financial Statements and Accompanying Notes
- 218 7. Independent Auditors' Report for 2022 Individual Financial Statements
- 221 8. 2022 Individual Financial Statements and Accompanying Notes
- 321 9. Financial Difficulties Confronted by TBB or Its Associates and the Related Impacts

322

## VII. Review, Analysis, and Risks of Financial Conditions and Performance

- 323 1. Financial Position Analysis
- 324 2. Financial Performance Analysis
- 324 3. Analysis of Cash Flow
- 324 4. Impact of Major Capital Expenditure on Financial Operations in 2022
- Long-term Equity Investment Policy for 2022, the Main Reasons for the Profit or Loss Generated thereby, the Plan for Improving Profitability, and Investment Plans for the Coming Year
- 325 6. Risk Management
- 337 7. Crisis Management and Response Mechanism
- 337 8. Other Significant Events

## 338 VIII. Special Notes

- 339 1. Information Regarding the Bank's Subsidiaries
- 341 2. Progress of Private Placement of Securities and Financial Bonds
- 341 3. The Bank's Subsidiaries' Shareholding or Disposal of the Bank's Shares
- 341 4. Additional Disclosure
- Pursuant to Item 2, Paragraph 3, Article 36 of Security and Exchange Act, the Incidence Exerting Material Influence on Shareholders' Rights or Security Prices

342

### IX. Sustainable Development Report

- 343 1. Promotion of Sustainable Development and Responsibility Analysis
- 344 2. Material Issues
- 352 3. Climate-related Financial Disclosures
- 357 4. The Bank's achievements in promoting sustainable development in 2022

## 364 X. Directory of Head Office and Branch Units







# **Letter to Shareholders**

- 05
  1. Operation Results in 2022
  2. Business Plan for 2023
  3. Future Development Strategies
  4. Influences from the External Competitive Environment, Legal Environment, and the Overall Economy
- 15 5. Results of Latest Credit Rating

As the Russia-Ukraine war dragged on in 2022, pandemic lockdowns in China sent shock waves through economic and trade activities as well as supply chains. Moreover, major economies started raising interest rates, leading to tightening financial conditions, and hence the growth of the global economy continued the downward trend. On the whole, central banks of major economies adopted different monetary policies based on respective economic and financial conditions in the first half of 2022. Most economies tightened monetary policies in order to curb high inflation. Moving into the second half of 2022, inflation remained high around the world, which dampened the post-COVID recovery of the travel and consumption sectors. In addition, tightening monetary policies deterred aggregate demand and the global economy continued to slow down while central banks of major economies turned to aggressive rate hikes to curb high inflation. The U.S. raised rates by a total of 4.25% in 2022, while the Bank of Japan (BoJ) passed a resolution to maintain a large scale quantitative easing monetary policy, and the People's Bank of China (PBoC) lowered rates to ease the downward pressure on its economy.

Going forward, benefiting from more countries easing border controls implemented during the pandemic and multiple incentives offered by the Taiwanese government to encourage banks to provide financing for supporting industry growth, the Bank will continue to optimize asset quality, create diversified profit sources, and undertake lower risk-weighted businesses to enhance the efficiency of capital utilization, which include strengthening the DBU replace OBU foreign currency loans, and actively engaging in the entire builder's mortgage loans business. Moreover, the Bank will keep reviewing the value system and improving operating efficiency. We place equal emphasis on the cultivation of talents, digital technologies, and corporate governance, and strive to

achieve comprehensive sustainability through the implementation of compliance, refined internal audit and control, and improved IT security resilience. Lastly, the Bank will enhance organizational resilience and pursue mutually beneficial sustainability. By continuing to assist customers in low carbon transformation and net-zero emissions, the Bank can grasp the risks and opportunities closely and develop sustainable products, operations, and loans while pursuing profit growth. The combination of digital technologies and sustainable development will increase the operational resilience and lay a more solid foundation for the Bank.

#### 1. Operation Results in 2022

#### (1) The Domestic and International Financial Environments

In March 2022, given strong employment growth and persistently high inflation, the Federal Open Market Committee (FOMC) decided to raise the federal funds rate range by 0.25%, that is, between 0.25% and 0.50%. Since the U.S. started the rate hike cycle, it raised the rates by a total of 4.25% in 2022, and the benchmark rate up to a range of 4.25% to 4.50%. The ECB maintained the same policy interest rate in the first half year. However, it started offloading bond purchases and discontinued bond purchases in the third quarter, which has since followed with multiple increases in policy interest rate. Meanwhile, Japan held the short term policy interest rate steady at -0.10% to support domestic economic recovery, and in order to keep the long term rate target (10year government bond yield) at approximately 0%, it continued to carry out government bonds purchasing plan. In China, due to the strict lockdown measures, private consumption has been seriously impacted, leading to a weakened real estate market. To ease

Chairman Chien-Hao Lin

the effects of the pandemic on the economy, the People's Bank of China has reduced various key rates (such as market rates quoted for loans of different terms) several times.

In Taiwan, the conflict between Russia and Ukraine that started in February 2022 pushed prices of raw materials up significantly in the global market and added to the pressure of imported inflation in the country. Moreover, as consumer prices kept rising, domestic demand started to shrug off the effects of the pandemic, the labor market continued to improve and some economies started the rate hike cycle, the central bank thus decided to raise the discount rate, the accommodations with collateral rate, and the accommodations without collateral rate by 0.25% respectively in March 2022. The central bank subsequently raised the aforementioned rates by 0.125% respectively in June, September, and December. In terms of exchange rates, the US dollar kept rising since the Fed started the rate hike cycle, and the New Taiwan dollar remained weak against the US dollar. The depreciation of NTD was most apparent in the third quarter (6.4%), and in the fourth quarter, it depreciated first before rising. The New Taiwan dollar fell from 27.632 at the beginning of 2022 to 30.708 at the end of the same year, with a total depreciation of NT\$3.076, or 11.13%, in 2022.

#### (2) Changes in the Bank's Organization

None.

#### (3) Implementation of Business Plans and Operating Strategies

A. Profitability:

The Bank carried out a capital increase of NT\$2.865 billion via transferred earnings and issued stock and cash dividends of NT\$0.37 per share and NT\$0.10 per share, respectively, for the previous year (2021). Net income after tax for 2022 amounted to NT\$10.122 billion (net income before tax was NT\$12.040 billion).

- B. Core Businesses:
  - a. NTD deposit business

The Bank strove to increase the scale of NTD demand deposit to reduce the capital costs and increase earnings. In 2022, the cumulative average balance of the Bank's NTD demand deposits was NT\$802.478 billion, an increase of NT\$63.208 billion from NT\$739.270 billion in 2021, a growth rate of 8.55%.

- b. Corporate Banking
  - The Bank was recognized as an "Outstanding Bank" under the "Program to Encourage Loan Projects by Domestic Banks to SMEs (Group A)" organized by the Financial Supervisory Commission (FSC).
  - 2) The Bank was recognized as an "Grade-A Bank" under the "Program to Encourage Loan Projects by Domestic Banks to Key Innovative Industries (Group A)" organized by the FSC.
  - The Bank won the "Outstanding Performance Award" and "Inclusive Finance Award" under the "Outstanding Financial Institutions for SMEs Project Loans" from the Central Bank.
  - 4) The Bank won seven awards from the MOEA for the SMEs Credit Guarantee Financing Business Outstanding Financial Institutions, namely the Youth Entrepreneurship, Start-up and Micro Businesses Support Award, the Policy Facilitation Award, the Economic Relief and Stimulus Award, the Excellent Award for Collections for Guarantee Cases, the Collaboration with Corporates Award, the Excellent Credit-Granting Bank for the Program of Increasing Start-up Business Relief Financing, and the Managing Bank for the Program of Increasing Start-up Business Relief Financing.
  - 5) The Bank received the "Best SME Service Award" from the Excellence Magazine under the category of non-financial holding for the "2022 Excellent Bank."
  - 6) In the extension of SME loans, the Bank ranked No. 1 in Taiwan in the total guarantee amount of loans transferred for guarantees to the Small and Medium Enterprise Credit Guarantee Fund.
- c. Foreign Exchange Business

In 2022, the Bank focused on the active promotion of expansion measures for different foreign exchange businesses. In 2022, the Bank's accumulated average balance of foreign currency deposits was NT\$338.063 billion, representing an increase of NT\$77.398 billion or a growth of 29.69% as compared with the average balance of NT\$260.665 billion in 2021. In 2022, the Bank's accumulated average balance of foreign currency loans was NT\$153.957 billion, representing an increase of NT\$20.173 billion or a growth of 15.08% as compared with the average balance of NT\$133.784 billion in 2021. In 2022, the Bank's accumulated transaction amount of foreign exchange business was US\$77.459 billion,

representing an increase of US\$8.396 billion or a growth of 12.16% as compared with US\$69.063 billion in 2021.

d. Wealth Management

In 2022, the Bank focused on strengthening its wealth management business by vigorously expanding fee income from the insurance, fund, and foreign bond businesses, with boosting revenue and generating profit as the priority goal, and actively promoted the wealth-management focused projects. Fee income from the wealth management business amounted to approximately NT\$1.916 billion in 2022, representing an increase of NT\$0.266 billion or a growth of 16.12% as compared with NT\$1.650 billion in 2021.

- C. Innovative Products:
  - a. Continue to develop innovative products to provide more convenient services
    - Type 2 digital deposit account service is made available through cardless application to existing deposit account holders of the Bank.
    - Types 1, 2 and 3 foreign currency digital deposit account services are made available through online application.
    - 3) A Wi-Fi security checker is made available through the mobile banking app. Cross border lock and late night lock are added to online banking and mobile banking.
    - Mobile income tax filing and Taiwan Pay enabled payment are made available through mobile banking.
    - 5) Interbank ATM cardless withdrawal function is made available through the mobile banking app.
    - The icash Pay e-Payment Account Linking service was launched.
    - Robotic process automation (RPA) was introduced into the e-Loan platform to facilitate the online application process.
    - The smart helper iMoney was introduced to provide frequently used banking services (such as inquiry, transfer, and voice navigation) to customers.
    - Exchange rates, term/savings deposit rates, and branch information on the CWMoney app and Consumer Info on the TDCC e-Passbook app are made available for viewing to customers.
  - b. Develop products according to the social trend and provide diversified services to customers
    - Auction, smart stock selection and other services were implemented as an upgrade to the e-Trade app in order to improve the quality of mobile securities trading service provided by the Bank and meet the wealth management needs of different customer groups.
    - 2) The Bank developed the intraday odd lot trading service in alignment with Taiwan Stock Exchange's new system and customers' trading needs. Since July 2022, the minimum handling fee for electronic odd lot trading has been reduced to NT\$1 to increase the willingness of investors on a small budget to invest.
    - 3) In line with the government's pro-natalist policy, the Bank organized consumption loans of "Gold Pregnancy" and "Luck Pregnancy," hoping to increase the fertility rates of nationals. As of the end of December 2022, the cumulative number of loan disbursements was 1,712, which amounted to NT\$669 million.

President Chih-Chien Chang

- D. Expansion of the Scope of Channel Services:
  - a. To provide better and more comprehensive financial services, the reallocation of the Pu Chya Branch was completed and re-opened for business on July 25, 2022.
  - b. To align with the "Blueprint for Developing Taiwan into a Bilingual Nation by 2030" promulgated by the government, the Bank aims to provide a bilingual-friendly environment for financial services. As of the end of 2022, 50 branches of the Bank had been upgraded to bilingual branches and we intend to increase 25 more bilingual branches in 2023. It is estimated that all branches shall become bilingual by the end of 2025.
- E. Information Operations and Information Security:
  - a. Improvement to system and service functions
    - 1) Simplified core billing systems: Real-time inquiries of borrowers' accounts and guarantors' information on peripheral systems are provided to shorten data query time and improve branch efficiency.
    - 2) Tiered storage equipment management: Storage disks were categorized and organized according to system requirements and transaction natures in order to reduce the cost of business data storage.
    - Simplified robot-assisted AML operation: RPA was implemented to quickly identify highly similar alerts and simplify the operating process for branch employees.
    - 4) Rebuilding the CRM system: For the purpose of increasing customer loyalty and contribution, customer data was integrated and made available to salespersons for reference.
    - 5) Building open API gateway and management platform: Time to market is reduced for new businesses or services for external parties and access and traffic are controlled and monitored.
  - b. Reinforce the defense mechanism for the information system
    - Duly implemented the Bank's cyber security maintenance program, the effectiveness of which has been confirmed by a third-party organization, and reported to the Board of Directors on the achievement of cyber security targets on a quarterly basis.
    - Supervised the compliance in the operations of overseas branches, including the cyber defense program in Hong Kong, PART 500 in New York, and CPS 234 in Australia. The Bank has met all the local authorities' requirements in 2022.
    - 3) White-hat hackers (red team) exercises were organized to identify hidden IS security risks by simulating real hacker attacks. System management units were also brought in to make improvement and strengthen IS defense capability and response to network attacks on the Bank.
    - 4) Carried out a total of 6 email social engineering drills in 2022 to strengthen employees' awareness of information security, as well as conducted DDoS attack and defense drills, which not only achieved the expected protection results, but also verified the effectiveness of the information security defense mechanism.
    - 5) 3-hour information security awareness courses and 1-hour IoT information security training courses are provided to all branch employees in order to raise awareness of information security and increase knowledge of IoT security. Role specific training is also provided to IS personnel to enhance IS security skills.
  - c. Continuous promotion of the digital banking business
    - Actively promoted the Taiwan Pay acquiring businesses, endeavored to increase the rate of adopting the QR Code common payment service by established merchants, and organized marketing discount events to facilitate the penetration rate of e-payment.
    - 2) Promoted the rights and benefits of digital deposit accounts, allowing the public to enjoy convenient financial services including online deposits, withdrawals, transfers, and consumption.
    - For digital marketing development and social media operations, the Bank designed a series of marketing activities to boost its share of voice on social media with TBB's digital brand mascot, Hokii Penguin.
    - 4) The Bank is recognized by the following domestic awards:
      - ① The 19th National Brand Yushan Award of 2022
        - (a) Five-Heart Mobile Banking Most Understanding Bank in Your Pocket: Best Product Category.
        - (b) i-Money Most Intuitive Voice Technology: Best Product Category.
        - (c) Hokii Digital Account Enjoy Your e-Life: Best Popular Brand Award/National First Prize.
        - (d) Network Security Sentinel Safeguarding Your Account: Best Product Category/National First Prize.

- ② The Customer Se rvice Excellence Award (CSEA) of 2022
  - (a) Best Internet Service Enterprise Award.
  - (b) Best Smart Application System Award.
- ③ 2021 Awards for Financial Institutions Promoting ACH and Enhanced Financial Collection Service (eFCS):
  - (a) eFCS Payment Processing Promotion Award.
  - (b) eFCS Specific Payment Processing Promotion Award.
- F. Implementation of Legal Compliance and Anti-Money Laundering Operations:
- a. Implementation of legal compliance and anti-money laundering in line with the regulations of the competent authority
  - 1) Due to the practical operations and changes in relevant laws and regulations, the Bank continues to amend its procedures for anti-money laundering and combatting the financing of terrorism.
  - The Bank performed its compliance risk assessment (CRA) and comprehensive Institutional Risk Assessment (IRA) for 2021 and reported to the FSC after being approved by the Board.
  - b. Holding of regular compliance and anti-money laundering training, and irregular online video conferences for domestic business units
    - The Bank organized the online training program "2022 Seminar for Anti-money Laundering and Combating the Financing of Terrorism" from June to August of 2022, and promoted the trend of preventing money laundering and combating terrorism, as well as shared relevant cases, with video conferencing on December 9, 2022.
  - 2) A "Compliance Officer Seminar" was held in each of the first and second halves of 2022.
  - c. Strengthening of the monitoring mechanism for compliance follow-up cases

According to the "Legal Compliance Follow-up Cases Control System," the letters regarding relevant laws and regulations from external parties and changes in laws and regulations that the Bank shall comply are all included in the "Legal Compliance Follow-up Cases" for control. The Bank compiles the subsequent implementation of "Legal Compliance Follow-up Cases" replied by relevant departments on a monthly basis and reports to the Chief Compliance Officer, to ensure that all operations and business activities comply with relevant laws and regulations..

- d. Reinforcing the control mechanism of the second line of defense
  - To reinforce the strength of audits, the Chief Compliance Officer (also the AML/CFT Dedicated Officer) led managers of business management departments and dedicated units to conduct on-site visits and random tests for legal compliance and anti-money laundering on selected domestic branches with a higher number of deficiencies found during the internal and external audit in 2022.
  - 2) Meetings are held for "major deficiencies and outstanding improvement from previous inspections". Any vulnerability identified will be corrected immediately through the feedback mechanism. Implementation of improvement measures will be verified to effectively reduce deficiencies.
- e. Engaged CPAs to carry out the project audits for anti-money laundering and combatting the financing of terrorism for 2021 in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries."
- G. Enhance Risk Control and Improve Assets Quality:
  - a. The Bank completed the analysis of risks and opportunities for Climate-Related Financial Disclosure (TCFD) in 2022, and has disclosed TCFD information in the Bank's Sustainability Report.
  - b. An internal credit rating system, Credit Card Review, was implemented to strengthen the Bank's capability in credit risk management.
  - c. Plans are made for Basel III capital requirements.
  - d. For the purpose of complying with the competent authority's requirements and simplifying the stress scenario setting process for market risk, the Bank has established a clear process for constructing stress scenarios for market risk and added indicators for measuring interest rate risk in response to retirement of LIBOR.
  - e. Performance evaluation criteria such as "return on risk-weighted assets", "eligible collaterals", and "average credit risk weights and credit risk-weighted assets" were used to guide the business units to modify lending structures and reduce risk-weighted assets in order to improve the Bank's financial structure.

- f. As the FSC amended the qualitative and quantitative indicators for IRRBB, the Bank implemented the module related to "IRRBB quantitative indicator calculation" in its ALM system to improve its risk control capabilities.
- H. ESG Sustainable Development:
  - a. Strengthen corporate governance and pursue sustainable development
    - The Bank has long strived to enhance its corporate governance and ranked in the "Top 6%-20% of the Listed Companies Group" in the 2021 Corporate Governance Evaluation held by the Taiwan Stock Exchange.
    - 2) We actively increased our communication channels for domestic and overseas investors, and an online investor conference was respectively held on March 24, 2022; May 30, 2022; and September 8, 2022. In addition, each investor has immediate access to information on the Market Observation Post System (MOPS), and can also obtain the same information simultaneously on the Bank's official website.
    - 3) The 2021 Sustainability Report has been verified by an external third party based on the AA1000 Assurance Standard TYPE1 to comply with the Core Options of the GRI Standards, and obtained the Certification of Moderate Level of Assurance. In addition, the Report has passed two stages of verification by the British Standards Institution (BSI) for 7 consecutive years, and an Independent Assurance Opinion Statement was issued to the Bank by BSI.
    - 4) The "Climate-Related Financial Disclosure (TCFD) Report" was released for the first time in 2022, which was verified by the British Standards Institution (BSI) and awarded the highest level of certification "Level-5: Excellence".
    - 5) The Bank has officially signed to join the Equator Principles Association and became one of the global Equator Principles member banks.
    - 6) The Bank received the Gold Award in the financial and insurance group of corporate sustainability report division under the 15th TCSA Taiwan Corporate Sustainability Awards of 2022 organized by the Taiwan Institute for Sustainable Energy.
    - 7) The Bank won the Social Empowerment Award of the Asia Responsible Enterprise Awards (AREA). This helped increase the Bank's visibility and our ESG corporate image.
  - b. Continual implementation of senior caring policy, donations to vulnerable groups, and active participation in public benefit affairs
    - The Bank continued the sponsorship of the Senior Learning Centers to improve the quality of life and care for the disadvantaged elderly in the community. As of the end of 2022, we have set up 20 Senior Learning Centers across Taiwan, and the cumulative sponsorship has amounted to NT\$20.24 million. The cumulative number of beneficiaries is more than 280,000 per year.
    - 2) The Bank continued to promote the elder care trust and won the Outstanding Award of "Trust Industry Promoting Trust 2.0 Project Evaluation Phase 1 - Elder Care Trust Award", as well as received the two Excellence Awards, namely Urban Renewal Trust Innovation Award and Best Innovative Trust Award, from the 2nd Trust Award of 2022 hosted by the Commercial Times.
  - c. Combining environmental sustainability with the core business to promote green financial products
    - Preferential financing terms are provided to encourage individual customers to purchase renewable energy powered equipment, green building label properties, and energy saving label appliances, so as to reduce carbon emissions and energy consumption. A total of NT\$39.76 million of loans were approved in 2022.
    - 2) By injecting funds into environmental protection and green energy related industries and SMEs, and providing upgrade & transformation counseling, sustainable financing and other one-stop services, the Bank guides corporate customers to implement ESG sustainability. A total of 899 green energy loans were approved in 2022.
    - As part of its support for urban renewal and sustainable lifestyle, TBB provides the public with onestop services, including case-by-case advice, guidance, project financing and trust management. A total of NT\$68.699 billion of urban renewal loans were approved in 2022.
    - 4) The Bank launched one ESG concept fund in 2022.

1) The Environmental Protection Administration of the Executive Yuan and the Department of Environment Protection of the Taipei City Government cited the Bank 11 years in a row for outstanding performance in green procurement.

d. Fulfilling responsibility for environmental protection and continued energy conservation and carbon

- The head office building was awarded the certificate for ISO50001 & ISO14001 Energy Management System.
- 3) The Bank won the "2022 Taipei City Zero Carbon Benchmarking Award" under the Industrial and Commercial Industry Group B Model Award.
- 4) The Bank had formulated its "Environmental Sustainability Management Handbook" and "Measures for Water and Electricity Conservation" with scheduled follow-up on the status of water and electricity conservation by different units. Various energy conservation improvement programs were vigorously implemented in order to enhance the energy efficiency of equipment and save on electricity costs.

#### (4) Budget Implementation

emission reduction efforts

- A. The annual average balance of deposits was NT\$1,739.721 billion, for an achievement rate of 100.79%.
- B. The annual average balance of outstanding loans was NT\$1,349.760 billion, for an achievement rate of 101.73%.
- C. The foreign exchange transactions amounted to US\$77.459 billion, for an achievement rate of 110.66%.
- D. The securities brokerage business amounted to NT\$493.215 billion, for an achievement rate of 41.14%.

#### (5) Revenues, Expenditures, and Profitability

- A. Net income for 2022 amounted to NT\$28.529 billion; bad debt expense, commitment, and provision for guarantee liabilities totaled NT\$2.386 billion; operating expenses were NT\$14.103 billion; before-tax net income from continuing operations was NT\$12.040 billion; net profit after tax was NT\$10.122 billion; return on assets ratio (after-tax) amounted to 0.49%; return on equity ratio (after-tax) amounted to 9.84%; net profit margin (after-tax) was 35.48%, and earnings per share (after-tax) was NT\$12.6.
- B. Net income before taxes (excluding provisions) in 2022 amounted to NT\$14.426 billion, an increase of NT\$3.436 billion over 2021. NT\$2.386 billion was allocated as an allowance for bad debts in order to strengthen risk appetite. Before-tax net profit for 2022 amounted to NT\$12.040 billion, an increase of NT\$6.238 billion over 2021, primarily due to the increase in deposits, the net interest income, the net service fee revenue and the net revenue of financial products.
- C. The non-performing loan (NPL) ratio at the end of 2022 stood at 0.20%, a decrease of 0.08% compared with the end of 2021. The bad-debt coverage ratio was 653.28%, an increase of 230.59% over the end of 2021.

#### (6) Research and Development

- A. Establishment of an Exclusive Unit for Industry Research
  - a. A total of 120 industry analysis reports were written and published in the Bank's E-Library in 2022 for colleagues to peruse.
  - b. Elite professionals from industry, government, and academia are invited to speak on an occasional basis to help the Bank's employees understand the latest trends in industrial development.
- B. Encouragement of Innovation and Professionalism in Line with Business Development Needs Business lectures are held on a scheduled basis and a wide variety of digital learning courses are offered to encourage employees to engage in further on-the-job studies and absorb new knowledge that will strengthen their competitiveness and enhance their professional know-how.

#### 2. Business Plan for 2023

#### (1) Operating Directions

- A. Optimize asset quality and diversify profits
  - a. Strengthen credit quality and loan delay management and improve collection performance to reduce new nonperforming loans.
  - b. Develop insights into global developments, respond quickly through risk management, and make dynamic asset allocation to enhance capital efficiency.

- c. Increase the percentage of demand deposits and attract cash flows of customers to boost fee income and adjust the revenue structure.
- d. Develop closer relationships with core customers and expand the customer base, increase customer added value through the all-in-one approach, and create diversified revenue sources.
- B. Inspect value system and improve operating efficiency
  - a. Pay equal attention to development of talent, technology, and governance while improving response ability and securing a strong driver of strategic development.
  - b. Follow a customer centric approach, take advantage of digital technologies, and value innovative financial services to enhance operating capabilities.
  - c. Raise risk management awareness, ensure compliance and refine internal control, and improve IT security to lay a solid foundation for the Bank.
- C. Build up organizational resilience and pursue mutually beneficial sustainability
  - a. Understand environmental and social changes, extend influence as a bank, and continue to help customers with low carbon transformation and net-zero emissions.
  - b. Grasp the risks and opportunities closely, build up digital trust, enhance operating resilience, and pursue mutually beneficial sustainability for business.

#### (2) Operating Policies

In the face of uncertain challenges such as supply chain reorganization, geopolitical risks, succession of personnel and ever-changing international financial situation, the Bank always adheres to its core value of "SME Specialized Bank" and utilize the four aspects on its strategy map with a bottom-up approach. In line with the aspects of learning & growth, internal procedures, customers, and finance, the Bank will establish a strategy structure with specified directions and centralized resources, and review the internal and external value chains to incorporate sustainable thinking into daily operations and procedures, continuing to optimize through digital and green transformation to provide customers with premium services. The Bank will work to realize our business vision, become the bank of choice for SMEs by providing complete financial services to SMEs, business owners, major shareholders, and all employees, and become a high-quality bank with all-around financial services, thereby achieving the goal of sustainable development.

#### A. Learning & Growth

- a. Optimize human capital: Transformation of human capital is key to the transformation of the Bank and sustainable operations. Professional training is provided for all employees on an ongoing basis and recruitment takes place across different fields through various channels. There is an emphasis on career development for employees as well as an effort to develop promising potential. There is also an emphasis on employee benefits and fair and reasonable pay. A safe and comfortable work environment is created to cultivate and retain talent.
- b. Augmented IT performance: Strong IT capabilities are essential to supporting and protecting the rights of the Bank and its customers. Overall performance is augmented through optimization of IT and digital equipment. Cyber security defense and monitoring capabilities are also strengthened. There is a constant effort to find a balance between digital transformation and cyber security and to implement resilient infrastructures.
- c. Building organizational capital: Learning is the cornerstone of sustainable development. A corporate culture of learning and sharing encourages employees to engage in internal innovation and reach their full potential. A comprehensive accountability mechanism is put in place to encourage a culture of accountability and teamwork. All employees work together toward sustainable development.

#### **B.** Internal Procedures

a. Deepened business management: Set goals and follow through with execution in response to significant changes in the internal/external environment. Construct a flexible management framework, develop knowledge management and improve response, and continue to formulate best practice processes for better operating performance and value. Respond to emerging risks and climate change risk, strengthen risk management capabilities, and develop a risk management framework for better sustainable operations.

13

- b. Precise CRM: Respond to customer needs, take advantage of digital technology to integrate data, expand the customer base with precision, know the right approach to customer communication, continue to observe and act with speed, validate ideas for optimizing products and services, improve service efficiency, and increase customer loyalty and product stickiness.
- c. Develop innovative management: Apply innovative thinking to analyze value chain activities, strengthen core advantages through cross industry alliances, utilize digital capabilities, and refine product and service models. Pursue energy efficiency and green transition, place emphasis on digital trust, create a new financial environment defined by sustainability, extend influence as a financial intermediary, and increase the value of products and services to the environment and society.
- d. Implement ESG governance: Adhere to compliance and build on trust and integrity, follow sustainable governance, and enforce supervisory practices in business and management activities. Pay attention to AML/CFT, whistleblower protection and consumer rights. Follow sound governance practice for more stable and transparent operation. Optimize internal/external value chain in terms of sustainability, and increase the Bank's value and competitiveness in the long run.
- C. Customers
  - a. Optimize products and services: Monitor customer needs in different areas, develop new business models, focus on customer experience, increase customer satisfaction, and conduct precision marketing on target audience. Combine core products to increase penetration and provide one-stop integrated service solutions. Develop innovative and competitive sustainable products, increase added value for SME customers, and resolve environmental and social issues to increase shared value from products and services.
  - b. O2O integrated channels: Extend the reach of virtual channel services, gradually expand and complete the product line, build customer trust in O2O integration, and provide one-stop quality financial services. Combine customer views from all channels, fully present each aspect of customers and various service channels, analyze interactive customer experience and value, and increase value of each channel.
  - c. Focus on the role as a specialized bank: Clearly define the Bank as a SME specialized bank, reinforce the core business service for SMEs, utilize product and marketing capabilities, and shape a brand image as a professional bank while expanding the customer base. Work with stakeholders to support sustainability and extend influence as a member of the community to help customers practice environmental conservation and transformation.
- D. Finance
  - a. Optimize asset quality and diversify profits: Control asset quality, strengthen risk management and improve asset allocation to expand the scale of operations; widen the deposit-loan interest rate spread and improve the efficiency of capital utilization; increase the added value of customers with All-inone approach to create diverse sources of income; increase the proportion of revenue and profit from overseas branches to strengthen profitability.
  - b. Enhance core capital and develop sustainable values: Comply with the monitoring requirements of the competent authority regarding authorized capital; ensure a healthy capital structure and the goal of optimized resource allocation; strengthen the risk appetite to expand the growth of operating income; bring goodness to society while pursuing profitable growth to maximize shareholders' value.

#### (3) Business Targets

To give equal weight to the protection of shareholder interests, improve the capital structure, and enhance asset quality, the Bank has set the following targets in consideration of the Directorate General of Budget, Accounting and Statistics for 2023.

- A. Annual average deposit balance: NT\$1,810.630 billion.
- B. Annual average balance of loans outstanding: NT\$1,420.287 billion.
- C. Total foreign exchange transactions: US\$80.864 billion.

#### 3. Future Development Strategies

- (1) Reform the corporate culture, recognize changes and advance with the times, cultivate a culture of accountability, and enhance the execution ability.
- (2) Strengthen the core SMEs business, provide one-stop services based on customers' needs, attach importance of passing on experiences to gain customers' trust, and become SMEs' bank of choice in Taiwan.
- (3) Diversify profit sources, increase profit momentum from multiple aspects to enhance capital, conduct cash capital increase in a timely manner, strengthen the capital structure, and develop future development potential.
- (4) Develop digital finance in alignment with trends, promote digital transformation, continue to reinforce digital financial services and upgrade information systems, optimize internal processes, and support the development of various business services.
- (5) Shape a corporate culture with compliance as the top priority, strengthen risk control to improve asset quality, and reinforce the three lines of defense for internal control.
- (6) Continue to inspect the manpower structure, cultivate critical talents, optimize the human resource structure, accelerate successor training, and shape a corporate culture of "learning and sharing" through education and training to increase employees' loyalty.
- (7) Adhere to the ESG concept, strengthen corporate governance, care for employees, take environmental sustainability into account, assist customers in low-carbon transformation, protect customers' rights and interests, and realize public welfare, to achieve sustainable development.

## 4. Influences from the External Competitive Environment, Legal Environment, and the Overall Economy

#### (1) External Competitive Environment

- A. As COVID-19 is now considered as a flu worldwide, disease control measures are being lifted gradually. However, as the global economy continues to struggle, the Bank works with the government's relief loans, "Three Major Programs for Investing in Taiwan" and "6 Core Strategic Industries Promotion Program" to satisfying the funding needs of enterprises affected by the pandemic in a timely fashion. The Bank also helps domestic businesses complete upgrade or transformation and increase resistance to environmental effects. Furthermore, the Bank supports Taiwanese businesses to return to Taiwan to invest, and join businesses in driving economic growth in Taiwan during the post-pandemic era of co-existing with viruses.
- B. The Russia-Ukraine war has cast a shadow on global economic growth. Russia is a major supplier of oil and natural gas while Ukraine is a major supplier of wheat and corn. Shortage of these goods knocked supply and demand out of balance. Rising prices accelerated inflation and affected economies worldwide, which had lasting effects on overall spending and economic activities. Investors turned more conservative and cautious in their investment strategies in the financial markets. The Bank will closely watch risk changes in the financial markets and bring in diversified products as appropriate in response to market trends. The Bank will also disclose investment risks before sale in order to safeguard the rights of its customers.

#### (2) Regulatory Environment

- A. For the purpose of promoting fair and reasonable treatment of customers and prevention of financial exploitation of elderly customers to help banks better protect elderly customers in their consumer rights, the Bankers Association established the Self Regulatory Guidelines for Fair Treatment of Elderly Customers, which was filed with the FSC under the Letter Jin-Guan-Yin-He No.1110133182 dated March 23, 2022. The self regulatory guidelines provide rules on collection of personal information, performance of KYC, assessment of suitability of product to be sold, and background questions when conducting business with elderly customers. Related control and response measures were put in place by the Bank.
- B. In order to pursue the goal of providing secure, convenient and uninterrupted financial services, the Bank followed through the Financial Cybersecurity Action Plan launched by the FSC in 2020, and fulfilled the key performance targets, such as appointment of Chief Information Security Officer, introduction of international cybersecurity standards, organization of cyber attack defensing exercises, and establishment of financial cybersecurity incident response system, in 2022. The Bank will continue to implement and strengthen cybersecurity protection in accordance with the Financial Cybersecurity Action Plan 2.0 released on December 27, 2022.

#### (3) Overall Operating Environment

Inflation is expected to remain high worldwide in 2023. Slowing growth in major economies combined with geopolitical tension and a constant string of COVID variants can threaten the stability of international financial markets and increase investment and lending risks for banks around the world. Fortunately, the rate hike cycle started by the Fed in March 2022 may improve the operating environment of the banking sector. Moreover, delayed reaction to rate hike policies of the U.S. and Taiwan in 2022 also helps the banking industry further increase interest spreads and profits in 2023. Meanwhile, as countries lift more COVID related border control measures, banks can pick up pace in overseas market expansion again; therefore, the volume of overseas lending is expected to show a clear jump in 2023. Regarding the domestic lending market, the government continues to offer multiple policies in 2023 to encourage banks to provide financing to support industrial development. In addition, new construction of hi-tech factories such as IC, semiconductors, optoelectronics, and batteries continues, giving support for the growth in the domestic lending market in 2023.

Data of Pating	Bating Institution	Rat	ings	Outlook
Date of Rating	Rating Institution	Long-term Credit	Short-term Credit	Outlook
2023.1.16	Taiwan Ratings	twAA-	twA-1+	Stable
2023.1.16	Standard & Poor's	BBB+	A-2	Stable

#### 5. Results of Latest Credit Rating



On January 25, 2022, Taiwan Business Bank won the National Brand Yushan Award, and Chairman Chien-Hao Lin (second from the left in the third row) received the Award on behalf of the Bank from President Ing-Wen Tsai.

# II Bank Profile

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**BANK PROFILE** 

#### **1. Establishment and History**

The forerunners of Taiwan Business Bank (TBB) were two private cooperative savings institutions, one established in Taipei in June 1915 and the other in Tainan the following month. The Taipei institution was merged into another company in 1920 and the Tainan institution was reorganized under a different name in 1926.

Following the restoration of Taiwan to China on October 25, 1945, these two savings institutions, along with two others, were taken over by the Taiwan Provincial Government. On September 1, 1946, the four were combined and reorganized into "Taiwan Mutual Financial Co." On May 31, 1947, this new financial institution absorbed Tokiwa Real Estate Co., bringing its capitalization to \$10 million Old Taiwan Dollars. Its name was changed to "Taiwan Provincial Loans and Savings Co." on June 1, 1947, as the original name was under the Japanese system, and again to "Taiwan Mutual Loans and Savings Co." in January 1948 as the scope of business was similar to the nature of saving institutions.

The government moved to promote Taiwan's economic development and boost the growth of small and medium enterprises (SMEs) in 1975 by revising the Banking Act and writing in an additional provision for a specialized SME bank. In line with the government policy, Taiwan Mutual Loans and Savings Co. was reorganized into "Medium Business Bank of Taiwan" (later to be known as Taiwan Business Bank, or TBB) on July 1, 1976, whereupon it became a specialized bank charged with the provision of financial assistance and guidance to SMEs. It has been cultivating the SME financial services field now for more than 46 years. Later, to cope with the liberalized and internationalized financial environment, and to conform to the government's vision of promoting Taiwan to become Asia-Pacific Regional Operations Center, TBB was transformed into a private bank on January 22, 1998, and officially entered into a whole new era.

At the time of TBB's reorganization in 1976, it had a capitalization of NT\$500 million, 50 branches, and 58 subbranches. To build up the Bank's operating capital and strengthen its operating structure, repeated capital increases have brought total capitalization to NT\$80,296.94 million today. The Bank's structural framework has also been readjusted constantly in response to changes in the financial environment and in business needs. The Auditing Department and Secretarial Department were set up under the Board of Directors in the headquarters. Apart from the Compliance Department, TBB's management units include 20 departments under three major business groups, one development center, and two management centers. The Bank has 125 domestic branches (including the Banking Department) and the Offshore Banking Branch (OBU), and also operates 8 overseas branches, including Hong Kong Branch, Los Angeles Branch & New York Branch in the U.S., Sydney Branch & Brisbane Branch in Australia, Shanghai Branch, Wuhan Branch, and Tokyo Branch, along with the Yangon Representative Office in Myanmar. Regional Operation Centers were set up to handle business development and supervision, centralized business management, operational services, and other business support functions in order to enhance business promotion capability and reinforce asset quality control. In addition, Domestic Processing Centers were established to upgrade operating performance through the centralized handling of domestic outward remittances, bills for collection and bills withdrawal. Meanwhile, the Bank has established the Customer Service Center dedicated to handling customer consultation services for the entire bank.

## 2. Bank M&A, investment in related enterprises, and reorganization in 2022 and to the end of February 2023

There are 5 enterprises reinvested by the Bank in 100% ownership—TBB International Leasing Co., Ltd, TBB (Cambodia) Microfinance Institution PLC, TBB Venture Capital Co., Ltd., TBB Consulting Co., Ltd., and Taiwan Business Bank International Leasing Co., Ltd. reinvested in 100% ownership by TBB International Leasing Co., Ltd.

- 3. Membership in a designated financial holding company: None.
- 4. Major exchanges or transfers of shares by directors and others required to report shareholding under Paragraph 3, Article 25 of the Banking Act in 2022 and to the end of February 2023: None.
- 5. Major changes in operating rights, operating methods or business content, and other major events of sufficient importance to affect shareholders' rights in 2022 and to the end of February 2023: None.

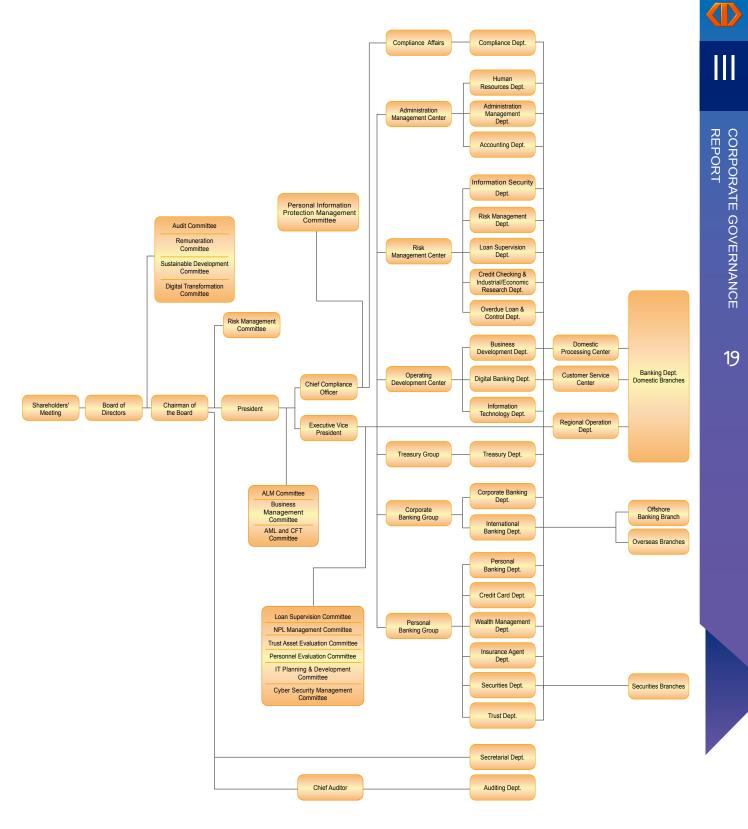
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# Corporate Governance Report

19	1. Organization
21	2. Directors and Management Team
39	3. Operations of Corporate Governance
60	4. CPA Professional Fees
60	5. Information on Changing CPAs
60	6. The Bank's chairman, president, or any manager in charge of finance or accounting matters who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated enterprise
61	7. Changes in Shareholdings of Directors, Executive Officers, and Shareholders Conform to the Requirements under Article 11 of the Regulations Governing the Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank
66	8. Information Disclosing the Relationship among Top Ten Shareholders in the Relationship of Related Parties or Spouses, Relatives within the Second Degree of Kinship
67	9. Shareholding in the Same Investee Company of a Business Directly or Indirectly Controlled and Managed by Directors, President, Executive Vice Presidents, and SVP & GM of Departments and Branches, and the Consolidated Shareholding Batio

#### 1. Organization

#### (1) Organization Chart



February 28, 2023

#### (2) Operations of Major TBB Departments

#### A. Corporate Banking Group

This unit handles financial services for corporate customers, including business planning, promotion, and improvement in respect to loan products, forex products, and corporate financial planning products. It understands customers' needs and proactively carries out marketing, and is responsible for development and service in regard to the Group's products and customers as well as for improvement of the Bank's asset quality, operating income, and profit. The Corporate Banking Dept. and International Banking Dept. operate under the Corporate Banking Group.

B. Personal Banking Group

This unit handles planning, promotion, and improvement of the Bank's personal loan products, financial planning for customers, and marketing services for financial planning products. It carries out proactive marketing based on an understanding of customers' needs, is responsible for development and service in regard to the Group's products and customers, and maintains improvement of the Bank's asset quality, operating income, and profit. The Personal Banking Dept., Credit Card Dept., Wealth Management Dept., Insurance Agent Dept., Securities Dept, and Trust Dept. operate under the Personal Banking Group.

#### C. Treasury Group

The Treasury Group handles planning, promotion, and improvement of the Bank's financial businesses, and is responsible for development and service in regard to the Group's products and customers as well as for maintaining improvement of the Bank's asset quality, operating income, and profit. The Treasury Dept. operates under the Treasury Group.

D. Risk Management Center

The Risk Management Center handles risk control, maintenance of the quality of the Bank's loan assets, and investigation and review of loan cases and products, economic and financial research and industry investigation, collection of overdue loans and information security matters. The Loan Supervision Dept., Credit Checking & Industrial/Economic Research Dept., Overdue Loan & Control Dept., Risk Management Dept. and Information Security Dept. operate under the Risk Management Center.

#### E. Operating Development Center

The Operating Development Center is charged with bank-wide management and planning for performance analysis, operational management, information operations and digital banking business, provision of full and necessary support for business development, and simplification of the planning process, so as to achieve operational centralization and upgrade operational efficiency. The Center also handles planning and implementation of bank-wide operating strategy formulation and public relations. The Business Development Dept., Digital Banking Dept., and Information Technology Dept. operate under the Center.

#### F. Administration Management Center

This Center handles the planning and implementation of document administration, confidential matters, legal affairs, human resources, and accounting systems, as well as other matters not assigned to other units. The Human Resources Dept., Administration Management Dept. and Accounting Dept. operate under the Center.

#### G. Compliance Affairs

Compliance Dept. handles the planning, management, and implementation of legal compliance systems and AML & CFT related matters. Compliance Dept. operate under the Compliance Affairs.

#### 2. Directors and Management Team

#### (1) Board of Directors



Chairman





Managing Director (President) Chih-Chien Chang



Managing Director (Independent Director) Xin-Wu Lin



Managing Directorr

**Chun-Hsien Yeh** 



Managing Director

Hsin-Tzu Hu



Director

(Independent Director)

Jin-Long Liu



(Independent Director)

Yung-Cheng Chuang

A. Board of Directors



Director (Independent Director) Chiou-Mien Lin

Director

Hung-Sheng Yu



Tzu-Hao Tsai



Director

Wen-Hsiang Ma

December 31, 2022

Shareholding By Self, Spouse & Mind Shareholding On Shareholding Unde Other's Title Current Shareholding Initia Inauguration Major Experience & Education Name Age ugura Date Compa Shares Shares Shares Shares Education: B.S., Laws, National Taiwan University Chien-Hao Experience: Director and President, First Financial Holding; EVP and Head Male Jul. 20, 2021 Lin (Ministry of Finance Supervisor, Taiwa to Jul. 19, 2024 Chairman R.O.C. Jul. 20, 2021 Apr. 27, 2021 155,514,786 2.08 166,751,972 2.08 0 0 0 0 Asset Management / 61~70 of Strategy Planning Dept., First Financial Holding, Chief Auditor, First Financial Holding; GM of HK Branch and Shih-Mao Branch, First Bank; SVP and Head of Business Planning & Admin. None None None enresentative Corporation ars o (Note 1) Division, First Bank Education: MBA, National Taiwan University of Science and Technology President, Taiwan Business Bank; Experience: Director, Taiwan Small & Medium Acting Chairman, Taiwan Business Bank; Acting President Taiwan Business Bank; Executive Vice President, Taiwan Chih-Chien Male Enterprise Counseling Foundation; Director, Jul. 20, 2021 I aiwan business Baint, Executive Vice President, I aiwan Business Bank, SVP & GM, Loan Supervision Dept, Taiwan Business Bank, SVP & GM, Credit Investgation Dept, Taiwan Business Bank, SVP & GM, Wu Ku Branch, Sung Nan Banch, Taiwan Business Bank, Chairman, Taiwan Business Bank Insurance Agency Co., Ltd.; Chairman, Taiwan Business aging Director & President Chang (Ministry of Finance / 61~70 Jul. 20, 2021 to Jul. 19, 2024 R.O.C. Mar. 4, 2020 155,514,786 2.08 166,751,972 2.08 239,250 0 0 0 None None Representative vears old Small & Medium Enterprise Credit Guarantee Fund of Bank Property Insurance Agency Co., Ltd.; Director, Sunsino Development Associate Inc. Taiwan Education: Manager, Department of Master, Tamkang University Department of Management Sciences Female Hsin-Tzu Hu Jul. 20, 2021 61~70 Feb. 9, 2022 Experience: Planning, Bank of (Bank of Taiwan Representative) to Jul. 19, 2024 Feb. 9, 2022 1,214,173,562 Managing Director R.O.C. 16.21 1.301.907.315 16.21 0 0 0 0 Director, Taiwan Fire & Marine Insurance Co.Ltd.; Manager, Bank of Taiwan Wanhua Branch; Manager, Bank of Taiwan Renai Taiwan; None None None Director, China Tea ears old Branch; Manager, Bank of Taiwan Zhonghe Branch; Manager, Associates Co., Ltd. Bank of Taiwan Guanqian Branch

CORPORATE GOVERNANCE

REPORT

Title	Nationality	Name	Gender / Age	Date Elected	Tenure (16th)	Initial Inauguration Date	Shareholo Inaugur		Current Sha	reholding	Self, Spou	lding By se & Minor dren	Sharehold Other	ling Under 's Title	Major Experience & Education	Concurrent Positions at the Bank and Other	Relativ Degree Mana	e withi of Kin	Spouse or in the Second Iship of Other Directors, or Visors
						Date	Shares	%	Shares	%	Shares	%	Shares	%		Companies	<u> </u>	<u> </u>	Relationship
Managing Director (Independent Director)	R.O.C.	Xin-Wu Lin	Male / 51~60 years old	Jul. 20, 2021	Jul. 20, 2021 to Jul. 19, 2024	Jun. 29, 2018	0	0	0	0	0	0	0	0	Education: PhD, Department of Economics, National Taiwan University Experience: 15th Managing Director (Independent), Taiwan Business Bank, Litz, Diector (Independent), Land Bark of Taiwan Commissioner, the 8th term of the Taiwan Fair Trade Commission, Chief Anthrust Compliance Offers, AU Options Corporation, Full-Ime Researcher & Director, Research Division III, Taiwan Institute of Economic Research Full-time Associate Researcher & Director, Research Division III, Taiwan Institute of Economic Research	<ul> <li>Taiwan Institute of Economic Research;</li> </ul>	None		
Managing Director	R.O.C.	Chun-Hsien Yeh (National Development Fund, Executive Yuan Representative)	Male / 51~60 years old	Jul. 20, 2021	Jul. 20, 2021 to Jul. 19, 2024	Jul. 20, 2021	439,330,543	5.87	471,075,689	5.87	0	0	0	0	Education: Ph.D. In Economics, University of Rochester Experience: Deputy Dear, Chung-Hua Institution for Economic Research; Adjunct Professor, Department of Economics, NTU, Jointly Appointed Professor, Department of Economics, NUU, Jointly Appointed Professor, Graduate Institute of Industrial Economics, NUU, Adjunct Research Fellow, Institute Toconomics, Academia Sinica Visiting Assistant; Professor, Department of Economics, SUU, Singapore, Associate Professor, School of Economics, Academia Sinica	Dean, Chung- Hua Institution for Economic Research	None	None	None
Director	R.O.C.	Tung-Fu Lin (Ministry of Finance Representative)	Male / 51~60 years old	Nov. 1, 2022	Jul. 20, 2021 to Jul. 19, 2024	Nov. 1, 2022	155,514,786	2.08	166,751,972	2.08	0	0	0	0	Education: Master, Department of Public Finance, National Chengchi University Experience: Manager, National Treasury Administration, Ministry of Finance; Deputy Manager & Manager, National Treasury Administration, Ministry of Finance	Manager, National Treasury Administration, Ministry of Finance	None	None	None
Director	R.O.C.	Ho-Chyuan Chen (Bank of Taiwan Representative)	Male / 51~60 years old	Jul. 19, 2022	Jul. 20, 2021 to Jul. 19, 2024	Jul. 19, 2022	1,214,173,562	16.21	1,301,907,315	16.21	0	0	0	0	Education: PhD in Economics, Texas A&M University Experience: Professor, Department of Francial Operations, National Kathsium University of Science and Technology, Director, Department of Francial Operations, Kaholing University of Science and Technology, Acting University of Science and Technology. Professor. Department of Economics, National Chung Cheng University, Director, Department of Economics, National Chung Cheng University, Director, Business Administration Industry-University Bridging Center, School of Maragement, National Chung Cheng University, Director, Business Administration Industry-University Bridging Center, School of Maragement, National Chung Cheng University, Director, Business Administration Industry-University Bridging Center, School of Maragement, National Chung Cheng University, Director, Business Administration Industry-University, Charter, Business Administration Industry-University, Charter, Business Administration Industry-University, Charter, Business Administration Industry-University, Charter, School Management, National Chung Cheng University, Director, Center for Economics, National Nan Firarial Holdings Co., LL, Quarterly Editorial Commitee, Fair Taba Commission	Professor, Department Of Economics, CCU	None	None	None
Director	R.O.C.	Hung-Sheng Yu (Ministry of Finance Representative)	/ 51~60	Jul. 20, 2021	Jul. 20, 2021 to Jul. 19, 2024	Jul. 1, 2013 (Note 2)	155,514,786	2.08	166,751,972	2.08	27,917	0	0	0	Education: M.S., Executive Master of Business Administration, Ling Tung University Experience: 13th & 15th Director, Taiwan Business Bank; 1th to 8th Member & Director, Taiwan Business Bank; 1th to 8th Member Taiwan Foedation of Trancal Univers; Sti Member, Labor Dispute Arbitration Committee, Ministry of Labor, Member, Basic Salary Review Committee, Ministry of Labor, Member, Basic Salary Review Committee, Ministry of Labor, Member, Basic Salary Review Committee, Ministry of Labor, Managng Director, Taiwan Contecteration of Trade Univers; Supervisor, Taiwan Federation of Labor	Chairman, TBB Industry Union	None	None	None
Director	R.O.C.	Tzu-Hao Tsai (Bank of Taiwan Representative)		Jul. 20, 2021	Jul. 20, 2021 to Jul. 19, 2024	Jan. 20, 2020	1,214,173,562	16.21	1,301,907,315	16.21	0	0	0		Education: PhD_Department of Finance, National Taiwan University Experience: 15th Director, Taiwan Business Bank, Ltd, Independent Director, Jethest Corporation (5th) Director, Taiwan Business Bank, Professor, Assistant Professor, Department of Quantitative Finance, National Tsing Hua University	Associate Professor, Department of Quantitative Finance, National Tsing Hua University Independent Director, Jetbest Corporation	None	None	None
Director	R.O.C.	Wen-Hsiang Ma (TBB Industry Union Representative)	Male / under 50	Jul. 19, 2022	Jul. 20, 2021 to Jul. 19, 2024	Jul. 19, 2022	4,026,193	0.05	4,519,356	0.05	292	0	0	0	Education: Bachelor, Cepamment of Social Work, Shih Chien University Experience: 81M Member & Director & Managing Director, TBB Indusity Union; 28M Member, Taiwan Federation: Labor Union; 8th Member & Director, TBB Indusity Union; Member of the 40th Employee Wellace committee, TBB, Nator representative of the 40th Review Committee, TBB, Labor representative of the 41th babr- management conference, TBB, TM Member Representative & Director, Taiwan Confederation of Trade Unions, Bank Clerk, TBB	8th Member & Director & Managing Director, TBB Industry Union; Bank Clerk,TBB	None	None	None

22

Taiwan Business Bank Annual Report 2022

Title	Nationality	Name	Gender / Age	Date Elected	Tenure (16th)	Initial Inauguration Date	Sharehok Inaugur		Current Sha	reholding	Self, Spou	Iding By se & Minor dren		ling Under 's Title	Major Experience & Education	Concurrent Positions at the Bank and Other	Relativ Degree Mana	e within of Kin	Spouse or n the Second Iship of Other Directors, or visors
							Shares		Shares		Shares	%	Shares	%		Companies	Title	Name	Relationship
Director	R.O.C.	Che-Nan Wang	Male / over 70 years old	Jul. 20, 2021	Jul. 20, 2021 to Jul. 19, 2024	Jul. 22, 2012	13,200,194	0.14	14,154,013	0.14	14,154,013	0.14	0	0	Education: B.A., Kinda University, JPN Experience: 13th to 15th Director, Taiwan Business Bank, Member, Overseas Community Affairs Council, Republic of Chine, Director, Tachung Commercial Bank Co., Ltd	Honorary President of the Republic of China on the Kindai University Advisory Committee Member, Overseas Community Affairs Council, Republic of China	None	None	None
Director (Independent Director)	R.O.C.	Jin-Long Liu	Male / 61~70 years old	Jul. 20, 2021	Jul. 20, 2021 to Jul. 19, 2024	Jun. 29, 2018	0	0	0	0	0	0	0	0	Education: Ph.D., Department of Economics, North Carolina State University, USA Experience: Associate Professor, Graduate Institute of Industrial Economics, National Central University, Director, Graduate Institute of Industrial Economics, National Central University, Visiling Associate Professor, Dute University Visiling scholar, Foundation for Scholary Ecolarge Supervision, Integrated Foundation for Scholary Ecolarge Supervision, Integrated Committee of Environment Protection Administration; Member & Team Convers, Resource Recycling Fee Review Committee of Environment Protection Administration	Professor, Graduate Instituto di Industrial Economics, National Central University	None	None	None
Director (Independent Director)	R.O.C.	Yung-Cheng Chuang	Male / 51~60 years old	Jul. 20, 2021	Jul. 20, 2021 to Jul. 19, 2024	Jul. 20, 2021	0	0	0	0	0	0	0	0	Education: Doctor of Juricial Science(S.J.D.), Indiana University, Bioonington, USA Experience: Director of the 20th Board of Directors, Taiwan Stock Exchange Corporation; Director of the 4th and 5th Board of Directors, Securities and Futures Investors Protection Center, Director of the 3rd and 4th Board of Directors, Taiwan Insurance Guaranty Fund Chitgenesson of Ombutsman, Committee A President, Francial Ombutsman Institution Maragement Committee; Member, Securities and Futures Institute Director of the Board, Taiwan Insurance Law Association; Independent Director, Futoon Hyunda Life Insurance Co., Ltd.; Member of the Labor Funds Supervison; Committee, Minsity of Labor, Encurine Yuna	Professor, Associate Dean School of Law Soochow University, Director of the 20th Board of Directors, Taiwan Stock Exchange Corporation; Independent Director, Fubon Hyundai Life Insurance Co., Ltd.	None	None	None
Director (Independent Director)	R.O.C.	Shao-Yuan Chang	Male / over 70 years old	Jul. 20, 2021	Jul. 20, 2021 to Jul. 19, 2024	Jul. 20, 2021	0	0	0	0	0	0	0	0	Education: Master's Degree in Land Economics, National Chengchi University Experience: Director, FNAS Corporation, Director, YangMing Marine Transport Corp: Deputy Mayor, Tainan Chy Government, Director, Finance and Local Tax Bureau, Tainan Chy Government, Director, Department of Finance, Tainan Chy Government, Deputy Director, Department of Finance, Tainan Chy Government		None	None	None
Director (Independent Director)	R.O.C.	Chiou-Mien Lin	Female / 51~60 years old		Jul. 20, 2021 to Jul. 19, 2024	Jul. 20, 2021	0	0	0	0	0	0	0	0	Education: PhD. of Urban & Regional Planning, National Taipei University Experience: Director, Secretary General, The Chinese Institute of Land Reform, Managing Supervisor, Chairperson, The Chinese Institute of Land Appraisal; Instructor, Department of Real Estate & Built Environment, NTPU	Associate Professor, Department of Real Estate & Built Environment, NTPU	None	None	None

Note 1: If the position of Chairman and the President or an equivalent position (chief manager) are taken by the same person, or are spouses or are the first degree of kinship, describe the relevant information of reason, rationale, necessity, and response measures: No such matters.

Note 2: Previous term of Director Hung-Sheng Yu: July 1, 2013 to July 30, 2014 (TBB Industry Union Representative)

B. Major Shareholders of Legal Person Shareholders

December 31, 2022

CORPORATE GOVERNANCE REPORT

23

Legal Person Shareholder	Major Shareholders of Legal Person Shareholders
Ministry of Finance	Government Agency
National Development Fund , Executive Yuan	Government Agency
Bank of Taiwan Co., Ltd.	Taiwan Financial Holding Co., Ltd. (100%)
TBB Industry Union	Juridical Association

C. Major Shareholders of Major Legal Person Shareholders of the Bank

December 31, 2022

Legal Person	Major Shareholders of the Legal Person
Taiwan Financial Holdings Co., Ltd.	Ministry of Finance (100%)

#### D. Professional Knowledge and Independence of Directors

December 31, 2022 Qualifications Number of Other Public **Qualification and Experience** Independence Companies Serving as an Name Independent Director Has five years or more of working experience as 1. Does not have a spouse or relative within the second degree of kinship who is a bank manager or above and has professional also a TBB's director. Is not an employee at TBB or any of its subsidiaries. qualifications in banking, business, legal affairs, 2. Chien-Hao Lin finance, accounting, etc. Has not worked at TBB's external audit institution or as a partner of the audit 0 3. institution. 4. Has not served as a member of the senior management of TBB's consulting firm. Has five years or more of working experience as Does not have a spouse or relative within the second degree of kinship who is a bank manager or above and has professional also a TBB's director qualifications in banking, business, finance, Chih-Chien Chang 2. Has not worked at TBB's external audit institution or as a partner of the audit 0 accounting, etc. institution 3. Has not served as a member of the senior management of TBB's consulting firm. Has five years or more of working experience Does not have a spouse or relative within the second degree of kinship who is 1 as a bank manager and has well-rounded also a TBB's director. professional qualifications in banking, business, 2. Is not an employee at TBB or any of its subsidiaries. Hsin-Tzu Hu 0 finance, etc. 3. Has not worked at TBB's external audit institution or as a partner of the audit institution 4 Has not served as a member of the senior management of TBB's consulting firm Has served at the Taiwan Institute of Economic Dose not or the spouse or relative within the second degree of kinship thereof 1. Research as Deputy Dean, Dean & Researcher, does not hold TBB's shares by themselves or by nominee arrangement. and is experienced in economic and industrial Does not have a spouse or relative within the second degree of kinship with research; has served as an independent other directors. director of a bank for more than five years, 3. Has not or the spouse or relative within the second degree of kinship thereof has and an independent director of other publicly not served as a director, supervisor, or employee at TBB or its affiliates. Xin-Wu Lin listed companies; a member of TBB's Audit 4 Has not served at a company with specific relations with TBB (under Article 3, 2 Committee, Remuneration Committee, paragraph 1, subparagraph 5 to 8 of the Regulations Governing the Appointment Sustainable Development Committee and Digital of Independent Directors of Public Companies and Matters to Be Followed) as a Transformation Committee, with professional director, supervisor, or employee. Has not obtained remuneration for providing business, legal, financial, qualifications in business, economics, finance, 5. accounting, etc.; and is not in any circumstances accounting, or other services to TBB or its affiliates in the last two years under Article 30 of the Company Act. 6. Has not served as a senior manager of the Bank or any of its subsidiaries. Has served as a university professor in Does not have a spouse or relative within the second degree of kinship who is economics and the Dean of the Chungalso a TBB's director. Hua Institution for Economic Research; 2. Is not an employee at TBB or any of its subsidiaries. Chun-Hsien Yeh 0 has professional qualifications in business, 3. Has not worked at TBB's external audit institution or as a partner of the audit economics, finance, etc. institution. Has not served as a member of the senior management of TBB's consulting firm. Has served as the Manager, National Treasury Does not have a spouse or relative within the second degree of kinship who is Administration, Ministry of Finance, with also a TBB's director. managerial work experience at state-owned 2 Is not an employee at TBB or any of its subsidiaries. Tung-Fu Lin 0 enterprises and public banks, and professional 3. Has not worked at TBB's external audit institution or as a partner of the audit qualifications in business, economics, finance, institution. etc. Has not served as a member of the senior management of TBB's consulting firm. Has five years or more of working experience Does not have a spouse or relative within the second degree of kinship who is at a bank and has professional qualifications in also a TBB's director Hung-Sheng Yu business, finance, banking, human resources, 2. Has not worked at TBB's external audit institution or as a partner of the audit 0 etc institution 3. Has not served as a member of the senior management of TBB's consulting firm. Served as the Professor of Department of Does not have a spouse or relative within the second degree of kinship who is Economics, National Chung Cheng University also a TBB's director Is not an employee at TBB or any of its subsidiaries. and has served concurrently as the Director 2. 0 Ho-Chyuan Chen of Hua Nan Financial Holdings Co., Ltd., with Has not worked at TBB's external audit institution or as a partner of the audit 3. professional qualifications in banking, finance, institution law, etc. 4 Has not served as a member of the senior management of TBB's consulting firm. Has served as an associate professor at the Does not have a spouse or relative within the second degree of kinship who is 1. Department of Quantitative Finance, National also a TBB's director. Is not an employee at TBB or any of its subsidiaries. Tsing Hua University, and concurrently as a 2. Tzu-Hao Tsai 1 bank director for more than three years, with Has not worked at TBB's external audit institution or as a partner of the audit 3. professional qualifications in business, finance, institution. banking, etc. 4. Has not served as a member of the senior management of TBB's consulting firm. Has five years or more of working experience Does not have a spouse or relative within the second degree of kinship who is at a bank and has professional qualifications in also a TBB's director. Wen-Hsiang Ma business, finance, banking, etc. 2. Has not worked at TBB's external audit institution or as a partner of the audit 0 institution 3. Has not served as a member of the senior management of TBB's consulting firm.

Qualifications Name	Qualification and Experience	Independence	Number of Other Public Companies Serving as an Independent Director
Che-Nan Wang	Has served as a bank director for more than nine years and has professional qualifications in business, finance, banking, and human resources.	<ol> <li>Does not have a spouse or relative within the second degree of kinship who is also a TBB's director.</li> <li>Is not an employee at TBB or any of its subsidiaries.</li> <li>Has not worked at TBB's external audit institution or as a partner of the audit institution.</li> <li>Has not served as a member of the senior management of TBB's consulting firm.</li> </ol>	0
Jin-Long Liu	Has served as a professor at the Graduate Institute of Industrial Economics, National Central University for years; an independent director of a bank for more than four years; a member of TBB's Audit Committee, Remuneration Committee, Sustainable Development Committee, sustainable Development Committee, with professional qualifications in business, economics, finance, banking, etc.; and is not in any circumstances under Article 30 of the Company Act.	<ol> <li>Dose not or the spouse or relative within the second degree of kinship thereof does not hold TBB's shares by themselves or by nominee arrangement.</li> <li>Does not have a spouse or relative within the second degree of kinship with other directors.</li> <li>Has not or the spouse or relative within the second degree of kinship thereof has not served as a director, supervisor, or employee at TBB or its affiliates.</li> <li>Has not served at a company with specific relations with TBB (under Article 3, paragraph 1, subparagraph 5 to 8 of the Regulations Governing the Appointment of Independent Directors of Public Companies and Matters to Be Followed) as a director, supervisor, or employee.</li> <li>Has not obtained remuneration for providing business, legal, financial, accounting, or other services to TBB or its affiliates in the last two years.</li> </ol>	0
Yung-Cheng Chuang	Has served as the deputy dean of School of Law, Soochow University; is specialized in financial regulations, such as the Securities and Exchange Act, Financial Law, and the Company Act; is familiar with compliance by publicly listed companies, financial consumer protection, securities and futures trading and operation, insurance laws and business in the financial field; is a member of TBB's Audit Committee, Remuneration Committee and Sustainable Development Committee, with professional qualifications in banking, securities, insurance, law, etc. and not in any circumstances under Article 30 of the Company Act.	<ul> <li>other directors.</li> <li>3. Has not or the spouse or relative within the second degree of kinship thereof has not served as a director, supervisor, or employee at TBB or its affiliates.</li> <li>4. Has not served at a company with specific relations with TBB (under Article 3, paragraph 1, subparagraph 5 to 8 of the Regulations Governing the Appointment of Independent Directors of Public Companies and Matters to Be Followed) as a director, supervisor, or employee.</li> </ul>	1
Shao-Yuan Chang	Is currently an independent director of TBB; has served as a director of publicly listed companies, the deputy mayor of Tainan City Government, the head of the Finance and Local Tax Bureau of Tainan City Government, the director of the Finance Department of Tainan City Government, and the deputy head of the Finance Department of Tainan City Government, a member of TBB's Audit Committee and Remuneration Committee; with the experience of providing consulting service to grass-roots financial institutions and credit cooperatives during his tenure in Tainan City and the professional qualifications in accounting, finance, human resources and administration, and taxation; not in any circumstances under Article 30 of the Company Act.	<ol> <li>Dose not or the spouse or relative within the second degree of kinship thereof does not hold TBB's shares by themselves or by nominee arrangement.</li> <li>Does not have a spouse or relative within the second degree of kinship with other directors.</li> <li>Has not or the spouse or relative within the second degree of kinship thereof has not served as a director, supervisor, or employee at TBB or its affiliates.</li> <li>Has not served at a company with specific relations with TBB (under Article 3, paragraph 1, subparagraph 5 to 8 of the Regulations Governing the Appointment of Independent Directors of Public Companies and Matters to Be Followed) as a director, supervisor, or employee.</li> <li>Has not other services to TBB or its affiliates in the last two years.</li> </ol>	0
Chiou-Mien Lin	Has served as an associate professor at the Department of Real Estate & Built Environment, National Taipei University; concurrently as a supervisor of the Chinese Institute of Land Appraisal and the Land Reform Association for a long time; a member of the Urban Renewal, Land Price and Standard Land Price Committee of the city or county government; has engaged in land appraisal and urban renewal for a long time; a member of TBB's Audit Committee and Remuneration Committee with professional qualifications in real estate appraisal, law, etc.; not in any circumstances under Article 30 of the Company Act.	<ul> <li>does not hold TBB's shares by themselves or by nominee arrangement.</li> <li>Does not have a spouse or relative within the second degree of kinship with other directors.</li> <li>Has not or the spouse or relative within the second degree of kinship thereof has not served as a director, supervisor, or employee at TBB or its affiliates.</li> <li>Has not served at a company with specific relations with TBB (under Article 3, paragraph 1, subparagraph 5 to 8 of the Regulations Governing the Appointment of Independent Directors of Public Companies and Matters to Be Followed) as a director, supervisor, or employee.</li> </ul>	0

- E. Board diversity and independence:
  - a. Board diversity

To strengthen corporate governance and enhance the sound development of the composition and structure of the Board of Directors, the Bank has proposed a board diversity policy, so that board members' diverse capabilities in different fields can be complemented. The Bank's Corporate Governance Best Practice Principles stipulate that directors who serve as managers at the Bank concurrently are not advised to account for more than one-third of the total directors. The Bank's board diversity policy shall cover the two criteria below in terms of operations, business model and development needs:

- 1) Basic qualification and value: Gender, age, nationality, and culture.
- 2) Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

The board members shall generally possess the knowledge, skills, and qualities necessary to perform their duties, so as to achieve the Bank's ideal goals of corporate governance and enable the Board as a whole to possess the capabilities including operational judgment, accounting, financial analysis, business management, risk management, crisis management, industry knowledge, international market perspective, leadership, and decision-making.

- b. Independence of the Board: The Bank values the independence of the Board, and specially set out in the regulations that the number of directors served concurrently by the Bank's managers shall not exceed one-third of the total number of directors; independent directors shall not serve concurrently as directors (including independent directors) or supervisors of four or more than four listed and OTC companies; the consecutive term of office of independent directors shall not exceed three terms, and the Chairman shall not be the same person as the President. The current Board of Directors include one director with managerial status and five independent directors, who all meet the independence criteria set by the competent authority. Also, the Bank's directors concurrently serve as directors or independent directors in no more than two other companies. The Chairman and the President are not the same person and are not spouses or relative within the first degree of kinship. Additionally, the Bank's directors do not have any spouse or relative within the second degree of kinship who is also a director of TBB, which is in compliance with regulations. The independence of the Board is deemed to be achieved.
- c. Implementation of Board diversity

The Board of Directors of the Bank consists of 15 directors, of which 3 work as employees concurrently, accounting for 20%; 5 are independent directors, accounting for 33.3%; and 1 is a director with managerial status, accounting for 6.6%. In addition, in order to place emphasis on gender equality in the composition of Board members, the goal will be to increase the number of female directors to 33% (currently 13 directors are males, accounting for 86.7%; while 2 are females, accounting for 13.3%). The members generally possess expertise and experience in banking, finance, risk management, and asset management. The relevant implementation status is as follows:

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												Dec	ember 3	31, 2022
Core Item		8	asic Compositio	n			Industry E	Experience			F	lls		
Name of Director	Nationality	Gender	Concurrent Role as Bank Employee	Age (Note 1)	Tenure of Independent Director (Note 2)	Bank	Securities	Insurance	Asset Management	Accounting	Finance	Risk Management	Human Resources	Legal
Chien-Hao Lin	R.O.C	Male				v	v	v	v	v	v	v	v	v
Chih-Chien Chang	R.O.C	Male	v			v	v	v	v	v	v	v	v	
Hsin-Tzu Hu	R.O.C	Female				v	v	v	v	v	v	v		
Chun-Hsien Yeh	R.O.C	Male		•		v		v	v	v	v	v		
Xin-Wu Lin	R.O.C	Male		•	•	v	v	v	v	v	v	v	v	
Tung-Fu Lin	R.O.C	Male		•		v			v		v	v		
Hung- Sheng Yu	R.O.C	Male	v	•		v	v	v	v	v	v	v	v	
Ho-Chyuan Chen	R.O.C	Male		•		v		v	v	v	v	v		v
Tzu-Hao Tsai	R.O.C	Male		0		v	v	v	v	v	v	v		
Wen-Hsiang Ma	R.O.C	Male	v	0		v	v	v		v	v	v		
Che-Nan Wang	R.O.C	Male		*		v	v		v		v	v	v	
Jin-Long Liu	R.O.C	Male			•	v	v	v	v	v	v	v		
Yung-Cheng Chuang	R.O.C	Male		•	$\diamond$	v	v	v				v	v	v
Shao-Yuan Chang	R.O.C	Male		*	$\diamond$	v	v	v	v	v	v	v	v	
Chiou-Mien Lin	R.O.C	Female		•	$\diamond$	v	v		v		v	v		v

Note 1 : ◯ Under 50 ●51 to 60 ■ 61 to 70 ★ Over 71

Note 2 :  $\bigcirc$  Less than 3 years  $\blacklozenge$  3 to 9 years  $\triangle$  More than 9 years

#### (2) Information of President, Executive Vice President, SVP & GM and Managers of Departments and Branches











Jia-Ruey Luan

Director, TBB Venture Capital Co., Ltd.; Director, TBB Consulting Co., Ltd.

None

EMBA, National Central University

0 0

0 0 0



Title



Executive Vice President Sung-Shui Chiu

Title

SVP&GM, Credit Checking & Industrial/ Economic

Research Dept.

R.O.C

Hsiou-Chen Kang Female 20210820 126,632

Nationality

Executive Vice President

Name

Shao-Huang Chen

Executive Vice President **Chiu-Yen Chen** 

Shareholding

Shares

Date Elected

Gender

Shareholding by Spouse &

Shareholding Under Others

**Tseng-Hsiang Yi** 

Executive Vice President

Executive Vice President

EVP & Chief Auditor Tsung-Chu Hsieh

Name

olo		by Spous Minor Chil			iers'	Major Experience (Education)	Concurrent Positions at Other Companies
	(%)	Shares	(%)	Shares	(%)		
)	0	0	0	0	0	MBA, National Taiwan University of Science and Technology	Director, Taiwan Small & Medium Enterprise Counseling Foundation; Director, Small & Medium Enterprise Credit Guarantee Fund of Taiwan
							Director TBB

President	R.O.C	Chih-Chien Chang	Male	20200311	239,250	0	0	0	0	0	MBA, National Taiwan University of Science and Technology	Enterprise Counseling Foundation; Director, Small & Medium Enterprise Credit Guarantee Fund of Taiwan	None
Executive Vice President	R.O.C	Sung-Shui Chiu	Male	20200717	167,047	0	9,349	0	0	0	Economics, National Taiwan University	Director, TBB (Cambodia) Microfinance Institution PIc; Director, Taipai Forex Inc.	None
EVP and SVP&GM, Adminstration Management Dept.	R.O.C	Shao-Huang Chen	Male	20201030	441,584	0	0	0	0	0	MBA, University of Southern California, USA	Chairman, TBB International Leasing Co., Ltd.; Director, Taiwan Business Bank International Leasing Co., Ltd.; Supervisor, Taiwan Urban Regeneration & Financial Services Co., Ltd.	None
Executive Vice President	R.O.C	Chiu-Yen Chen	Female	20201112	246,906	0	1,239	0	0	0	Statistics, National Chengchi University	None	None
EVP and SVP&GM, Corporate Banking Dept.	R.O.C	Tseng-Hsiang Yi	Male	20220506	131,799	0	0	0	0	0	Master of Finance, National Taiwan University of Science and Technology	Chairman, TBB (Cambodia) Microfinance Institution Plc	None
Executive Vice President	R.O.C	Jia-Ruey Luan	Male	20220708	228,848	0	0	0	0	0	Master of Banking and Finance, TamKang University	Supervisor, Taiwan Urban Regeneration & Financial Services Co., Ltd.	None
EVP & Chief Auditor and SVP&GM, Auditing Dept.	R.O.C	Tsung-Chu Hsieh	Male	20220708	138,442	0	0	0	0	0	Public Finance, National Chengchi University	None	None
SVP & Chief Secretary, Secretarial Dept.	R.O.C	Li-Yueh Hsu	Female	20190401	107,225	0	0	0	0	0	Law, National Taiwan University	None	None
SVP&GM, Business Development Dept.	R.O.C	Chu-Jou Chen	Female	20210820	260,395	0	0	0	0	0	Business Administration, Soochow University	Director, Taiwan Incubator SME Development Corporation	None
SVP&GM, Loan Supervison Dept.	R.O.C	Kuo-Liang Tseng	Male	20210820	127,006	0	0	0	0	0	Master of Finance, National Yunlin University of Science and Technology	Director, TBB International Leasing Co., Ltd.	None

December 31, 2022 The Spouse or Relative vithin the Second Degree of Kinship of General Managers

Relation ship

27

Title	Nationality	Name	Gender	Date Elected	Sharehold	ding	Shareholo by Spous Minor Chil	se &	Sharehol Under Otl Title	hers'	Major Experience (Education)	Concurrent Positions at Other Companies	The Spor within the of Kinsł Ma	Secon	id Degree General
				Liottou	Shares	(%)	Shares	(%)	Shares	(%)				lame	Relation- ship
SVP&GM, Human Resources Dept.	R.O.C	Ching-Yun Kuo	Female	20191001	250,230	0	29,643	0	0	0	Law, National Taiwan University	None		None	
SVP&GM, Information Technology Dept.	R.O.C	Mei-Huei Chen	Female	20220309	11,735	0	0	0	0	0	Electronic Engineering, National Taipei University of Technology	Supervisor, Financial Information Service Co., Ltd.		None	
SVP&GM, Overdue Loan&Control Dept.	R.O.C	Chiang-Shu Lin	Male	20201030	140,021	0	0	0	0	0	Testile Department, Vanung University	Supervisor, TBB International Leasing Co., Ltd.; Supervisor, Taiwan Business Bank International Leasing Co., Ltd.; Director, Taiwan Financial Asset Service Corporation		None	
SVP&GM, Personal Banking Dept.	R.O.C	Wen-Fang Lin	Male	20221231	109,266	0	0	0	0	0	Department of Medical Administration, Yuanpei Junior College of Medical Technology	None		None	
SVP&GM, Treasury Dept.	R.O.C	Jyun-You Shih	Male	20210820	5,361	0	0	0	0	0	Master of Statistics, National Chung Hsing University	Director, CDIB & Partners Investment Holding Corp.; Director, TBB Venture Capital Co., Ltd.; Director, TBB Consulting Co., Ltd.		None	
SVP&GM, Digital Banking Dept.	R.O.C	Yu-Cheng Tsai	Male	20200330	23,589	0	0	0	0	0	EMBA, National Chengchi University	None		None	
SVP&GM, Compliance Dept.	R.O.C	Min-Chung Hsieh	Male	20201030	115,126	0	0	0	0	0	Master of Accounting and Information Technology, National Chung Cheng University	None		None	
SVP&GM, Information Security Dept.	R.O.C	Yi-Chin Chai	Male	20180723	109,926	0	0	0	0	0	Master of Information Management, National Taiwan University of Science and Technology	None		None	
SVP&GM, Wealth Management Dept.	R.O.C	Ying-Che Fang	Male	20210820	223,886	0	0	0	0	0	Master of Management Sciences, TamKang University	None		None	
SVP&GM, Credit Card Dept.	R.O.C	Wen-Shu Lin	Female	20180208	127,911	0	0	0	0	0	Business Administration, Soochow University	None		None	
Acting SVP&GM, Risk Management Dept.	R.O.C	Ming-Ju Yang	Male	20220731	0	0	0	0	0	0	Master of Science in Finance,Ming Chuan University	None		None	
SVP&GM, Accounting Dept.	R.O.C	Yu-Chuan Chou	Female	20180208	143,567	0	941	0	0	0	Accounting, National Chung Hsing University	Supervisor, TBB Venture Capital Co., Ltd.		None	
SVP&GM, Trust Dept.	R.O.C	Le-Yi Jiang	Female	20210820	21,449	0	0	0	0	0	MBA, Drexel University, USA	Director, Chaofu Real Estate Management Co., Ltd.		None	
SVP&GM, Securities Dept.	R.O.C	Ting-Huei Liao	Male	20210820	280,630	0	266,033	0	0	0	Ph.D.,Department of Banking and Finance, Tamkang University	None		None	
SVP&GM, International Banking Dept.	R.O.C	Shenn-Bao Jean	Male	20211212	130,990	0	0	0	0	0	Economics, Soochow University	Director, TBB International Leasing Co., Ltd.; Director, Taiwan Business Bank International Leasing Co., Ltd.		None	
SVP&GM, Insurance Agent Dept.	R.O.C	Wen-Ling Wang	Female	20200102	23,220	0	0	0	0	0	Cooperative Economics, Feng Chia University			None	
SVP&GM, North 1 Regional Operation Center	R.O.C	Li-Chuan Huang	Female	20221231	126,818	0	73,766	0	0	0	Business Management Institute, Chung Hua University	None		None	
SVP&GM, North 2 Regional Operation Center	R.O.C	Yueh-Chin Wang	Female	20221231	138,725	0	7,125	0	0	0	Accounting, Hsing Wu College of Commerce	None		None	
SVP&GM, North 3 Regional Operation Center	R.O.C	Li-Huei Chen	Male	20210831	36,882	0	0	0	0	0	MBA, Tamkang University	None		None	
SVP&GM, Central Regional Operation Center	R.O.C	Ming-Yi Lin	Male	20201030	396,637	0	284,669	0	0	0	Department of Applied Business, Taichung University of Science and Technology	None		None	

Title	Nationality	Name	Gender	Date Elected	Sharehold	ding	Sharehol by Spous Minor Chil	se &	Sharehol Under Oth Title	hers'	Major Experience (Education)	Concurrent Positions at Other Companies	The Spouse o within the Seco of Kinship of Manage	nd Degree General
					Shares	(%)	Shares	(%)	Shares	(%)			Title Name	Relation- ship
SVP&GM, South 1 Regional Operation Center	R.O.C	Chih-Cheng Chen	Male	20220121	136,168	0	0	0	0	0	Business, National Open University	None	None	
SVP&GM, South 2 Regional Operation Center	R.O.C	Wen-Hsiu Huang	Male	20180208	172,913	0	0	0	0	0	Department of Business Administration, Tunghai University	None	None	
VP&GM, Domestic Processing Center	R.O.C	Shu-Cing Wu	Female	20210122	64,248	0	0	0	0	0	Master of Banking and Finance, TamKang University	None	None	
AVP&GM, Customer Service Center	R.O.C	Ching-Yi Lin	Female	20190213	118,688	0	0	0	0	0	Economics, Fu Jen Catholic University	None	None	
VP&GM, Chung Ho Branch	R.O.C	Tung-Sheng Ni	Male	20220901	685	0	0	0	0	0	Department of Industrial Management, National Taiwan University of Science and Technology	None	None	
VP&GM, Po Ai Branch	R.O.C	Po-Jung Huang	Male	20220331	105,081	0	0	0	0	0	Master of Science, Chung Hua University	None	None	
VP&GM, North Taoyuan Branch	R.O.C	Mu-Hsiang Wu	Male	20210831	124,957	0	0	0	0	0	Department of Applied Business, National Taipei College of Business	None	None	
VP&GM, Nan Ken Branch	R.O.C	Yu-Chiao Wei	Female	20180208	117,235	0	9,395	0	0	0	Department of Economics, National Chung Hsing University	None	None	
VP&GM, Si Tuen Branch	R.O.C	Yuan-Hsueh Hsiao	Male	20180208	126,881	0	0	0	0	0	EMBA, Taichung Health and Management Collage	None	None	
VP&GM, Chung Min Branch	R.O.C	Tung-Han Lu	Male	20210820	75,058	0	0	0	0	0	Accounting, Tamkang University	None	None	
VP&GM, Kinmen Branch	R.O.C	Shui-Chiang Fang	Male	20190213	108,280	0	0	0	0	0	Master of Business & Management, National University of Tainan	None	None	
SVP&GM, Banking Department	R.O.C	Hsih-Hui Chen	Female	20200511	133,197	0	0	0	0	0	Law, Fu Jen Catholic University	None	None	
VP&GM, Ta Ya Branch	R.O.C	Li-Ching Lai	Female	20201030	107,933	0	0	0	0	0	Accounting, National Chung Hsing University	None	VP&GM Cheng An Hsie	h Spouse
VP&GM, Jen Ta Branch	R.O.C	Zuo-Ling Zeng	Female	20210820	103,705	0	309,094	0	0	0	Department of Accounting, Open College with National Chang Kung University	None	None	
VP&GM, Jen Ai Branch	R.O.C	Ching-Yang Lee	Female	20210217	129,026	0	0	0	0	0	MBA, CMSU	None	None	
VP&GM, Sung Shan Branch	R.O.C	Hsiu-Hsin Hou	Male	20220901	127,321	0	0	0	0	0	Bank & Insurance Section, Hsing Wu Business College	None	None	
VP&GM, Chien Cheng Branch	R.O.C	Shu-Ling Yuan	Female	20220121	13,051	0	120,872	0	0	0	Business Management, National Taipei College of Business	None	None	
VP&GM, Shih Lin Branch	R.O.C	Yun-Hui Chang	Male	20210122	57,275	0	0	0	0	0	Master of Science in Engineering, Tatung Institute of Technology	None	None	
VP&GM, Yung Ho Branch	R.O.C	Jiann-Yea Shyu	Male	20201030	107,384	0	0	0	0	0	Department of Finance, National Taipei College of Business	None	None	
VP&GM, Hsin Tien Branch	R.O.C	Sung-Nan Chiao	Male	20221231	97,980	0	1,051	0	0	0	Accounting, Soochow University	None	None	
VP&GM, Hsin Chuang Branch	R.O.C	Ching-Hsiu Liu	Female	20220121	47,827	0	0	0	0	0	MBA, National Taipei University	None	None	
VP&GM, Hwa Cheng Branch	R.O.C	Yun-Shiang Tsai	Male	20210820	115,401	0	0	0	0	0	MBA, National Taichung University of Science and Technology	None	None	
VP&GM, Sung Kiang Branch	R.O.C	Chao-Lieh Chen	Male	20170718	6,316	0	0	0	0	0	EMBA, Tamkang University	None	None	
VP&GM, Taipei Branch	R.O.C	Chun-Ying Shen	Female	20220121	60,065	0	0	0	0	0	Master of Service Industry Management, Chihlee University of Technology	None	None	

Title	Nationality	Name Gende		Date Elected	Shareholding		Shareholding by Spouse & Minor Children		Under Others		Major Experience (Education)	Concurrent Positions at Other Companies	The Spouse or Relative within the Second Degree of Kinship of General Managers		
					Shares	(%)	Shares	(%)	Shares	(%)	(,		Title Name	Relation- ship	
VP&GM, Wan Hua Branch	R.O.C	Li-Jhu Huang	Female	20210820	94,325	0	0	0	0	0	International Trade, Chinese Culture University	None	None		
VP&GM, South Taipei Branch	R.O.C	Bi-Shuang Lin	Female	20210122	107,527	0	0	0	0	0	International Trade, Tunghai University	None	None		
VP&GM, Fu Hsin Branch	R.O.C	Ssu-Jung Lai	Female	20220121	67,381	0	0	0	0	0	Department of Accounting, Open College Affiliated with National Taipei University of Business	None	None		
VP&GM, Chung Shang Branch	R.O.C	Pei-Ling Lin	Female	20220901	13,352	0	0	0	0	0	Master of Banking and Finance, TamKang University	None	None		
VP&GM, Chien Kuo Branch	R.O.C	Mei-Chih Hou	Female	20210122	143,711	0	0	0	0	0	Banking, Feng Chia University	None	None		
VP&GM, Nai Hu Branch	R.O.C	Ching-Yao Chen	Female	20220121	48,475	0	0	0	0	0	Department of Statistics,Tunghai University	None	None		
VP&GM, Nan King East Road Branch	R.O.C	Fuh-Yuh Yeh	Male	20190716	126,848	0	1,138	0	0	0	Business, National Open University	None	None		
VP&GM, Chung Hsiao Branch	R.O.C	Yen-Ling Chen	Female	20170718	127,355	0	0	0	0	0	Department of International Trade, Takming Junior College of Commerce	None	None		
VP&GM, World Trade Center Branch	R.O.C	Hui-Mei Chen	Female	20220311	1,098	0	0	0	0	0	Department of International Business,National Taipei College of Business	None	None		
VP&GM, Yung Trin Branch	R.O.C	Chin-Shan Sung	Male	20220311	9,213	0	0	0	0	0	EMBA, National Taiwan Normal University	None	None		
VP&GM, Nan Kang Branch	R.O.C	Chin-Tsan Wu	Male	20200717	52,421	0	0	0	0	0	Master of Economics, National Dong Hwa University	None	None		
VP&GM, Sung Nan Branch	R.O.C	Wen-Ching Huang	Female	20210820	234,303	0	0	0	0	0	Law, Fu Jen Catholic University	None	None		
VP&GM, Dong Hu Branch	R.O.C	Mei-Kuei Li	Female	20200316	43,402	0	0	0	0	0	Master of Finance, National Taiwan University of Science and Technology	None	None		
VP&GM, Ta An Branch	R.O.C	Shu-Ping Ciou	Female	20210820	13,239	0	8,657	0	0	0	Master of Banking and Finance, TamKang University	None	None		
VP&GM, Shuang Ho Branch	R.O.C	Chien-Fa Wang	Male	20221231	111,540	0	0	0	0	0	Department of Industrial Engineering, St. John's and St. Mary's Institute of Technology	None	None		
VP&GM, Jim Ho Branch	R.O.C	Pin-Hsiung Chen	Male	20201030	30,151	0	4,783	0	0	0	Business Administration, Soochow University	None	None		
VP&GM, Wu Ku Branch	R.O.C	Jui-Yuan Huang	Male	20210820	108,023	0	0	0	0	0	MBA, National Taiwan Normal University	None	None		
VP&GM, Lin Kuo Branch	R.O.C	Shuan-Hua Liu	Female	20210820	158,812	0	0	0	0	0	Master of Marketing and Logistics management, Hsing Wu University of Science and Technology	None	None		
VP&GM, East Linkou Branch	R.O.C	Ying-Hui Lai	Female	20220121	0	0	0	0	0	0	Department of Business Administration, Overseas Chinese University	None	None		
VP&GM, Pan Chiao Branch	R.O.C	Yu-Hsia Feng	Female	20210315	0	0	0	0	0	0	MBA, Chung Yuan Christian University	None	None		
VP&GM, Shu Lin Branch	R.O.C	Ming-Chien Chien	Male	20221231	32,715	0	492	0	0	0	Master of Banking and Finance, TamKang University	None	None		
VP&GM, Tu Cheng Branch	R.O.C	Nien-Tzu Chen	Female	20180208	134,506	0	0	0	0	0	Accounting, Fu Jen Catholic University	None	None		
VP&GM, Hwei Long Branch	R.O.C	Chun-Ta Lin	Male	20220506	114,740	0	0	0	0	0	Department of Industrial Management, Lunghwa University of Science and Technology	None	None		
VP&GM, Hsi Chih Branch	R.O.C	Fang-Chuan Chiu	Male	20221231	127,376	0	0	0	0	0	Department of Transportation and Logistics, Feng Chia University	None	None		

Title	Nationality	ationality Name	Gender	Date Elected	Shareholding		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title			Concurrent Positions at Other Companies	within the S of Kinshi	The Spouse or Relative within the Second Degree of Kinship of General Managers	
					Shares	(%)	Shares	(%)	Shares	(%)	(,		Title Na	ime	Relation- ship
VP&GM, Sanxia Branch	R.O.C	Jui-Yu Li	Female	20200825	112,069	0	7,009	0	0	0	Department of International Business, Ming Chuan College	None	Ν	lone	
VP&GM, Keelung Branch	R.O.C	Ming-Yi Chiu	Male	20220506	90,446	0	1,787	0	0	0	MBA, Fu Jen Catholic University	None	Ν	one	
VP&GM, Pu Chya Branch	R.O.C	Shu-Ting Chen	Female	20190213	111,865	0	988	0	0	0	International Trade, Hsing Wu Business College	None	Ν	lone	
VP&GM, North San Chung Branch	R.O.C	Chin-Chih Li	Female	20220121	55,160	0	54,518	0	0	0	International Trade and Finance, Fu Jen Catholic University	None	Ν	one	
VP&GM, South San Chung Branch	R.O.C	Han-Mei Nung	Female	20220121	50,424	0	0	0	0	0	Department of Business Management, Ming Chuan College	None	Ν	lone	
VP&GM, Lu Chow Branch	R.O.C	Mei Hung	Female	20220121	2	0	0	0	0	0	MBA, Tamkang University	None	Ν	lone	
VP&GM, I Lan Branch	R.O.C	Tsung-Jen Hsieh	Male	20220121	11,666	0	0	0	0	0	MBA, Tamkang University	None	Ν	lone	
VP&GM, Lo Tung Branch	R.O.C	Ming-Fa Chien	Male	20190823	108,257	0	0	0	0	0	Business, National Lo-Tung Commercial Vocational High School	None	Ν	lone	
VP&GM, Su Aw Branch	R.O.C	Cheng-Hsiung Tsai	Male	20210820	21,876	0	3,111	0	0	0	Master of Finance and Business Administration, Fu Jen Catholic University	None	Ν	lone	
VP&GM, Yang Mei Branch	R.O.C	Yueh-Mei Chang	Female	20190823	136,427	0	0	0	0	0	MBA, National Dong Hwa University	None	Ν	lone	
VP&GM, Hu Kou Branch	R.O.C	Ju-Hsiang Tien	Male	20220801	5,361	0	0	0	0	0	Master of Technology Management, Chung Hua University	None	None		
VP&GM, Taoyuan Branch	R.O.C	Shu-Fen Li	Female	20190823	107,764	0	0	0	0	0	International Trade, Hsing Wu Business College	None	Ν	one	
VP&GM, Ta Yuan Branch	R.O.C	Chin-Fu Chiang	Male	20221231	208,105	0	7,024	0	0	0	MBA, National Taiwan University of Science and Technology	None	Ν	lone	
VP&GM, Ta Shi Branch	R.O.C	Chia-Yi Wu	Female	20220801	0	0	0	0	0	0	Master of Science, Yuan Ze University	None	Ν	one	
VP&GM, Chung Li Branch	R.O.C	Chi-Fen Yen	Female	20221231	138,997	0	0	0	0	0	Business Administration, Fu Jen Catholic University	None	Ν	one	
VP&GM, Nei Li Branch	R.O.C	Hsu-Hsiang Huang	Male	20210831	113,958	0	0	0	0	0	Economics, Feng Chia University	None	Ν	one	
VP&GM, Hsin Ming Branch	R.O.C	Chun-Hung Chang	Male	20221214	0	0	0	0	0	0	Department of Business Management Technologies, Yuan Ze university	None	Ν	lone	
VP&GM, East Taoyuan Branch	R.O.C	Shu-E Chen	Female	20200316	116,138	0	0	0	0	0	Master of International Business, Chung Yuan Christian University	None	Ν	lone	
VP&GM, Hsin Wu Branch	R.O.C	Chun-Chu Hsiao	Female	20210831	23,335	0	0	0	0	0	Business Administration, Fu Jen Catholic University	None	Ν	one	
VP&GM, Hsin Chu Branch	R.O.C	Nai-Chia Chi	Male	20190823	209,368	0	0	0	0	0	Graduate Institute of Industrial Economics, National Central University	None	Ν	lone	
VP&GM, Chu Pei Branch	R.O.C	Kuan-Yi Huang	Male	20191031	63,386	0	0	0	0	0	Master of Technology Management, Chung Hua University	None	Ν	one	
VP&GM, Hsinchu Science Based Industrial Park Branch	R.O.C	Su-Fen Chen	Female	20190823	127,118	0	289	0	0	0	EMBA, National Yang Ming Chiao Tung University	None	Ν	lone	
VP&GM, Pa Te Branch	R.O.C	Chiu-Yu Lin	Female	20220801	50,652	0	75,975	0	0	0	EMBA, National Taipei University of Technology	None	Ν	lone	
VP&GM, Luong Tan Branch	R.O.C	Hsin-Te Li	Male	20220121	130	0	0	0	0	0	Department of Industrial Management, Asia Eastern University of Science and Technology	None	Ν	lone	
VP&GM, Chu Tung Branch	R.O.C	Yu-Jung Tseng	Male	20210820	17,326	0	0	0	0	0	Banking Managemen, Chungyu College	None	Ν	lone	

Title	Nationality	Name	Gender	. Date Elected	Shareholding		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title			Concurrent Positions at Other Companies	within th of Kin	The Spouse or Relative within the Second Degree of Kinship of General Managers	
					Shares	(%)	Shares	(%)	Shares	(%)	(,		Title	Name	Relation- ship
VP&GM, Chu Nan Branch	R.O.C	Hsin-Lu Chiang	Male	20220331	417	0	253	0	0	0	Department of Chemical Engineering, Chinese Culture University	None		None	
VP&GM, Tou Fen Branch	R.O.C	Sheng-Wang Chang	Male	20191031	125,027	0	7,009	0	0	0	Department of Business Management, Chin Min Institute of Technology	None		None	
VP&GM, Maio Li Branch	R.O.C	Fang-Mei Lai	Female	20220331	7,280	0	0	0	0	0	Department of Accounting and Statistics, Chihlee University of Technology	None		None	
VP&GM, Feng Yuan Branch	R.O.C	Li-Chung Lin	Male	20180723	134,915	0	0	0	0	0	Business Administration, National Taichung College of Business	None		None	
VP&GM, Tai Ping Branch	R.O.C	Yih-Shiou Wang	Male	20200717	162,393	0	0	0	0	0	EMBA, Feng Chia University	None		None	
VP&GM, Ta Chia Branch	R.O.C	Man-Chung Yeh	Male	20181029	21,471	0	794	0	0	0	International Trade, National Taichung College of Business	None		None	
VP&GM, Sha Lu Branch	R.O.C	Jung-Yu Huang	Male	20201030	128,038	0	0	0	0	0	Accounting, Feng Chia University	None		None	
VP&GM, Wu Jih Branch	R.O.C	Cheng-An Hsieh	Male	20210122	138,766	0	0	0	0	0	Master of Insurance, Feng Chia University	None	VP&GM	Li-Ching Lai	Spouse
VP&GM, Taichung Branch	R.O.C	Fu-Ching Chou	Male	20220331	122,984	0	0	0	0	0	Department of Applied Business, Taichung University of Science and Technology	None	None		
VP&GM, Min Chen Branch	R.O.C	Chien-Ta Wu	Male	20220121	110,117	0	0	0	0	0	EMBA, National Chi Nan University	None	None		
VP&GM, Hsing Chung Branch	R.O.C	Meng-Fang Wu	Female	20220121	77,142	0	126,975	0	0	0	Doctor of Philosophy,Feng Chia University	None	None		
VP&GM, Pei Tuen Branch	R.O.C	Pi-Chu Chang	Female	20210831	206,666	0	0	0	0	0	International Trade, National Taichung College of Business	None		None	
VP&GM, Nan Tou Branch	R.O.C	Yen-Ju Chen	Female	20210820	184,563	0	215,523	0	0	0	EMBA, National Chi Nan University	None		None	
VP&GM, Tsao Tuen Branch	R.O.C	Yueh-Man Sung	Female	20210820	153,563	0	0	0	0	0	International Trade, National Taichung College of Business	None		None	
VP&GM, Pu Li Branch	R.O.C	Tsai-Chuan Wu	Male	20210122	204,108	0	0	0	0	0	International Trade, Feng Chia University	None		None	
VP&GM, Tan Tze Branch	R.O.C	His-Her Pai	Male	20210122	203,688	0	91	0	0	0	Master of Applied Economics, National Chung Hsing University	None		None	
VP&GM, Chu Shan Branch	R.O.C	Chih-Shan Hung	Male	20210831	14,416	0	0	0	0	0	Department of Industrial Management, Lunghwa University of Science and Technology	None		None	
VP&GM, Chang Hwa Branch	R.O.C	Chih-Cheng Cho	Male	20201030	113,645	0	0	0	0	0	Applied Business, National Taichung University of Science and Technology	None		None	
VP&GM, Ho Mei Branch	R.O.C	Ming-Tang Chen	Male	20190213	132,011	0	0	0	0	0	Department of Industrial Management, Lunghwa University of Science and Technology	None		None	
VP&GM, Yuan Lin Branch	R.O.C	Liang-Pin Chen	Male	20210820	22,347	0	869	0	0	0	Master of Finance, National Yunlin University of Science and Technology	None		None	
VP&GM, Pei Tou Branch	R.O.C	Fu-Yuan Yao	Male	20220121	11,820	0	0	0	0	0	Master of Applied Economics, National Chung Hsing University	None		None	
VP&GM, Erh Lin Branch	R.O.C	Yu-Cheng Chiao	Male	20220331	79,863	0	40,998	0	0	0	Department of Business Administration, National Chung Hsing University	None		None	
VP&GM, Tou Liu Branch	R.O.C	Ming-Chin Ke	Female	20220901	16,040	0	5,226	0	0	0	Master of Science in Finance, National Chung Cheng University	None		None	

Title	Nationality	Name	Gender	n Date Elected	Shareholding		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title			Concurrent Positions at Other Companies	within th of Kin	The Spouse or Relative within the Second Degree of Kinship of General Managers	
				Liottou	Shares	(%)	Shares	(%)	Shares	(%)			Title		Relation- ship
VP&GM, Pei Kang Branch	R.O.C	Po-Hung Wang	Male	20220101	123,569	0	0	0	0	0	Business Management, National Cheng Kung University	None		None	
VP&GM, Hu Wei Branch	R.O.C	Ruey-shyang Guo	Male	20210820	130,145	0	0	0	0	0	MBA, Baruch Collge , CUNY	None		None	
VP&GM, Chia Yi Branch	R.O.C	Chia-Cheng Liu	Male	20220901	121,873	0	0	0	0	0	EMBA, National Chiayi University	None		None	
VP&GM, Ming Hsiung Branch	R.O.C	I-Man Chen	Female	20181029	129,519	0	86	0	0	0	Business, Providence College	None		None	
VP&GM, Chia Hsin Branch	R.O.C	Li-Feng Huang	Female	20200825	110,061	0	0	0	0	0	Department of Banking and Finance, Aletheia University	None		None	
VP&GM, Hsin Ying Branch	R.O.C	Chung-Hsien Huang	Male	20210122	24,361	0	0	0	0	0	Business Administration, Tamkang University	None		None	
VP&GM, Kai Yuan Branch	R.O.C	Chun-Jen Huang	Male	20210122	109,537	0	0	0	0	0	Public Finance, Feng Chia University	None		None	
VP&GM, Yun Kang Branch	R.O.C	Mei-Chen Chen	Female	20220506	149,609	0	11,868	0	0	0	MBA, National Cheng Kung University	None		None	
VP&GM, Shiue Chia Branch	R.O.C	Hui-Pai Kuo	Female	20200316	68,461	0	0	0	0	0	Department of Business Management, Nan Jeon Universtiy of Science And Technology	None		None	
VP&GM, Shan Hwa Branch	R.O.C	Hsiu-Chen Chiu	Female	20200203	113,872	0	0	0	0	0	Business Management, National Cheng Kung University	None		None	
VP&GM, Yung Ta Branch	R.O.C	Chien-Lai Su	Male	20181224	867	0	0	0	0	0	Master of Business & Management, National University of Tainan	None		None	
VP&GM, Tainan Branch	R.O.C	Hsiu-Chu Lin	Female	20220121	130,119	0	0	0	0	0	EMBA, National Chung Cheng University	None		None	
VP&GM, Jen Te Branch	R.O.C	Guo-Shiang Huang	Male	20200203	53,876	0	95,758	0	0	0	Cooperative Economics, National Chung Hsing University	None		None	
VP&GM, Cheng Kung Branch	R.O.C	Shun-Ho Chen	Male	20200825	100,973	0	0	0	0	0	Business Administration, Feng Chia University	None		None	
VP&GM, East Tainan Branch	R.O.C	Su-Chih Wang	Female	20200825	265,376	0	0	0	0	0	Department of Applied Business, Taichung University of Science and Technology	None		None	
VP&GM, An Ping Branch	R.O.C	Ling-Ling Chen	Female	20220506	241	0	0	0	0	0	Economics, Feng Chia University	None		None	
VP&GM, Hua Lien Branch	R.O.C	Shu-Hui Chen	Female	20200825	108,513	0	0	0	0	0	Department of French , Chinese Culture University	None		None	
VP&GM, Tai Tung Branch	R.O.C	Kuo-Tai Shih	Male	20210820	1,219	0	0	0	0	0	Department of Applied Business, National Taipei College of Business	None		None	
VP&GM, East Kaohsiung Branch	R.O.C	Hui-E Wu	Female	20220121	129,943	0	0	0	0	0	Master of Human Resource Management, National Sun Yat-sen University	None		None	
VP&GM, Kang Shan Branch	R.O.C	Kuang-Tsai Wang	Male	20201030	49,217	0	0	0	0	0	MBA, National Sun Yat-sen University	None		None	
VP&GM, North Feng Shan Branch	R.O.C	Fu-Lai Chang	Male	20200511	112,860	0	0	0	0	0	Business, National Open University	None		None	
VP&GM, Ling Ya Branch	R.O.C	Yi-Ching Wang	Female	20210820	113,610	0	0	0	0	0	Master of Business Administration in International Business, National Kaohsiung Unversity of Applied Sciences	None		None	
VP&GM, Kaohsiung Branch	R.O.C	Chin-Chuan Su	Male	20211031	346,863	0	0	0	0	0	Accounting, National Chung Hsing University	None		None	
VP&GM, North Kaohsiung Branch	R.O.C	Chiu-Yuan Hung	Female	20210820	2,356	0	5,361	0	0	0	Banking, Tamkang University	None		None	

Title	Nationality	Name	Gender	r Date Elected	Shareholding		Shareholding by Spouse & Minor Children		Under Others'		Major Experience (Education)	Concurrent Positions at Other Companies	The Spouse or Relative within the Second Degre of Kinship of General Managers		d Degree ieneral	
				LICOLOU	Shares	(%)	Shares	(%)	Shares	(%)	Lucution		Title		Relation ship	
VP&GM, Ta Chang Branch	R.O.C	Li-Jung Lin	Female	20180208	140,239	0	0	0	0	0	Business, National Open University	None		None		
VP&GM, Chien Chen Branch	R.O.C	Tao-Cheng Shen	Male	20220121	5,185	0	0	0	0	0	MBA, National Sun Yat-sen University	None		None		
VP&GM, Jeou Ru Branch	R.O.C	Yao-Chin Yang	Male	20190823	113,709	0	0	0	0	0	Master of Finance and Information, National Kaohsiung Unversity of Applied Sciences	None		None		
VP&GM, San Ming Branch	R.O.C	Shu-Fang Kuo	Female	20211217	0	0	0	0	0	0	Master of Human Resource Management, National Sun Yat-sen University	None		None		
VP&GM, Feng Shan Branch	R.O.C	Leh-Chin Kuo	Female	20220121	107,258	0	0	0	0	0	Master of Finance, Kaohsiung First University of Science And Technology	None		None		
VP&GM, Ta Fa Branch	R.O.C	Chien-Chung Lin	Male	20200316	59,886	0	67,947	0	0	0	International Trade, Chinese Culture University	None		None		
VP&GM, Ping Tung Branch	R.O.C	Meng-Hsun Sung	Male	20220121	112,289	0	0112,289	0	0	0	Department of Business Management, National Pingtung University of Science & Technology	None		None		
VP&GM, Xiao Gang Branch	R.O.C	Hsueh-Mei Yang	Female	20191223	107,329	0	1,309	0	0	0	Business Management, Chinese Culture University	None		None		
VP&GM, Chiao Chou Branch	R.O.C	Cheng-Chuan Lin	Male	20200825	228	0	0	0	0	0	Banking Management, Tamsui Exford College	None		None		
VP&GM, Offshore Banking Unit	R.O.C	Wen-Ling Chang	Female	20210217	53,920	0	0	0	0	0	MBA, Drexel University, USA	None		None		
VP&GM, Los Angeles Branch	R.O.C	An-Yun Lin	Female	20211209	252,369	0	54,885	0	0	0	Master of Finance, Kaohsiung First University of Science And Technology	None		None		
VP&GM, Hong Kong Branch	R.O.C	Hsiao-Ming Chen	Male	20211116	126,278	0	61,976	0	0	0	Master of Economics, National Taiwan University	None		None		
VP&GM, Sydney Branch	R.O.C	Chen-Chung Fan	Male	20220124	127,300	0	0	0	0	0	Department of Business Management, National Sun Yat-sen University	None		None		
VP&GM, Shanghai Branch	R.O.C	Chao-Ming Huang	Male	20190128	122,915	0	0	0	0	0	EMBA, National Chiao Tung University	None		None		
VP&GM, Brisbane Branch	R.O.C	Sue-Jen Chen	Female	20180413	116,522	0	115,474	0	0	0	Master of International Business, Soochow University	None		None		
VP&GM, New York Branch	R.O.C	Feng-Chang Wu	Male	20200928	0	0	0	0	0	0	MBA, Northern Illinois University, USA	None		None		
VP&GM, Wuhan Branch	R.O.C	Chu-Ying Ting	Female	20211215	32,662	0	0	0	0	0	Cooperative Economics, National Chung Hsing University	None		None		
VP&GM, Tokyo Branch	R.O.C	Cheng-Hung Chang	Male	20180815	123,619	0	0	0	0	0	MBA, University of Wisconsin, USA	None		None		
AVP&Chief Representative, Yangon Representative Office	R.O.C	Hsi-Pin Tseng	Male	20211022	101,595	0	0	0	0	0	Department of Labor Relations, Chinese Culture University	None		None		

Note: The position of President or an equivalent position (chief manager) is held by the Chairman at the same time, or held by spouses or relatives within the first degree of kinship: No such matters.

## (3) The Chairman or the President who retired from TBB or its affiliates serves as a consultant at TBB: None.

# (4) Remuneration to Directors, President, Executive Vice President, and Remuneration Distribution to Employees for 2022

A. Remuneration to directors and independent directors and range of remuneration

		_		_	P		e	_				Dat				<b>D</b> '		AL				T\$ 1,00
					Director's R					Total R	nd Ratio of emuneration	<u> </u>	evant Remur ry, Bonus			y Director	rs Who are	Also Emp	oloyees	Total Re	nd Ratio of muneration	
		Compe	ensation (A)		ision and ation Pay (B)		ector's eration (C)	Busine: Exp	ss Execution enses (D)		C+D) to Net ncome	anc	I Special rsement (E)		ision and ation Pay (F)	Emp	loyee's Re	emuneratio	on (G)	(A+B+C to Ne	+D+E+F+G) et Income	Compensation from an Investe
Title	Name	TBB	All Companies within the	e TBB	All Companies within the		All Companies within the	TBB		TBB		All Companies within the Finance Statements		Comp TBB withi	All Companies within the	he Parent Compan						
			Finance Statements		Finance Statements		Finance Statements	Finance Statements		Finance Statements		Finance Statements	6	Finance Statements	Amount in Cash	Amount in Stock		Amount in Stock		Finance Statements		
Representative of th	e Ministry of Finance																					
Chairman of the Board	Chien-Hao Lin																					
President	Chih-Chien Chang																					
Director	Tung-Fu Lin																					
Director	Hung-Sheng Yu																					
Former Director	Shiu-Yen Lin																					
Bank of Taiwan	Representative																					
Managing Director	Hsin-Tzu Hu																					
Director	Tzu-Hao Tsai																					
Director	Ho-Chyuan Chen																					
Former Director	Shih-Yuan Tai																					
Former Director	Wen-Chieh Wang																					
	t Fund, Executive Yuan entative																					
Managing Director	Chun-Hsien Yeh																					
Director	Che-Nan Wang																					
TBB Industry Uni	on Representative																					
Director	Wen-Hsiang Ma																					
Former Director	Ming-Huei Chen																					
Sub	itotal	9,016	9,016	605	605	75,243	75,243	1,508	1,508	86,372/ 0.85%	86,372/ 0.85%	9,687	9,687	412	412	248		248		96,719/ 0.95%	96,719/ 0.95%	169
Independent Managing Director	Xin-Wu Lin																					
Independent Director	Jin-Long Liu	1																				
Independent Director	Chiou-Mien Lin	1																				
Independent Director	Yung-Cheng Chuang	1																				
Independent Director	Shao-Yuan Chang	1																				
Sub	total	3,543	3,543	0	0	0	0	1,275	1,275	4,818/ 0.05%	4,818/ 0.05%	0	0	0	0	0		0		4,818/ 0.05%	4,818/ 0.05%	0

Note:

 The Bank's independent directors only receive monthly compensation and do not receive directors' remuneration additionally. The compensation has not exceeded the upper limit specified in the Ministry of Finance's official letter, referenced Tai-Cai-Ku No. 09903518290 dated September 10, 2010 and has been submitted to the Bank's shareholders' meeting on June 24, 2011 for approval.

 Except as disclosed in the above table, the remuneration received by the Bank's directors in the most recent year for providing services (such as serving as a non-employee consultant at parent company, all companies in the financial report, or investees): None

3. Chairman Chien-Hao Lin and President Chih-Chien Chang, each has a driver, and the drivers' total remuneration amounted to NT\$2,268,000.

4. The amounts disclosed in columns (B) and (F) are the provisions pension and separation pay expensed.

5. Hung-Sheng Yu, Wen-Hsiang Ma, and Ming-Hui Chen are TBB's employees.

		Name o	f Director	
Range of Remuneration Paid to Directors of TBB	Total of Remun	eration (A+B+C+D)	Total of Remunerat	tion (A+B+C+D+E+F+G)
	твв	All companies in the financial report H	твв	All companies in the financial report I
Below NT\$1,000,000	Shiu-Yen Lin; Hung-Sheng Yu; Tung-Fu Lin; Hsin-Tzu Hu; Tzu-Hao Tsai; Ho-Chyuan Chen; Shih-Yuan Tai; Wen-Chieh Wang; Chun-Hsien Yeh; Chu-Hsien Yeh; Che-Nan Wang; Wen-Hsiang Ma; Ming-Huei Chen; Chiou-Mien Lin; Yung-Cheng Chuang; Shao-Yuan Chang	Shiu-Yen Lin; Hung-Sheng Yu; Tung-Fu Lin; Hsin-Tzu Hu; Tzu-Hao Tsai; Ho-Chyuan Chen; Shih-Yuan Tai; Wen-Chieh Wang; Chun-Hsien Yeh; Che-Nan Wang; Wen-Hsiang Ma; Ming-Huei Chen; Chiou-Mien Lin; Yung-Cheng Chuang; Shao-Yuan Chang	Shiu-Yen Lin; Tung-Fu Lin; Hsin-Tzu Hu; Tzu-Hao Tsai; Ho-Chyuan Chen; Shih-Yuan Tai; Wen-Chieh Wang; Chun-Hsien Yeh; Che-Nan Wang; Wen-Hsiang Ma; Chu-Hsien Yah; Chiou-Mien Lin; Yung-Cheng Chuang; Shao-Yuan Chang	Shiu-Yen Lin; Tung-Fu Lin; Hsin-Tzu Hu; Tzu-Hao Tsai; Ho-Chyuan Chen; Shih-Yuan Tai; Wen-Chieh Wang; Chun-Hsien Yeh; Che-Nan Wang; Wen-Hsiang Ma; Chiou-Mien Lin; Yung-Cheng Chuang; Shao-Yuan Chang
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Xin-Wu Lin; Jin-Long Liu	Xin-Wu Lin; Jin-Long Liu	Xin-Wu Lin; Jin-Long Liu; Ming-Huei Chen	Xin-Wu Lin; Jin-Long Liu; Ming-Huei Chen
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)			Hung-Sheng Yu	Hung-Sheng Yu
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Chien-Hao Lin	Chien-Hao Lin	Chien-Hao Lin; Chih-Chien Chang	Chien-Hao Lin; Chih-Chien Chang
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)				
NT\$100,000,000 and above				
Total	18 people	18 people	19 people	19 people

# B. Remuneration to President and Executive Vice Presidents and range of remuneration

2022

Unit: NT\$ 1,000

		Sala	ary (A)		ion and ion Pay (B)		nd Special ement (C)	Em	iployee's Co	mpensation	(D)	Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Compensation from an Investee Other Than the
Title	Name	700	All Companies		All Companies	735	All Companies	т	3B	All Companies within the Finance Statements		TBB	All Companies	Company's Subsidiaries or
		TBB	within the Finance Statements	TBB	within the Finance Statements	TBB	within the Finance Statements	Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock	IBB	within the Finance Statements	Parent Company
President	Chih-Chien Chang													Yes
Executive Vice President	Chiu-Yen Chen													None
Executive Vice President	Jia-Ruey Luan													Yes
Executive Vice President	Sung-Shui Chiu													Yes
EVP and SVP&GM, Adminstration Management Dept.	Shao-Huang Chen													Yes
EVP and SVP&GM, Corporate Banking Dept.	Tseng-Hsiang Yi													None
Former Executive Vice President	Yu-Min Chang													None
Former Executive Vice President	Chang-Yu Lin													None
EVP & Chief Auditor and SVP&GM, Auditing Dept.	Tsung-Chu Hsieh													None
	Total	16,280	16,280	1,375	1,375	13,019	13,019	1,151		1,151		31,825 / 0.31%	31,825/ 0.31%	225

Note: Each of them was assigned a driver during the tenure in 2022, and the drivers' remuneration totaled NT\$6,845,000.

Range of Remuneration Paid to the President and Executive Vice Presidents of TBB	Name of the President or the	he Executive Vice President
Range of Remuneration Paid to the President and Executive vice Presidents of TBB	ТВВ	Parent company and all investees
Below NT\$1,000,000	Yu-Min Chang	Yu-Min Chang
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Tseng-Hsiang Yi; Chang-Yu Lin; Tsung-Chu Hsieh	Tseng-Hsiang Yi; Chang-Yu Lin; Tsung-Chu Hsieh
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Chiu-Yen Chen; Jia-Ruey Luan; Sung-Shui Chiu; Shao-Huang Chen	Chiu-Yen Chen; Jia-Ruey Luan; Sung-Shui Chiu; Shao-Huang Chen
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Chih-Chien Chang	Chih-Chien Chang
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)		
NT\$100,000,000 and above		
Total	9 people	9 people

C. Name of Management Receiving the Distribution of Employee's Compensation and the Distribution

	2022			Unit	: NT\$ 1,000; %
Title	Name	Amount in Stock	Amount in Cash	Total	Ratio of Total Compensation to Net Income (%)
Executive Vice President	Chiu-Yen Chen				
Executive Vice President	Jia-Ruey Luan				
Executive Vice President	Sung-Shui Chiu				
EVP and SVP&GM, Adminstration Management Dept.	Shao-Huang Chen				
EVP and SVP&GM, Corporate Banking Dept.	Tseng-Hsiang Yi				
Former Executive Vice President	Yu-Min Chang				
Former Executive Vice President	Chang-Yu Lin				
EVP & Chief Auditor and SVP&GM, Auditing Dept.	Tsung-Chu Hsieh				
SVP&GM, Treasury Dept.	Jyun-You Shih				
SVP&GM, Accounting Dept.	Yu-Chuan Chou				
SVP, VP, GM for Departments and Branches	Li-Yueh Hsu; Chu-Jou Chen; Kuo-Liang Tseng; Hsiou-Chen Kang; Ching-Yun Kuo; Mei-Huei Chen; Chiang-Shu Lin; Wing-Tang Lin; Yu-Cheng Tsai; Min-Chung Hsieh; Yi-Chin Chai; Ying- Che Fang; Wen-Shu Lin; Ming-Ju Yang; Le-Yi Jiang; Ting-Huei Liao; Shenn-Bao Jean; Wen- Ling Wang; Li-Chuan Huang; Yueh-Chin Wang; Li-Huei Chen; Ming-Yi Lin; Chih-Cheng Chen; Wen-Hsiu Huang; Shu-Cing Wu; Ching-Yi Lin; Tung-Sheng Ni; Po-Jung Huang; Mu-Hsiang Wu; Yu-Chiao Wei; Yuan-Hsueh Hsiao; Tung-Han Lu; Shui-Chiang Fang; Hsih-Hui Chen; Li- Ching Lai; Zuo-Ling Zeng; Ching-Yang Lee; Hsiu-Hsin Hou; Shu-Ling Yuan; Yun-Hui Chang; Jiann-Yea Shyu; Sung-Nan Chiao; Ching-Hsiu Liu; Yun-Shiang Tsai; Chao-Lieh Chen; Chun- Ying Shen; Li-Jhu Huang; Bi-Shuang Lin; Ssu-Jung Lai; Pei-Ling Lin; Mei-Chih Hou; Ching- Yao Chen; Fuh-Yuh Yeh; Yen-Ling Chen; Hui-Mei Chen; Chin-Shan Sung; Chin-Tsan Wu; Wen-Ching Huang; Mei-Kuei Li; Shu-Ping Ciou; Chien-Fa Wang; Pin-Hsiung Chen; Jui-Yuan Huang; Shuan-Hua Liu; Ying-Hui Lai; Yu-Hsia Feng; Ming-Chien Chien; Nien-Tzu Chen; Chun-Ta Lin; Fang-Chuan Chiu; Jui-Yu Li; Ming-Yi Chiu; Shu-Ting Chen; Chin-Chih Li; Han- Mei Nung; Mei Hung; Tsung-Jen Hsieh; Ming-Fa Chien; Cheng-Hsiung Tsai; Yueh-Mei Chang; Ju-Hsiang Tien; Shu-Fen Li; Chin-Fu Chiang; Chia-Yi Wu; Chi-Fen Yen; Hsu-Hsiang Huang; Chun-Hung Chang; Shu-E Chen; Chun-Chu Hsiao; Nai-Chia Chi; Kuan-Yi Huang; Su-Fen Chen; Chiu-Yu Lin; Hsin-Te Li; Yu-Jung Tseng; Hsin-Lu Chiang; Sheng-Wang Chang; Fang- Mei Lai; Li-Chung Lin; Yin-Shiou Wang; Man-Chung Yeh; Jung-Yu Huang; Cheng-Ah Hsieh; Fu-Ching Chou; Lin; Hsin-Te U; Meng-Fang Muy; Pi-Chu Chang; Yen-Ju Chen; Yueh-Man Sung; Tsai-Chuan Wu; His-Her Pai; Chih-Shan Hung; Chih-Cheng Cho; Ming-Tang Chen; Liang- Pin Chen; Fu-Yuan Yao; Yu-Cheng Chiao; Ming-Chin Ke; Po-Hung Wang; Ruey-shyang Guo; Chia-Cheng Liu; I-Man Chen; Li-Feng Huang; Chung-Hsien Huang; Chun-Jen Huang; Mei- Chen; Hui-Pai Kuo; Hsiu-Chen Chiu; Chien-Lai Su; Hsiu-Chu Lin; Guo-Shiang Huang; Shun-Ho Chen; Su-Chih Wang; Ling-Ling Chen, Shu-Hui Chen; Kuo-Tai Shih; Hui-E Wu;				
Total	ין סווטוואַ יוומואָ, וופיר וו ופרואָ, מ נעמיטו וט דערופטווג.	0	28,787	28,787	0.28%
Note:					

Note:

1. According to the requirements under Article 41 of the Article of Association of the Bank, shall there be profits of the year and except for retaining the compensation amount for losses from previous years, the Bank shall allocate 1% to 6% as employee's compensation.

2. The remuneration of the Bank's employee is calculated and distributed in accordance with the Bank's "Directions for Payment of Employee's Compensation" after evaluating the Bank's pre-tax net profit achievement rate, operating performance financial indicators, and individual assessment results.

- (5) Analysis of total remuneration, as a percentage of net income stated in the parent company-only financial reports or individual financial reports, as paid by the Bank and all other companies included in the consolidated financial report during the past 2 fiscal years to Directors, the President, and the Executive Vice Presidents; the remuneration policies, standards, and package of remuneration payment
  - A. Analysis of total remuneration (including salary, bonus, pension, and employee's compensation), as a percentage of net income stated in the parent company-only financial reports or individual financial reports, as paid by the Bank and all other companies included in the consolidated financial report during the past 2 fiscal years to Directors, the President, and the Executive Vice Presidents:

							Un	it: NT\$ 1,000; %
		20	2021					
ltem	твв		All Companies within the Finance Statements			твв	All Companies within the Finance Statements	
	Amount	As Percentage of Net Income	Amount	As Percentage of Net Income	Amount	As Percentage of Net Income	Amount	As Percentage of Net Income
Directors	101,536	1.00%	101,536	1%	62,591	1.23%	62,591	1.23%
President and Executive Vice Presidents	31,825	0.31%	31,825	0.31%	31,979	0.63%	31,979	0.63%

B. The policy, standards, and package of remuneration payment are analyzed as follows:

a Directors

According to the requirements under Article 41 of the Article of Association of the Bank, shall there be profits of the year and except for retaining the compensation amount for losses from previous years, shall allocate no more than 0.6% as the remuneration of Directors.

Furthermore, according to the requirements under Article 21 of the Article of Association of the Bank, the Board was authorized by the Shareholders' Meeting to determine the remuneration of Directors, and such amount shall be determined according to the general remuneration offered within the industry.

The remuneration paid to the directors is based on the standards in the industry, the respective performance of Directors, the performance of corporate operations, and the results of the performance assessment by the Board. The remuneration for Independent Directors shall be subject to the monthly payment plan for remuneration passed at the Shareholders' Meeting in 2011. Except for the monthly fixed remunerations payment, such Directors shall not receive the Director remuneration specified in the Article of Association.

Directors' remuneration distributed in 2021 was NT\$37,107 thousand, and the Directors' remuneration proposed to be distributed in 2022 shall be NT\$75,243 thousand.

b President, Executive Vice Presidents, and Chief Auditor

Regarding the remuneration paid to the President, Vice Presidents, and Chief Auditor, except for giving considerations to the standard in the industry, personal performance and corporate business performance are also taken into account. Moreover, such remuneration shall be based on relevant requirements of "Directions for Salary Payment to Employees," "Directions for Payment of New Year, Festival, and Performance Bonuses," "Directions for Payment of Employee's Compensation," and "Remuneration Committee Organizational Procedures."

# (6) Procedure for determining remuneration to directors, the President, and the Executive Vice Presidents by the Bank and all other companies included in the consolidated financial report during the past 2 fiscal years; and linkage thereof to operating performance and future risks

A. Directors

Regarding the bonus of Directors of the Bank, the Article of Association has provided that, shall there be profits of the year and except for retaining the compensation amount for losses from previous years, the Bank shall allocate no more than 0.6% as the remuneration of Directors. The Shareholders' Meeting authorized the Board to determine the payment for such remuneration according to the standards in the industry, the respective performance of Directors, the performance of corporate operations, and the results of the performance assessment by the Board. Relevant performance assessment was proposed at the meeting of the Remuneration Committee for discussion and was submitted to and approved by the Board

meeting. Regarding the remuneration for Independent Directors, the Board shall determine a reasonable remuneration different from that of the general Directors according to the relevant standards within the industry. Except for the monthly fixed remunerations payment, such directors shall not receive the Director remuneration specified in the Article of Association. For losses incurred to the Bank resulting from dubious acts of the Directors, the Audit Committee shall exert control and supervision on the existing and potential risks, and impose necessary punishment according to the relevant laws and regulations.

B. President, Executive Vice Presidents, Chief Auditor, and members of management The approval procedures for the remuneration of President, Executive Vice Presidents, Chief Auditor, and members of management shall be based on relevant requirements of "Directions for Salary Payment to Employees," "Directions for Payment of New Year, Festival, and Performance Bonuses" "Directions for Payment of Employee's Compensation," and "Remuneration Committee Organizational Procedures." Such remuneration shall be implemented and paid after an assessment of performance based on the "Directions for Employee Audit," "Directions for Performance Audit," and "Directions for Administrative Incentives for Performance Audit" of the Bank, with consideration to the general standard within the industry. Furthermore, the remuneration and relevant performance assessment of the Bank's managers shall be proposed at the meeting of the Remuneration Committee for discussion annually, and the results thereof shall be submitted to the Board for approvals. Among which, the bonus part shall be linked to and subject to the before tax net profit achieving rate, business performance financial indications, and personal audit results of the Bank. For losses incurred to the Bank resulting from dubious acts of President, Executive Vice Presidents, Chief Auditor, and members of management, the Board shall not only approve the dismissal of them and cease the payment of remuneration, but also impose necessary punishment according to the relevant laws and regulations.

# 3. Operations of Corporate Governance

# (1) Operations of Board of Directors

A total of 9 meetings were held by the Board in the most recent year (2022). The attendance of the members of the Board are as follows:

Title	Name	Number of required attendance (A)	Number of actual attendance (B)	Number of delegated attendance	Actual attendance rate (%) (B/A)	Name of the legal entity represented	Remarks
Chairman	Chien-Hao Lin	9	9	0	100	Ministry of Finance	
Managing Director	Chih-Chien Chang	9	9	0	100	Ministry of Finance	
Managing Director	Shih-Yuan Tai	1	1	0	100	Bank of Taiwan	Resigned on Feb. 9, 2022
Managing Director	Hsin-Tzu Hu	8	8	0	100	Bank of Taiwan	Appointed on Feb. 9, 2022
Managing Director (Independent Director)	Xin-Wu Lin	9	9	0	100		
Managing Director	Chun-Hsien Yeh	9	9	0	100	National Development Fund, Executive Yuan	
Director	Shiu-Yen Lin	7	7	0	100	Ministry of Finance	Resigned on Nov. 1, 2022
Director	Tung-Fu Lin	2	2	0	100	Ministry of Finance	Appointed on Nov. 1, 2022
Director	Wen-Chieh Wang	3	3	0	100	Bank of Taiwan	Resigned on June 17, 2022
Director	Ho-Chyuan Chen	5	5	0	100	Bank of Taiwan	Appointed on July 19, 2022
Director	Hung-Sheng Yu	9	9	0	100	Ministry of Finance	
Director	Tzu-Hao Tsai	9	9	0	100	Bank of Taiwan	
Director	Che-Nan Wang	9	9	0	100		
Director	Ming-Huei Chen	4	4	0	100	TBB Industry Union	Resigned on July 19, 2022
Director	Wen-Hsiang Ma	5	5	0	100	TBB Industry Union	Appointed on July 19, 2022
Independent Director	Jin-Long Liu	9	9	0	100		

December 31, 2022

Title	Name	Number of required attendance (A)	Number of actual attendance (B)	Number of delegated attendance	Actual attendance rate (%) (B/A)	Name of the legal entity represented	Remarks
Independent Director	Yung-Cheng Chuang	9	9	0	100		
Independent Director	Shao-Yuan Chang	9	9	0	100		
Independent Director	Chiou-Mien Lin	9	9	0	100		

Other items that shall be recorded:

. When any of the following situations occurred to the operations of the Board, state the date and term of the Board meeting, the content of proposals, opinions of all Independent Directors, and the Bank's actions in response to the opinions of the Independent Directors:

(1) Matters included in Article 14-3 of the Securities and Exchange Act: Not applicable. The Bank has already established an Audit Committee.

(2) Other resolutions of the Board, which the Independent Director(s) voiced objection or reservation that are documented or issued through a written statement in addition to the above: None.

2. When Directors abstain themselves for being a stakeholder in certain proposals, the name of the Directors, the content of the proposal, reasons for abstentions and the results of voting counts should be stated.

(1) At the 5th Board meeting of the 16th Board on March 9, 2022, for the proposal to lift the non-competition restriction of the Bank's directors on the 2022 Shareholders' Meeting, except for Managing Director Hsin-Tzu Hu and Independent Director Yung-Cheng Chuang who recused themselves from the discussion and voting, all the attending directors agreed to pass the proposal as proposed.

(2) At the 6th Board meeting of the 16th Board on May 4, 2022, for the proposal to submit the case of canceling the rent subsidy for the Chairman and President of the Bank, except for Chairman Chien-Hao Lin, and Managing Director and the President Chih-Chien Chang, who recused themselves from the discussion and voting, all the attending directors agreed to pass the proposal as proposed.

(3) The proposal for the Bank's 2021 director's remuneration distribution at the 7th Board meeting of the 16th Board on July 13, 2022

A. In the review of the remuneration to directors representing the Ministry of Finance, except for Chairman Chien-Hao Lin, Managing Director and the President Chih-Chien Chang, Director Shiu-Yen Lin, and Director Hung-Sheng Yu who recused themselves from the discussion and voting, all the attending directors agreed to pass the proposal as proposed.

B. In the review of the remuneration to directors representing the Bank of Taiwan, except for Managing Director Hsin-Tzu Hu and Director Tzu-Hao Tsai who recused themselves from the discussion and voting, all the attending directors agreed to pass the proposal as proposed.

C. In the review of the remuneration to directors representing the National Development Fund, Executive Yuan, except for Managing Director Chun-Hsien Yeh representing the National Development Fund, Executive Yuan who recused himself from the discussion and voting, all the attending directors agreed to pass the proposal as proposed.

D. In the review of the remuneration to directors representing the TBB Inductry Union and Land Bank of Taiwan and to individual directors, except for Director Hung-Sheng Yu (Chairman of the TBB Industry Union) and union representative - Director Ming-Hui Chen, and Individual Director Che-Nan Wang, who recused themselves from the discussion and voting, all the attending directors agreed to pass the proposal as proposed.

- (4) At the 11th Board meeting of the 16th Board on November 2, 2022, for the report of the Bank's 2023 annual budget draft and audit business operating expense budget draft, except for Managing Director Chih-Chien Chang, Independent Director Jin-Long Liu, Independent Director Chiou-Mien Lin, Director Hung-Sheng Yu (Chairman of the TBB Industry Union) and union representative Director Wen-Hsiang Ma, who recused themselves from the discussion and voting, all the attending directors agreed to pass the proposal as proposed.
- (5) At the 12th Board meeting of the 16th Board on December 14, 2022, for the report of the group agreement between the Bank and TBB Industry Union that has expired and is planned to be renewed, except for Director Hung-Sheng Yu and Director Wen-Hsiang Ma, who recused themselves from the discussion and voting, all the attending directors agreed to pass the proposal as proposed.
- 3. Information on the evaluation cycle and period, evaluation scope, method, and evaluation content for the Board's evaluation:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Once every year	January 1, 2022 to December 31, 2022	Board of Directors and its members. Functional Committees and its members	Self-evaluation of the Board of Directors and Functional Committees	<ul> <li>The evaluation items of the Board performance include the five aspects below:</li> <li>Involvement in the Bank's operations.</li> <li>Improvement to the decision-making quality of the Board of Directors.</li> <li>Composition and structure of the Board of Directors.</li> <li>Election and continuing education of directors.</li> <li>Internal control.</li> <li>The evaluation items of the directors ' performance include the six aspects below:</li> <li>Understanding of the Bank's goals and tasks.</li> <li>Awareness of directors responsibilities.</li> <li>Involvement in the Bank's operations.</li> <li>Internal relationship management and communication.</li> <li>Directors' professionalism and continuing education.</li> <li>Internal control.</li> <li>The evaluation items of the functional committees' performance include the five aspects below:</li> <li>Involvement in the Bank's operations.</li> <li>Awareness of functional committee' s responsibilities.</li> <li>Improvement to functional committee ' s decision-making quality.</li> <li>Composition of functional committee and selection of members.</li> <li>Internal control.</li> </ul>

The Bank conducted the internal performance evaluation of the Board of Directors, individual directors and functional committees (including the Audit Committee, Remuneration Committee, Sustainable Development Committee and Digital Transformation Committees) in 2022, and the evaluation result was listed as "excellent". The report has been made on the 14th Board meeting of the 16th Board on February 22, 2023. In addition, the 2022 evaluation result of the performance of the Board of Directors has been disclosed on the Bank's website. (https://ir.tbb.com.tw/corp/board-of-directors/diversity-of-directors-members)

- 4. Measures undertaken during the current year and the latest year in order to strengthen the functions of the Board of Directors (the establishment of the Audit Committee and improvement of information transparency, etc.), and the assessment of the implementation:
  - (1) Directors' continuing education on corporate governance and the hours of training are in compliance with the requirements of the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies. The total training hours are 128 hours, and the average training hours are about 8.5 hours. The trainings regarding the information security, anti-money laundering/combating financing of terrorism and fair treatment of consumers were also conducted for directors.
  - (2) The Bank's rules of procedure for Board meetings clearly stipulate that at least one independent director shall attend a Board meeting in person; for matters that should be resolved by the Board of Directors, all independent directors shall attend such Board meetings. If an independent director is unable to attend in person, he/she shall appoint another independent director to attend the meeting on his/her behalf. A total of 9 Board meetings were convened in 2022, and all independent directors attended every meeting in person

# (2) Audit Committee activities

A total of 14 meetings were held by the Audit Committee in the most recent year (2022). The attendance of Independent Directors was as follows:

					Dece	ember 31, 2022
Title	Name	Number of required attendance (A)	Number of actual attendance (B)	Number of delegated attendance	Actual attendance rate (%) (B/A)	Remarks
Committee Chair	Jin-Long Liu	14	14	0	100	
Member	Xin-Wu Lin	14	14	0		
Member	Yung-Cheng Chuang	14	14	0	100	
Member	Shao-Yuan Chang	14	14	0	100	
Member	Chiou-Mien Lin	14	14	0	100	

Other items that shall be recorded:
1. If any of the following circumstances occurs during the operation of the Audit Committee, the dates, sessions, agenda, all independent directors' objections, reservations or major suggestions, the results of the committee's resolutions, and the Company's handling of such opinions shall be specified:

(1) All conditions stated in Article 14-5 of the Securities and Exchange Act.

) All conditions sta	ated in Article 14-5 of the Securities and Exchange	Act.
Board Date/ Session	Agenda	Resolution results of the Audit Committee and the Bank's response regarding the Audit Committee's opinions
The 4th Board meeting of the 16th Board on January19, 2022	Amendments to the Bank's Regulations for Internal Control System for Securities Firms (including the internal control system, internal audit implementation rules, audit statement, and audit working papers) (the 4th meeting of the 4th Audit Committe on January 12, 2022)	Resolution results of the Audit Committee: Ratification approved and submitted to the Board. The Bank's response to the opinions of the Auditing Committee: Ratification approved by all directors in attendance with consent.
The 5th Board meeting of the 16th Board on March 9, 2022	Report on the 2021 individual financial reports and consolidated financial reports of the Bank and its subsidiaries (the 5th meeting of the 4th Audit Committee on March 2, 2022)	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 5th Board meeting of the 16th Board on March 9, 2022	The plan to carry out a capital increase via transferred earnings for the issuance of new shares in response to the earnings distribution of stock dividends for 2021 (the 5th meeting of the 4th Audit Committee on March 2, 2022)	<ul> <li>Resolution results of the Audit Committee:</li> <li>Passed, and submitted to the Board for consideration.</li> <li>Please provide further explanation of the distribution method, proportion and main considerations regarding the Bank's shareholder dividends.</li> <li>The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.</li> </ul>
The 5th Board meeting of the 16th Board on March 9, 2022	Amendments to the Bank's Procedures for Acquisition or Disposal of Assets of the Bank (the 5th meeting of the 4th Audit Committee on March 2, 2022)	<ol> <li>Resolution results of the Audit Committee:</li> <li>Passed, and submitted to the Board for consideration.</li> <li>The Administration Management Dept. shall review whether the internal regulations of the Bank involved in Article 5 of this Procedure need to be revised. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.</li> </ol>
The 6th Board meeting of the 16th Board on May 4, 2022	Amendments to the Bank's Regulations for Internal Control System for Securities Firms (including the internal control system, internal audit implementation rules, audit statement, and audit working papers) (the 6th meeting of the 4th Audit Committe on April 27, 2022)	Resolution results of the Audit Committee: Ratification approved and submitted to the Board. The Bank's response to the opinions of the Auditing Committee: Ratification approved by all directors in attendance with consent.
The 6th Board meeting of the 16th Board on May 4, 2022	Report of the 2022 Q1 consolidated financial reports of the Bank and its subsidiaries (the 6th meeting of the 4th Audit Committee on April 27, 2022)	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 6th Board meeting of the 16th Board on May 4, 2022	Conducting the change of Chief Auditor as explained (the 5th extraordinary meeting of the 4th Audit Committee on May 4, 2022)	<ul> <li>Resolution results of the Audit Committee:</li> <li>Agree to the resignation of the original Chief Auditor and agree to appoint a new Chief Auditor.</li> <li>The Chief Auditor shall hand over duties completely, including matters instructed by the Audit Committee</li> <li>The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.</li> </ul>
The 7th Board meeting of the 16th Board on July 13, 2022	Amendments to the Bank's Regulations for Internal Control System for Futures Trading Assistance (including the internal control system, internal audit implementation rules, audit statement, and audit working papers) (the 7th meeting of the 4th Audit Committee on July 6, 2022)	Resolution results of the Audit Committee: Ratification approved and submitted to the Board. The Bank's response to the opinions of the Auditing Committee: Ratification approved by all directors in attendance with consent.
The 7th Board meeting of the 16th Board on July 13, 2022	Amendments to the Bank's Regulations for Internal Control System for Securities Firms (including the internal control system, internal audit implementation rules, audit statement, and audit working papers) (the 7th meeting of the 4th Audit Committe on July 6, 2022)	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 8th Board meeting of the 16th Board on August 17, 2022	Amendments to the Bank's Regulations for Internal Control System for Futures Trading Assistance (including the internal control system, internal audit implementation rules, audit statement, and audit working papers) (the 8th meeting of the 4th Audit Committee on August 10, 2022)	<ol> <li>Resolution results of the Audit Committee:</li> <li>The 1st and 2nd cases of ratification were relisted as discussion proposals instead, and the contents were discussed and agreed to be approved as proposed, and submitted to the Board for ratification.</li> <li>Matters that should be deliberated by the Audit Committee shall not be handled as ratification cases hereafter.</li> <li>The compliance units did have deficiencies in the handling of this case, which should be suject to disciplinary action.</li> <li>The Bank's response to the opinions of the Auditing Committee: Ratification approved by all directors in attendance with consent.</li> </ol>

Board Date/ Session	Agenda	Resolution results of the Audit Committee and the Bank's response regarding the Audit Committee's opinions
The 8th Board meeting of the 16th Board on August 17, 2022	Amendments to the Bank's Regulations for Internal Control System for Securities Firms (including the internal control system, internal audit implementation rules, audit statement, and audit working papers) (the 8th meeting of the 4th Audit Committe on August 10, 2022)	<ol> <li>Resolution results of the Audit Committee:</li> <li>The 1st and 2nd cases of ratification were relisted as discussion proposals instead, and the contents were discussed and agreed to be approved as proposed, and submitted to the Board for ratification.</li> <li>Matters that should be deliberated by the Audit Committee shall not be handled as ratification cases hereafter.</li> <li>The compliance units did have deficiencies in the handling of this case, which should be suject to disciplinary action.</li> <li>The Bank's response to the opinions of the Auditing Committee: Ratification approved by all directors in attendance with consent.</li> </ol>
The 8th Board meeting of the 16th Board on August 17, 2022	Report on 2022 Q2 individual financial reports and consolidated financial reports of the Bank and its subsidiaries (the 8th meeting of the 4th Audit Committee on August 10, 2022)	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 8th Board meeting of the 16th Board on August 17, 2022	The proposal for a loan case with Mega Bills Finance Co., Ltd. submitted (the 8th meeting of the 4th Audit Committee on August 10, 2022)	Resolution results of the Audit Committee:Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Except for Director Shiu-Yen Lin who recused herself from the discussion and voting, all the other attending directors agreed to pass the resolution as proposed.
The 9th Board meeting of the 16th Board on September 21, 2022	Amendments to the Bank's Regulations for Internal Control System for Securities Firms (including the internal control system, internal audit implementation rules, sudit statement, and audit working papers) (the 9th meeting of the 4th Audit Committe on September 14, 2022)	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 10th Board meeting of the 16th Board on October 19, 2022	Amendments to the Bank's Regulations for Internal Control System for Securities Firms (including the internal control system, internal audit implementation rules, audit statement, and audit working papers) (the 10th meeting of the 4th Audit Committe on October 12, 2022)	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 10th Board meeting of the 16th Board on October 19, 2022	Amendments to the Bank's Regulations for Internal Control System for Futures Trading Assistance (including the internal control system, internal audit implementation rules, audit statement, and audit working papers) (the 10th meeting of the 4th Audit Committee on October 12, 2022)	<ul> <li>Resolution results of the Audit Committee:</li> <li>1. Please supplement the relevant provisions of the contract signed between the Bank and Yuanta Futures Exchange, and make appropriate amendments.</li> <li>2. Passed, and submitted to the Board</li> <li>The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.</li> </ul>
The 11th Board meeting of the 16th Board on November 2, 2022	Report on the 2022 Q3 consolidated financial report of the Bank and its subsidiaries (the 11th meeting of the 4th Audit Committee on November 1, 2021)	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 11th Board meeting of the 16th Board on November 2, 2022	Amendments to the Bank's Regulations for Internal Control System for Securities Firms (including the internal control system, internal audit implementation rules, audit statement, and audit working papers) (the 11th meeting of the 4th Audit Committe on November 1, 2022)	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 12th Board meeting of the 16th Board on December 14, 2022	Proposal to appoint Feng-Hui Li and Pei-Ru Tsai, CPAs at KPMG in Taiwan to perform audit of the next year's annual financial report (2023), tax audit, ad-hoc audit of due diligence, and other business audits (the 12th meeting of the 4th Audit Committee on December 7, 2022)	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.

(2) Except for the items in the preceding issues, other resolutions approved by two-thirds of all the Directors but yet to be approved by the Audit Committee: None.

2. When Independent Directors abstain themselves for being a stakeholder in certain proposals, the name of the Independent Directors, the content of the proposal, reasons for abstentions and the results of voting counts should be stated: None.

3. Communication between Independent Directors and head of internal audit and CPAs (including material issues, audit methods and results relating to the Bank's finances and business).

Date	Communication target	Communication content	Communication result
2022/3/2	CPA	2021 Independent Auditors' Report	<ul> <li>Suggestions from independent directors:</li> <li>1. Understand the actual audit process performed by auditors.</li> <li>2. Discrepancies between findings of internal control audits and findings of auditors.</li> <li>3. Repeat with audits of previous years.</li> <li>Response:</li> <li>Action will be taken as suggested by the independent directors.</li> </ul>
2022/8/10	CPA	<ol> <li>Audit of unqualified opinion for 2022 Q2.</li> <li>Computer audit.</li> <li>Information security risk.</li> </ol>	Suggestions from independent directors: Effects of COVID-19 and the Russia-Ukraine war were included. Assistance should be provided to help the business units understand the differences. Response: Action will be taken as suggested by the independent directors.

Date	Communication target	Communication content	Communication result
2022/11/1	Internal Audit Managers and Auditors	<ol> <li>Implementation status of internal audit and deficiencies identified.</li> <li>Penalties and key points supervised by the competent authority.</li> <li>Implementation of a risk-based internal audit system and preparation progress.</li> </ol>	<ol> <li>Suggestions from independent directors:</li> <li>The risk-based internal audit system will come into effect in January 2024. Plans are made for tasks to be completed every month up to launch and the tasks will be followed up and completed.</li> <li>Performance evaluation should be linked to audit evaluation.</li> <li>The audit process can be assisted by IT or software tools.</li> </ol>
			<ol> <li>Response:</li> <li>Plans have been made according to the suggestions from the independent directors and progress reports are made regularly to the Board of Directors.</li> <li>Audit evaluation score currently accounts for 15% of the total performance evaluation score. If audit report evaluation fails to reach a certain standard, eligibility for administrative awards will be canceled. Audit reports on the business units are provided to the Human Resources Department as a reference for managers during performance evaluation.</li> <li>The audit process is aided by laptops and an audit management system is utilized to facilitate the audit report and procedures. The Auditing Department will continue to adjust and improve system features.</li> </ol>
2022/12/5	CPA	<ol> <li>Key audit matters.</li> <li>Audit quality indicators.</li> <li>Independence issues.</li> <li>Updates on important regulations.</li> </ol>	<ul> <li>Suggestions from independent directors:</li> <li>1. Financial product impairment valuation or fair value valuation have an impact on subsequent dividend distribution and should be included or have suggestions made.</li> <li>2. For unaudited financial statements, please actively provide assistance to ensure the process is completed smoothly and meet the requirements.</li> <li>Response:</li> <li>Request has been made for the CPAs to provide opinions and assistance on financial product impairment valuation or fair value valuation with an impact on subsequent dividend distribution and</li> </ul>

4. Key annual emphasis in working for the Audit Committee: The Audit Committee aims to assist the Board in using the appropriate expressions of the Bank's financial statements; appointing (dismissing) the CPA and assuring its independence and performance; and overseeing effective implementation of internal controls, compliance with laws, regulations, and rules; as well as implementing controls for existing or potential risks.

- (1) Supervise the appropriate expressions in the Bank's financial statements: Review of quarterly financial statements (2022 Q1 reviewed in the 6th meeting of the 4th Audit Committee on April 6, 2022, 2022 Q2 reviewed in the 8th meeting of the 4th Audit Committee on August 10, 2022, and 2022 Q3 reviewed in the 11th meeting of the 4th Audit Committee on November 1, 2022) and 2021 annual financial statement, business report and earning distribution table (reviewed in the 5th meeting of the 4th Audit Committee on March 2, 2022), and issue the review report to the shareholders' meeting according to the requirements under Article 219 of the Company Act approved by Paragraph 3, Article 14-4 of the Securities and Exchange Act.
- (2) Appointment (dismissal) of the CPA and assuring its independence and performance: Evaluate the appointment (dismissal) of the CPA and undertaking the annual assessment of the independence and performance of the CPA (considered and passed at the 12th meeting of the 4th Audit Committee on December 7, 2022); and report to the Shareholders' Meeting for review (considered and passed at the 12th Board meeting of the 16th Board on December 14, 2022).
- (3) Effective implementation of internal controls: The Bank has established the organization, structure, and authorization, and has prepared the internal audit workbook and the working paper. These items shall contain evaluations of the requirements and the business process under the internal control system to determine whether the current system and procedures have proper internal controls in place; whether the departments comply with relevant requirements and duly execute the internal controls; and the rationale of the effects of executing such internal controls, and proposals of improvement recommendations at any time. The internal audit shall carry out the audit activity according to the rules, and shall submit reports to the Board and the Audit Committee on a regular basis.
- (4) Comply with relevant laws, regulations, and rules as well as control over existing and potential risks: The Chief Compliance Officer reports on the implementation of the Bank's legal compliance system as follows: 2021 Q4 compliance update on the Bank's legal compliance system was reported in the 4th meeting of the 4th Audit Committee on January 12, 2022; 2022 Q1 compliance update in the 6th meeting of the 4th Audit Committee on April 27, 2022; 2022 Q2 compliance update in the 8th meeting of the 4th Audit Committee on August 10, 2022; and 2022 Q3 compliance update in the 11th meeting of the 4th Audit Committee on November 1, 2022.

#### (3) Sustainable Development Committee Activities

- A. The responsibilities of the Sustainable Development Committee:
  - a. Approval of mid- and long-term strategies and annual goals for sustainable development.
  - b. Approval of the implementation plans for sustainable development.
  - c. Follow up on the mid- and long-term strategies, annual goals and implementation plans for sustainable development and review the effectiveness of implementation.
  - d. Approval of the standards for making the sustainability report.
  - e. Approval of other matters related to sustainable development.
- B. Matters resolved or passed by the Sustainable Development Committee after discussion are transferred to relevant units or team members of the Bank.
- C. The Sustainable Development Committee reports to the Board on the annual implementation results of sustainable development every year.

D. The Sustainable Development Committee is comprised of the Chairman, President, and three Independent Directors, with the Chairman being the Committee Chair. A total of 3 meetings were held in 2022 and the attendance of members was as follows:

					Dec	ember 31, 2022
Title	Name	Number of required attendance (A)	Number of actual attendance (B)	Number of delegated attendance	Actual attendance rate (%) (B/A)	Note
Chairman of the Board	Chien-Hao Lin	3	3	0	100	
Managing Director and President	Chih-Chien Chang	3	3	0	100	
Managing Director (Independent Director)	Xin-Wu Lin	3	3	0	100	
Independent Director	Jin-Long Liu	3	3	0	100	
Independent Director	Yung-Cheng Chuang	3	3	0	100	

E. The	discussion proposals and resolution results of the	ne Sustainable Developr	nent Committee in 2022:
			<b>N 1</b>

Date	Agenda	Resolutions	Notes
February 18, 2022	Presented updates on the Bank's implementation of ethical corporate management and communication with stakeholders in 2021.	Duly noted.	Submitted to the 5th Board meeting of the 16th Board on March 9, 2022 for review.
	Presented the implementation resules of the Bank on material issues related to sustainability in 2021.	Duly noted.	
May 31, 2022	Presented the draft version of the Bank's Sustainability Report.	Duly noted.	
	Presented the Bank's sustainability strategies - using All-in-One to increase added value for customers.	Duly noted.	
	The draft mid- and long-term sustainability strategies.	Approved unanimously without amendment.	
November 28, 2022	Presented the progress report on the mid- and long-term sustainability strategies for January - September 2022.	Duly noted.	Submitted to the 12th Board meeting of the 16th Board on December 14, 2022 for review.
	Amendments to the "Ethical Corporate Management Best Practice Principles for Taiwan Business Bank".	Approved unanimously without amendment.	Submitted to and approved by the 12th Board meeting of the 16th Board on December 14, 2022.
	Amended the charter of the Sustainable Development Committee.	Approved unanimously without amendment.	Submitted to and approved by the 12th Board meeting of the 16th Board on December 14, 2022.

Note: Chairman Chien-Hao Lin has long been dedicated to the research of SME development, as well as the role and social responsibility of an SME specialized bank, and all members of the committee have relevant expertise in the field of sustainable development.

# (4) Digital Transformation Committee activities

The Digital Transformation Committee is comprised of the Chairman, President, two Independent Directors and two external members, with the Chairman being the convener. A total of 2 meetings were held by the Digital Transformation Committee in the most recent year (2022). The attendance of members was as follows:

					Dec	ember 31, 2022
Title	Name	Number of required attendance (A)	Number of actual attendance (B)	Number of delegated attendance	Actual attendance rate (%) (B/A)	Note
Chairman of the Board	Chien-Hao Lin	2	2	0	100	
Managing Director and President	Chih-Chien Chang	2	2	0	100	
Managing Director (Independent Director)	Xin-Wu Lin	2	2	0	100	
Independent Director	Jin-Long Liu	2	2	0	100	
Member	Chia-Chung Chen	2	2	0	100	
Member	Wen-Nan Tsan	2	2	0	100	

(5) Items disclosed in accordance with the Corporate Governance Best Practice Principles for Banking Industry: Please refer to the Bank's website

About TBB > Investor Relations (https://ir.tbb.com.tw/).

# (6) Implementation of Corporate Governance, and Gaps with the "Corporate Governance Best Practice Principles for the Banking Industry" and the cause of the said gaps

	State of Implementation Gaps with the "Corporate					
Assessed items	Yes	No	Summary	Governance Best Practice Principles for the Banking Industry," and the cause of the said gaps		
<ol> <li>Structure of the bank's shareholders and equities</li> <li>Does the bank stipulate and implement a set of internal procedures to handle shareholders' suggestions, queries, disputes, and litigations?</li> </ol>	¥		The Bank has established customer complaints procedures and the customer complaint and stock affairs contact window, which will look into the circumstances upon receiving recommendations, doubts, or disputes, and pass the task to relevant departments for handling. The Bank also has a spokesperson to address the problem to external parties.	No gap		
(2) Does the bank keep track of the major shareholders with ultimate control over the bank and the ultimate controllers of the major shareholders?	*		The Bank refers to the declaration of changes in the Register of Shareholders when closing the stock transfer and the monthly report for internal parties to keep track and understand the shareholding changes of substantial Shareholders and analyze the final controllers of substantial Shareholders.	No дар		
(3) Does the bank set up a firewall and risk control mechanism to reduce the risks involved with the bank's related companies?	1		The Directions and procedures for the management of investee companies of the Bank provide relevant requirements for the supervisors of its related companies, benefitting in effective control over its performance and business overview. In respect of the firewall mechanism, personnel, accounting, assets, and finance departments all have distinct operations. Loans to related companies are all subject to the relevant laws and regulations under Article 32 and Article 33 of the Banking Act.	No gap		
<ol> <li>Board composition and its responsibilities         <ol> <li>Does the Board formulate a diversity policy and specific management goals?</li> </ol> </li> </ol>	~		To strengthen the structure of the Board of Directors, no more than one third of the directors may be served concurrently by the Bank's managers. In addition, to meet the demands of the Bank's operation, business model, and development, the Board diversity policy should include the two standards below: (1) Basic qualification and value: Gender, age, nationality, and culture. (2) Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience. The board members shall generally possess the knowledge, skills, and qualities necessary to perform their duties, so as to achieve the Bank's ideal goals of corporate governance and enable the Board as a whole to possess the capabilities including operational judgment, accounting, financial analysis, business management, risk management, crisis management, industry knowledge, international market perspective, leadership, and decision-making.	No gap		
(2) Apart from the Remuneration Committee and Audit Committee, does the bank assembled other functional committees at its own discretion?	*		<ol> <li>The Bank has established the Audit Committee, Remuneration Committee, Sustainable Development Committee and Digital Transformation Committee under the Board.</li> <li>There is no nomination committee; however, the Article of Association of the Bank provide that the election of Directors shall adopt the nomination system. Any re-election of Directors shall be subject to nomination by a shareholder with over 1% shareholding of the Bank or by the Board and subject to the approval of the Board before being proposed at the Shareholders' Meeting for election.</li> </ol>	No gap		
(3) Does the bank have a set of performance assessment regulations and assessment methods for the Board in place, carry out regular performance assessment, submit the results of the performance assessment to the Board and utilizes such results as a reference for determining the remuneration and compensation of individual Directors and their nomination for re-election?	¥		According to Articles 2 and 3 of the Bank's Regulations for Board Performance Assessment, the Board of the Bank shall conduct the annual performance assessment at the end of every year. The assessment results shall be reported by the Secretarial Dept. to the Board before the end of the first quarter (reported to the 14th Board meeting of the 16th Board on February 22, 2023). The scope of assessment shall include the performance of the Board, individual directors, and the functional committees. Regarding the assessment method, the directors (members) and executive departments (departments responsible for such affairs) shall perform self-assessment and evaluation, and an external party shall be engaged for the performance evaluation for 2020, and the Association had issued their evaluation report). The remuneration of the Bank's Directors is determined with reference to the standard in the industry, individual performance, operating efficiency of the Bank, and the results of the Board performance assessment. Fixed compensation is paid to Independent Directors monthly; Independent Directors do not receive the Director's remuneration stated in the Article of Association of the Bank.	No gap		
(4) Does the bank regularly evaluate the independence of CPAs?	×		<ul> <li>Regular assessment on the independence and competency of the appointed CPA is carried out annually and submitted to the Board meeting for approval before granting the appointment The assessment had been carried out according to the requirements under Article 46 of the Bank's "Corporate Governance Practices Best Practice Principles" and Article 68 of "Statement on Auditing Standards No.46," with reference to the independence of CPA and Audit Quality Indicators (AQIS) in the CPA Auditing Plan. The assessing items are as follow:</li> <li>1. The CPA appointed by the Bank does not provide account-keeping, financial system design introduction, appraisal (assessment) business, management function, actuary services, internal audit outsourcing, human resources services, investment consultancy, and legal services.</li> <li>2. The CPA appointed by the Bank does not undertake contingency cases on professional charges (i.e., proceedings), active or confidential tax avoidance plan and personal taxation case for the chief of finance (above).</li> <li>3. The 2 appointed CPAs have not been appointed for over 7 years, which complies with the requirements under Article 88 of "Statement on Auditing Standards No.46."</li> <li>4. The Bank has disclosed 5 major aspects of the framework and evaluated 13 AQI indicators based on the AQIS template issued by the competent authority.</li> <li>The evaluation results of the latest year have been discussed and approved at the 12th meeting of the 4th Audit Committee on December 7, 2022, and submitted to and approved at the 12th meeting of the 16th Board on December 14, 2022 for the assessment on the independence and competency of CPAs.</li> </ul>	No gap		

			State of Implementation	Gaps with the "Corporate Governance Best Practice
Assessed items	Yes	No	Summary	Principles for the Banking Industry," and the cause o the said gaps
3. Does the bank has proper number of eligible corporate governance personnel in place and appoint a manager for corporate governance to be in charge of affairs relating to corporate governance (including but not limited to, the provision of necessary data for directors and supervisors to execute their duties, assisting directors and supervisors in legal compliance, administering matters relating to the Board meetings and Shareholders' Meetings in accordance with the law, and producing minute books for the Board and shareholders' meetings)?	~		<ul> <li>Relevant departments of the headquarters, such as the Secretarial Dept., shall be the department fully (jointly) responsible for corporate governance. Passed at the 13th meeting of the 15th Board on March 11, 2020, S.V.P. &amp; Chief Secretary to the Board of Directors Li-Yueh Hsu was designated as the Corporate Governance Manager to protect the Shareholders' interests and strengthen the function of the Board. Ms. Hsu has held the post of director in relation to affairs of legal affairs, finance, stock affairs, or corporate governance for over three years. Her primary duties are handling matters concerning the compliance of Board meetings and Shareholders' Meetings according to the law, preparing the meeting minutes for Board meeting and Shareholders' Meeting, providing assistance for Directors and Supervisors in executing businesses, providing assistance to Directors and Supervisors in executing businesses, providing assistance to Directors and Supervisors in executing businesses, providing assistance to Directors and Supervisors in executing businesses, providing assistance to Directors and Supervisors in executing businesses, providing assistance to Directors and Supervisors on February 9, June 15, July 19 and October 27, 2022. The Secretarial Dept. has disclosed material information and reported to the Board meeting according to the requirements. Moreover, the Administration Management Dept. has applied for the alteration registration to the Ministry of Economic Affairs, and both tasks were successfully completed.</li> <li>Provide Directors with the continuing education information regarding corporate governance and track the requirements under "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies," in 2022, with new Directors and existing Directors receiving corporate government courses for 12 hours and 6 hours, respectively.</li> <li>Providing logistics of Board meetings for 9 times, succeeded in delivering the notice of meet</li></ul>	
4. Does the bank establish a channel to communicate with stakeholders (including but not limited to Shareholders, employees, and customers)? Does the bank set up a section for stakeholders on its website and duly respond to the material CSR issues concerned by stakeholders?	~		<ol> <li>Stakeholders may contact the Bank through methods of presenting themselves at branches, letters, phone calls, fax, and e-mail. A reporting mailbox and a direct line are also in place for reporting matters of breach of trust.</li> <li>The <u>Investor Relations</u> on the Bank's website has sections including About TBB, News and Events, Financial Information, Corporate Goverance, Stakeholder, SDGs, FAQs, and IR Contacts, to provide better services to investors.</li> <li>At <u>Investor Relations</u> &gt; <u>Stakeholder</u> on the Bank's website, Material Issues, Summary Table of Concerned Issues and Communication Channels, Stakeholder Contact Info and Feedbackare are in place to respond to the issues concerned by stakeholders and safeguard their interests.</li> <li>Report the content and frequency of communications with stakeholders, as wells as issues concerned by stakeholders.</li> </ol>	
<ol> <li>Information disclosure         <ol> <li>Does the bank set up a website for the disclosure of relevant information on financial status and corporate governance?</li> </ol> </li> </ol>	V		<ol> <li>The <u>Investor Relations</u> section on the Bank's website disclosed sections including About TBB, News and Events, Financial Information, Corporate Governance, Stakeholder, Sustainable Development, FAQs, and IR Contacts, to provide better services to investors.</li> <li>The <u>Investor Relations</u> &gt; <u>Corporate Governance</u>] section on the Bank's website has sections including Board of Directors, Committees, Organization Chart, Functions and Duties of Departments, Internal Audit, Regulation Documents, Operations, Information Security, Corporate Integrity and Report staff's inappropriate behaviors or illegal conducts.</li> </ol>	
(2) Does the bank take any other methods to disclose its information (e.g. English website, a special group engaged on gathering and compiling the bank's information, the information announced through the bank's spokesman, and regular investor conference process disclosed on the bank's website)?	~		<ol> <li>To realize the open information, the Bank has established the "Procedures for the Operations for Disclosing Information Externally." According to the requirements, the disclosure to be reported such as information on finance and business shall be carried out by designated personnel of the relevant department in accordance with the duties. Furthermore, information such as About TBB, News and Events, Financial Information, Corporate Governance, Stakeholder, CSR, FAQs, and IR Contacts, is provided in the[Investor Relations] on the Bank's Chinese and English websites to offer relevant information to domestic and overseas investors.</li> <li>The mechanism of spokesperson is responsible for providing descriptions and announcing the news to external parties, so as to ensure investors may receive accurate news.</li> </ol>	
(3) Does the bank publish its annual financial reports and make filings at the end of the accounting year within time according to relevant requirements under the Banking Act and the Securities and Exchange Act, and publish financial reports of the first, second, and third quarters and the operating status each month and make filings in advance according to the time prescribed?	V		The Bank publishes its annual financial reports and make filings at the end of the accounting year within time according to relevant requirements under the Banking Act and the Securities and Exchange Act, and publish financial reports of the first, second, and third quarters and the operating status each month and make filings according to the time prescribed.	•••

			State of Implementation	Gaps with the "Corporate	
Assessed items		No	Summary	Governance Best Practice Principles for the Banking Industry," and the cause of the said gaps	
Does the bank have other relevant information for better understanding the bank's corporate governance operation (such as employee rights, caring for employees, investors relationship, stakeholder rights, on-the- job education of Directors and Supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, liability insurance policies purchased by the bank for Directors and Supervisors, and donations to political parties, interested parties, or charity organizations)?	×		<ol> <li>To clarify the rights and obligations of employees and the employer, the Bank established the "Working Rules" according to the Labor Standards Act and relevant laws and regulations, with reference to the nature of the banking industry, to regulate employees' rights. The Bank also established the "Directions for Measures of Prevention, Complaint, and Punishment of Sexual Harassment at the Workplace of Taiwan Business Bank" as regulations according to the Act of Gender Equality in Employment.</li> <li>Caring for Employees:         <ul> <li>(1) Employees are assets of enterprises, the Bank has spared no efforts in caring for its employees. Except for establishing working rules and personnel management rules according to relevant labor laws such as the Labor Standards Act, the Bank complex with the laws and regulations and insured for the Labor Insurance, National Health Insurance, and provision of retirement pension for its employees. It also organizes health inspections for employees regularly, provides discounted group medical insurance and casually insurance to protect the lives of our employees, allowing employees and improve their professional know-how, the Bank organizes training courses for different businesses according to the annual employee training plan, provide a diversified program on the digital learning website, and holds nonscheduled celebrity seminars and professional lectures via video. Ite Bank has a comprehensive system of remuneration and rewards as well as the promotion channel, diversified training and welfare measures that attract and relain talents, joining hands for the prosperity of the Bank.</li> <li>(2) The Bank places the utmost emphasis on employee rights and regularly calls labor-management meetings where the two sides can fully communicate and negotiate on employee rights and welfare issues, and sign the Collective Agreement, threeby maintaining harmonious labor-management relations.</li> <li>The Bank uconsider the insured circumstances to the B</li></ul></li></ol>	No gap	

7. With respect to the results of the annual corporate governance evaluation most recently issued by the Corporate Governance Center of Taiwan Stock Exchange, please describe the improvements and provide priority and measures to enhance those matters that have not yet been improved. The Bank will continue to engage legal shareholders in discussions on the gender composition of the Board. Additionally, preparation of the financial statements will be made more efficient in order to publish annual financial reports within two months after the end of a fiscal year and enhance information transparency and timeliness.

Continual education of Corporate Governance Manager in 2022 Corporate Governance Manager: Li-Yueh Hsu, S.V.P. & Chief Secretary to the Board of Directors Date of appointment: March 11, 2020

Serial	Institution for Continual Education	Decement Title	Time for Conti	No. of Hours for Continual	
Number	Institution for Continual Education	Program Title	From	То	Education
1	Securities and Futures Institute	Global Risk Consciousness - Opportunities and challenges in the coming decade	2022/01/07	2022/01/07	3
2	Taiwan Corporate Governance Association	Annual shareholders' meeting and equity management	2022/03/11	2022/03/11	3
3	Taiwan Insurance Institute	ESG sustainable development trends and implementation of responsible investment	2022/09/19	2022/09/19	3
4	Taiwan Corporate Governance Association	Corporate governance of the next level - Building an ethical corporation	2022/11/08	2022/11/08	3
5	Taiwan Insurance Institute	How to better communicate with external stakeholders and respond to challenges of IFRS 17	2022/12/09	2022/12/09	3

# (7) Remuneration Committee activities

ļ	A. Members	of the Remuneration Committee	Decer	nber 31, 2022
Title	Qualifications Name	Professional Qualifications and Experience	Independence Criteria	Number of Other Public Companies Serving as a member of the Remuneration Committee
Managing Independent Director (Convenor)	Xin-Wu Lin	Has served as the head of the Taiwan Institute of Economic Research for more than five years; an independent director of a bank for more than four years, and an independent director of other publicly listed companies; a member of TBB's Audit Committee, Remuneration Committee, Sustainable Development Committee and Digital Transformation Committee, with professional qualifications in banking, accounting, financing, risk management, human resources, etc.; and is not in any circumstances under Article 30 of the Company Act.	<ol> <li>Dose not or the spouse or relative within the second degree of kinship thereof does not hold TBB's shares by themselves or by nominee arrangement.</li> <li>Does not have a spouse or relative within the second degree of kinship with other directors.</li> <li>Has not or the spouse or relative within the second degree of kinship thereof has not served as a director, supervisor, or employee at TBB or its affiliates.</li> <li>Has not served at a company with specific relations with TBB (under Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing the Appointment of Independent Directors of Public Companies and Matters to Be Followed) as a director, supervisor, or employee.</li> <li>Has not betained remuneration for providing business, legal, financial, accounting, or other services to TBB or its affiliates in the last two years.</li> <li>Has not served as a senior manager of the Bank or any of its subsidiaries.</li> </ol>	2
Independent Director	Jin-Long Liu	Has served as a professor at the Graduate Institute of Industrial Economics, National Central University; an independent director of a bank for more than four years; a member of TBB's Audit Committee, Remuneration Committee, Sustainable Development Committee and Digital Transformation Committee, with professional qualifications in banking, accounting, financing, risk management, economics, etc.; and is not in any circumstances under Article 30 of the Company Act.	<ol> <li>Dose not or the spouse or relative within the second degree of kinship thereof does not hold TBB's shares by themselves or by nominee arrangement.</li> <li>Does not have a spouse or relative within the second degree of kinship with other directors.</li> <li>Has not or the spouse or relative within the second degree of kinship thereof has not served as a director, supervisor, or employee at TBB or its affiliates.</li> <li>Has not served at a company with specific relations with TBB (under Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing the Appointment of Independent Directors of Public Companies and Matters to Be Followed) as a director, supervisor, or employee.</li> <li>Has not obtained remuneration for providing business, legal, financial, accounting, or other services to TBB or its affiliates in the last two years.</li> </ol>	0
Independent Director	Chiou-Mien Lin	Has served as an associate professor at the Department of Real Estate & Built Environment, National Taipei University; concurrently as a supervisor of the Chinese Institute of Land Appraisal and the Land Reform Association for a long time; a member of the Urban Renewal, Land Price and Standard Land Price Committee of the city or county government; has engaged in land appraisal and urban renewal for a long time; a member of TBB's Audit Committee and Remuneration Committee, with professional qualifications in real estate appraisal, law, etc.; not in any circumstances under Article 30 of the Company Act.	<ol> <li>Dose not or the spouse or relative within the second degree of kinship thereof does not hold TBB's shares by themselves or by nominee arrangement.</li> <li>Does not have a spouse or relative within the second degree of kinship with other directors.</li> <li>Has not or the spouse or relative within the second degree of kinship thereof has not served as a director, supervisor, or employee at TBB or its affiliates.</li> <li>Has not served at a company with specific relations with TBB (under Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing the Appointment of Independent Directors of Public Companies and Matters to Be Followed) as a director, supervisor, or employee.</li> <li>Has not obtained remuneration for providing business, legal, financial, accounting, or other services to TBB or its affiliates in the last two years.</li> </ol>	0
Independent Director	Yung-Cheng Chuang	Has served as the deputy dean of School of Law, Soochow University; is specialized in financial regulations, such as the Securities and Exchange Act, Financial Law, and the Company Act; is familiar with compliance by publicly listed companies, financial consumer protection, securities and futures trading and operation, insurance laws and business in the financial field; is a member of TBB's Audit Committee and Remuneration Committee, with professional qualifications in banking, securities, insurance, law, etc. and not in any circumstances under Article 30 of the Company Act.	<ol> <li>Dose not or the spouse or relative within the second degree of kinship thereof does not hold TBB's shares by themselves or by nominee arrangement.</li> <li>Does not have a spouse or relative within the second degree of kinship with other directors.</li> <li>Has not or the spouse or relative within the second degree of kinship thereof has not served as a director, supervisor, or employee at TBB or its affiliates.</li> <li>Has not served at a company with specific relations with TBB (under Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing the Appointment of Independent Directors of Public Companies and Matters to Be Followed) as a director, supervisor, or employee.</li> <li>Has not obtained remuneration for providing business, legal, financial, accounting, or other services to TBB or its affiliates in the last two years.</li> </ol>	0
Independent Director	Shao-Yuan Chang	Is currently an independent director of TBB; has served as a director of publicly listed companies, the deputy mayor of Tainan City Government, the head of the Finance and Local Tax Bureau of Tainan City Government, the director of the Finance Department of Tainan City Government, and the deputy head of the Finance Department of Tainan City Government; a member of TBB's Audit Committee and Remuneration Committee; with the experience of providing consulting service to grass-roots financial institutions and credit cooperatives during his tenure in Tainan City and the professional qualifications in banking, accounting, financing, risk management, human resources, and taxation; not in any circumstances under Article 30 of the Company Act.	<ol> <li>Dose not or the spouse or relative within the second degree of kinship thereof does not hold TBB's shares by themselves or by nominee arrangement.</li> <li>Does not have a spouse or relative within the second degree of kinship with other directors.</li> <li>Has not or the spouse or relative within the second degree of kinship thereof has not served as a director, supervisor, or employee at TBB or its affiliates.</li> <li>Has not served at a company with specific relations with TBB (under Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing the Appointment of Independent Directors of Public Companies and Matters to Be Followed) as a director, supervisor, or employee.</li> <li>Has not obtained remuneration for providing business, legal, financial, accounting, or other services to TBB or its affiliates in the last two years.</li> </ol>	0

**48** 

Taiwan Business Bank Annual Report 2022

#### B. Operation of Remuneration Committee:

- a. The Bank has a Remuneration Committee composed of 5 members.
- b. The term of office of the incumbent members: From July 20, 2021 to July 19, 2024. The Remuneration Committee held 4 meetings (A) in the most recent year. The members' eligibility and attendance are as follows:

Title	Name	Total number of meetings (A)	Number of actual attendance (B)	Number of delegated attendance	Actual attendance rate (%) (B/A) (Note)	Remarks
Committee Chair	Xin-Wu Lin	4	4	0	100	
Member	Jin-Long Liu	4	4	0	100	
Member	Chiou-Mien Lin	4	4	0	100	
Member	Yung-Cheng Chuang	4	4	0	100	
Member	Shao-Yuan Chang	4	4	0	100	

Other items that shall be recorded:

 If the Board of Directors does not adopt or amend the recommendations made by the Remuneration Committee, the date, and session of the Board of Directors' meeting, resolutions, voting results, and handling of opinions of the Remuneration Committee by the Bank shall be disclosed (if the remuneration approved by the Board of Directors is better than that of the Remuneration Committee, the discrepancies and related reasons should be stated): None.

2. For the decisions made by the Remuneration Committee, if there are members who vetoed or withheld from the decision and there are documented records, the date, session, agenda, all members' opinions, and ways in handling these opinions should be elaborated: none.

3. Discussion of the proposal and handling of opinions for 2022

Date of Remuneration Committee Meeting/ Date and Session of Board Meeting	Agenda	The resolution results of the Remuneration Committee and the Bank's response regarding the Remuneration Committee's opinions
5th Board meeting of the 16th Board on	Percentage and amount of 2021 distribution of employee and director remuneration.	Resolution results of the Remuneration Committee: Passed, and submitted to the Board for consideration.
February 25, 2022/ March 9, 2022		TBB's response regarding the Remuneration Committee's opinions: Resolution passed by all Directors in attendance as proposed.
	Submitted the report on regular assessment of director and manager remuneration.	Resolution results of the Remuneration Committee: Passed, and submitted to the Board for consideration.
		TBB's response regarding the Remuneration Committee's opinions: Resolution passed by all Directors in attendance as proposed.
	Distribution of personal bonuses for managers of domestic business units and Regional	Resolution results of the Remuneration Committee: Passed, and submitted to the Board for consideration.
	Operation Centers regarding the 2021 targets and performance evaluation measures.	TBB's response regarding the Remuneration Committee's opinions: Resolution passed by all Directors in attendance as proposed.
	To support the government's policy to raise wages and to boost employee morale, the Bank plans to raise average pay increase for bank	Resolution results of the Remuneration Committee: Passed, and submitted to the Board for consideration.
	employees to 4% and allocate the budget. The increase will apply retroactively on January 1, 2022.	TBB's response regarding the Remuneration Committee's opinions: Resolution passed by al Directors in attendance as proposed.
	To support the government's policy to raise wages and to boost employee morale, the	Resolution results of the Remuneration Committee: Passed, and submitted to the Board for consideration.
	Bank plans to raise average pay increase for securities personnel to 4% and amend Article 6 of the Guidelines for Recruitment and Management of Securities Dealer Employees and the Pay Grade Tables 1 to 3. The changes will apply retroactively on January 1, 2022.	TBB's response regarding the Remuneration Committee's opinions: Resolution passed by al Directors in attendance as proposed.
6th Board meeting of 16th Board on April	Submitted the proposal to cancel housing allowances for the Chairman and the President	Resolution results of the Remuneration Committee: Passed, and submitted to the Board for consideration.
27, 2022/May 4, 2022	of the Bank.	TBB's response regarding the Remuneration Committee's opinions: Except for the Chairman and the President who recused themselves from the discussion and voting, the proposal was passed unanimously by the other directors.
7th Board meeting of 16th Board on July 6,	Resolution for the distribution of Director's remuneration of	Resolution results of the Remuneration Committee: Passed, and submitted to the Board fo consideration.
2022/July 13, 2022	the Bank for 2021.	TBB's response regarding the Remuneration Committee's opinions: The directors recused themselves where they are a stakeholder. The proposals were passed unanimously by the other directors.

# (8) Implementation of Sustainable Development, and Gaps with the "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies" and the cause of the said gaps

	of the salu	gap											
							State of Implementation	ı			Gaps with the		
	Assessed items	Yes	No				Summa	ry			"Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies," and the cause of the said gaps		
	<ol> <li>Does the Bank establish a governance structure to promote sustainable development and set up a dedicated (concurrent) unit to promote sustainable development, and does the Board of Directors delegate the senior management to handle the matter and supervise the implementation?</li> </ol>	4		2. 3. 4.	consists of 5 members Committee is responsit plans, monitoring and r standards for preparatii The Sustainable Devel Activities" under "3. Op and agendas of the Su There are currently 6 s Customer Rights, Sust are formed by various i regularly, and implement the Sustainabile Develo The Board of Directors Board furthers a health sustainability targets. S	responsible for promoting sustainable development of the Bank. Chaired by the Chairman of the bank, the Committee currently nsists of 5 members with the President as an ex-officio member and the other three being independent directors of the Bank. The mmittee is responsible for reviewing mid- and long-term sustainability strategies and annual targets, reviewing sustainability are narders for preparation of sustainability reports, and reviewing other sustainability related matters. e Sustainable Development Committee convened 3 times in 2022. Please refer to "(3) Sustainable Development Committee thitles" under "3. Operations of Corporate Governance" of this Chapter (page 39) for the composition, responsibilities, operation, d agendas of the Sustainable Development Committee. ere are currently 6 subordinated units under the Sustainable Development Committee which include Corporate Governance, stomer Rights, Sustainable Finance, Sustainable Development, Social Benefit, and Employee Care. The subordinated units formed by various units at the head office and responsible for performing sustainability related tasks. Team meetings are held guardy, and implementation results of mid- and long-term sustainability strategies and stakeholder communication are reported to sustainable Development Committee as well as the Board of Directors. e Board of Directors oversees implementation of sustainable development at the Bank. Starting with the banking business, the ard furthers a healthy and sustainable approach to top-down business management on an ongoing basis in order to achieve annual stainability targets. Stakeholder communication, mid- and long-term sustainability strategies and their results above were reviewed the Board of Directors oversees interment and long-term sustainability strategies and their results above were reviewed the Board of Directors oversees. Statenberget TDP and the performed results above were reviewed the Board of Directors overe sees inthe metal to be down business management on							
	<ol> <li>Does the bank stipulate and implement a set of internal procedures to handle Shareholders' suggestions, queries, disputes, and litigations?</li> </ol>	1		2.	performance from Janu chain. The Bank follows the p process identifies mate business. In addition, ri	k assessment covers business activities and services of TBB and its subsidiaries. The scope of disclosure includes sustainability formance from January 2022 to December 2022. Please refer to page 345 of the annual report for the scope of impact on the value in. Bank follows the principles of the GRI Standards and gathers information on relevant issues through stakeholder surveys. The besi identifies material environmental, social, and governance issues followed by the Bank's stakeholders or relevant to the Bank's iness. In addition, risk management policies are implemented with respect to risk assessment on material GRI issues. Please refer age 344-351 of the annual report (Material Issues).							
	<ol> <li>Environmental aspects         <ol> <li>Does the bank establish proper environmental management systems based on the characteristics of its industries?</li> </ol> </li> </ol>	¥		<ol> <li>To save energy on a sustained basis, the Bank complied with the ISO50001 Energy Management and published the energy policy on our official website, and built the management system and regulations for energy usage. The head office building was awarded the certificate for ISO50001 Energy Management System, which was verified by SGS Taiwan Limited (SGS).</li> <li>The head office building has been certified by the ISO14001 environmental management system, which was verified by SGS Taiwan Limited (SGS).</li> <li>To move towards the teget of net zero, the Bank has been certified by the ISO14064-1 greenhouse gas emission inventory system, which was verified by SGS Taiwan Limited (SGS), and covers the head office building, Linkou IT center and all domestic branches.</li> </ol>							No gap		
utilize all resources more efficiently and use renewable materials which have a low impact on the environment? The Bank has been of the Executive Yuan and th 2. The Bank has been of the Executive Yuan and th 2. The Bank has been of the Executive Yuan and th 2. The Bank actively responds to powered branches. In addition is prioritized for use by the bran and Hsing Chung branches, w generation is 134,000 kWh. It self-use, in order to enhance							een office by signing the "Green Procurement Commitment for Private Enterprises and Organizations," giving priority environmental labels and implementing green living in the workplace through procurement source management. With amount in 2020 as the basis and an increase rate of 2 % in the annual procurement amount, the green procurement vas NT\$98.22 million (base year), and that amount has reached NT\$115.28 million in 2022, an increase rate of kh has been recognized as the "Outslanding Green Procurement Institution" by the Environmental Protection Agency Yuan and the Environmental Protection Bureau of Taipei City for 11 consecutive years. responds to the use of renewable energy. It has inventoried the entire self-owned building and established solar- ss. In addition to blocking sunlight from the roof of the building to reduce the temperature, the generated electricity se by the branches. Currently, TBB has 5 solar-powered branches, including Ta Fa, Ta Yuan, Ming Hsiung, Tainan, pranches, with a total installed capacity of 108.025 kW self-generated for self-use, and the estimated annual power 0,000 kWh. In the future, the Bank will continue to implement more solar-powered branches to self-generate power for to enhance the use of renewable energy.						
					Solar-powered	Established y	year Installed capacity	Estimated p					
					branch Ta Fa	2017	(KW) 28.8	generation 36,000	(KVVII)				
					Ta Yuan	2019	16.8	21,000					
					Ming Hsiung	2020	15.25	19,000					
					Tainan Hsing Chung	2021 2022	49.725 43.05	62,000 53,000					
	(3) Does the bank evaluate potential current and future risks and opportunities regarding climate change on the corporate and adopt corresponding measures for aspects related to climate?	¥		орро	Bank signed the TCFD ortunities was conducte	in November 2 d in accordance	021 and became a TCFD sup with the Task Force on Clima	porter. The ass ate-related Fina	essment of climate change-rancial Discourses and the FSI ancial Discourses and the FSI 7 of the annual report for deta	elated risks and C's Guidelines on	No gap		
	(4) Does the bank prepare statistics for the greenhouse gas emissions, water usage, and total weight of wastes for the past two years and other bank in the state of the past two years and		1.	No gap									
	establish policies for energy- saving and carbon reduction, greenhouse gas reduction, water usage reduction, or				Year		2021		2022				
					Inspection s	соре	Head office building, Linkou rooms, 125 domestic brancl		All domestic branches, over branches and subsidiaries	seas			
	other waste management?				Emissions	\$/%	Greenhouse gas emissions (metric tons CO2e)		Greenhouse gas emissions (metric tons CO2e)	% of total emissions			
					Scope 1		1062.2625	8.39	1160.1975	7.830%			
					Scope 2		9234.7307	72.98	11,052.4654	74.590%			
					Scope 3 (Transport Greenl Emission	house Gas is)	10.3532	0.08	34.4548	0.233%			
					Scope 3 (Greenhouse gas er products used by the Note 1	nissions from organization)	2346.2075	18.54	2,570.5962	17.348%			
		1	1 1								1		

Note 1: Inspection of water was included in greenhouse gas emissions of products used by the organization.

50

Taiwan Business Bank Annual Report 2022

					State of Implement	ntation		Gaps with the	
Assessed items	Yes	No			Si	ımmary		"Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies," and the cause of the said gaps	
			2.	Intensity of electricity consumption	n in the past two years:			5,1	
				Year	Electricity consumption (kWh)	Persons	Intensity of electricity consumption (kWh/person)		
				2021	18,395,878	5,273	3,489		
				2022	21,730,346	5,640	3,853		
			3.	The Bank's water usage in opera			purchasing products with water efficiency		Ш
			0.	label, such as two-stage flush toi procurement management and p a water-saving habit to jointly sup	lets, sensor faucets, and sens romotes water-saving tips to oport water conservation action grees, respectively. The mid-	sor urinals. The Bank respon raises employees' awareness ons. The Bank's total water us term goal is to achieve a 3%	Is to green office through source s of the value of water resources, building sage in 2021 (base year) and 2022 were cumulative water-saving target for the		R
				Item	Year	2021	2022		REPORT
				Total water usa	ge (degree)	115,560	168,150		R
				Coverag		96.6%	100%		Ĥ
			4.	of recyclables generated. To furth in waste sorting statistics since 2 glass, batteries, and fluorescent eco-friendly cups and utensils wh	er implement waste manage 023, with classification based ubes. In addition, to avoid us en purchasing drinks and foc e provided in the employee c	ment, waste sorting has beer on general waste, kitchen w ing disposable tableware, en id. Personal trash bins besid afeteria. The entire staff is w	3 metric tons of waste and 19.1 metric tons extended to include all units of the Bank aste, paper, plastic, waste ion/aluminum, ployees are encouraged to bring their own individual desks in the head office were rking together to reduce waste, and the		
					<b>0</b> 1 <i>3</i>		(Unit: Metric tons)		
				Item	Year	2021	2022		
				Total waste recy	cled/reused	2.322	19.147		
				Total w	aste	103.8	83.3		
				Land	îll	6.85	5.50		
				Waste incineration a	nd energy reused	96.95	77.80		
			5.	For detailed information, please v energy-conservation	visit the Bank's official website	e at: https://www.tbb.com.tw/	h-tw/about/sustainability/environment/		
accordance with laws and the International Bill of Human Rights? (2) Does the bank establish and implement fair employees' welfare measures (including remuneration, vacation, and	~		1.	opportunities are implemented, s of the financial industry and oper workplace human rights, "provid right," and "protecting personal ir employees, customers, and stak The Bank examines its own oper activities every year through meti and evaluate groups facing risks these potential risks, and continu management plans for the annua Sustainability/Society on its offici The Bank provides various empli refer to page 97 of this annual re The Bank observes workplace di	o as to protect the legitimate ational development strategie ing a safe working environme formation and cyber security, sholders to fulfill its corporate ations, value chains, new bus nods such as paying attention and potential human rights ris ously monitors and improves I human rights management al website. byee welfare measures, inclu- port for details.	rights and interests of employ s, the Bank emphasizes hun nt, "supporting freedom of a and implements measures social responsibility. to major social issues, data to major social issues, data sks. The Bank then develops the results of plan implemen policy in the Bank's Sustaina ding education, training, leav des female and male employ	onditions, training, and promotion rees. In accordance with the characteristics an rights issues, such as "protecting ssociation and collective bargaining to protect the basic human rights of all gers and joint ventures), and other related monitoring, and surveys, in order to identify human rights issue control plans based on tation. The Bank also discloses its specific oility Report and under the section of e, retirement system, and others. Please ees with equal remuneration conditions Bank also consistently has more than 40%	No gap	
other benefits) and reflect the operating performance or results on employees' remuneration? (3) Does the bank provide safe and healthy work environments for its	~			senior managers were females in To attract and retain outstanding Articles of Association that if ther from previous years, 1% to 6% o remuneration amount was NT34 Employees," "Directions for Payn to Employees" as part of its remu- making an evaluation based on t Administrative Incentives for Peri- includes bonuses linked to the Bi- assets, return on equity, NPL rati uses the employee year-end perf remuneration policy for manager- arrangements for managers and the Board of Directors for review. The Bank has established its occ the relevant provisions of the Oci	2022. financial talents and to share is a profit in the current yea it the remaining profit shall be 51,457 thousand. In addition, neration policy. By integrating neration policy. By integrating neration policy. By integrating and coverage ratio, as well formance evaluation results as a also refers to the general st related performance evaluation upational safety and health p cupational Safety and Health.	the operational results with e r, except for reserving an am allocated as the remuneratic the Bank has established th d Performance of individu loyee Audit", "Directions for vides a reasonable and com dicators, such as pre-tax net as individual performance e s a criteria for salary increas andard within the industry, ar on every year at the Remune olicy, regulations, codes, and Act. The Bank promotes the	oyees, 46.30% of managers and 41.40% of imployees, the Bank stipulates in its bunt to offset the accumulated losses in for employees. In 2022, the employee "Directions for Salary Payment to d "Directions for Salary Payment to d" Directions for Salary Payment to als, units, and the entire Bank, and after Performance Audit," and "Directions for petitive remuneration system, which profit achievement rate, return on valuation results. In addition, the Bank b. In addition to the above directions, the d the Bank proposes the remuneration ration Committee meetings, and reports to management manuals in accordance with mplementation of occupational safety and al safety, and provides employees with	No дар	

			State of Implementation	Gaps with the
Assessed items	Yes	No	Summary	"Sustainable Developmen Best Practice Principles for TWSE/GTSM Listed Companies," and the cause of the said gaps
			<ol> <li>The Bank has implemented the "ISO 45001 Occupational Safety and Health Management System" at the head office building since April 8, 2022. Occupational safety and health managers of various departments at the head office building were provided with 4 months of educational training, with relevant contents solicited for opinions from departmental representatives at the head office building. The Bank has also established the occupational safety and health management manual and policy. During the implementation period, in addition to identifying occupational safety and health management manual and policy. During the implementation period, in addition to identifying occupational safety and health regulations and complying with relevant audits, consultants were engaged to conduct on-site inspections at the head office building. The Bank has also established the occupational safety and health regulations and complying with relevant audits, consultants were engaged to conduct on-site inspections at the head office building and relevant departments were requested to make improvements based on the inspection results. The Bank also considered organizational background environment, internal and external issues, conducted hazard identification and risk assessment, established target plans, provided internal audit training, and performed management review, etc. On July 29 and August 11, 2022, the Bank passed the external audit of the 1st and 2nd stage system verification by BSI, the British Standards Institution, and had relevant departments complete the improvement matters recommended in the audit report, with the occupational safety and health policy committed and signed by the Bank's President. On August 23, 2022, the Bank has received the "ISO 45001 Occupational Safety and Health Management System" certificate, which covers all units of the Bank, and the verification target includes all employees and contractors at the head office building.</li> <li>The Bank provides regular health inspections every 1 to</li></ol>	
(4) Does the bank implement an effective training program that helps employees develop skills over the course of their career?	~		<ol> <li>The Bank established the annual employee training plan according to different job functions and experiences of employees and provides comprehensive programs including general knowledge courses for new employees, business fundamentals courses, advanced courses, workshops, trainings for managers and various seminars. The Bank also assigns relevant personnel to participate in professional training programs organized by external institutions or engage external professional lecturers to provide lessons, cultivating the professional skills and knowledge of our employees, exerting the effect of training-application integration, so as to improve the career development potentials for our employees.</li> <li>In 2022, a total of 405 courses were offered (including 28 business fundamentals courses, 349 (advanced) business workshops, 7 courses for managers, and 20 seminars/explanatory sessions, with a total of 38,674 trainees. On average, each employee received training approximately 7.1 times per year. The effectiveness of various business fundamentals course training was tracked, with an average training effectiveness rate of 98.20% in 2022.</li> </ol>	No gap
(5) Regarding customers' health and safety, customer privacy, marketing, and labeling of products and services, does the bank comply with relevant regulations and international standards and establish relevant policies and complaint procedures to protect customers' rights?	*		<ol> <li>The Bank has followed relevant regulations and international guidelines regarding customer health and safely, customer privacy, marketing, and labeling of products and services, and also established the following internal regulations:</li> <li>To maintain the safety of consumers' personal data, the Bank has established the 'Personal Data Management Policy,' "Precautions for Personal Data and Equipment Security Maintenance Plan and Handling of Personal Data after Termination of Businesses, "Operating Procedures for Personal Data Security Incident Response, Notification and Prevention," "Operating Procedures for Personal Data Collection, Processing, Utilization and Management," and 'Measurement Indicators for Personal Data Management System," in accordance with the "Non-Governmental Organization Personal Data File Security Maintenance Phase Designated by the Financial Supervisory Commission" and relevant personal data protection laws and regulations, so as to implement appropriate management mechanisms for personal data protection laws and regulations, so as to implement appropriate management mechanisms for personal data protection laws and regulations, so as to internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, "Treat Client Fairly Strategies," "Consumer Protection Operating Procedures" in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," "Principle for Financial Service Industries to Treat Clients Fairly, "Financial Consumer Protection Audit and Oter relevant laws and regulations, so as to ensure that the design, advertising, sales, contract fulfillment, service consulting, and customer complaint handing processes take into account our customers, such as whether the features of the products or services are suitable for customers and whether the sales process is designed to meet customer needs, to achieve the goal of fair and reasonable treatment of custom</li></ol>	No gap
(6) Does the bank establish policies for supplier management, requiring suppliers to comply with relevant regulations regarding aspects of environment protection, occupational safety and hygiene, or labor rights and monitor the implementations?	~		<ol> <li>The Bank has disclosed the supplier management regulations on its official website and required in the supplier contract that suppliers shall fulfill their social and environmental responsibilities, while requesting them to sign the "Human Rights and Environmental Sustainability Commitment Letter" and " Corporate Social Responsibility Self-Assessment Form" to urge them to take on the necessary responsibilities. The "Corporate Social Responsibility Self-Assessment Form" to urge them to take on the necessary responsibilities. The "Corporate Social Responsibility Self-Assessment Form" evaluates suppliers based on four major aspects: coronny, environment, society, and legal compliance. The Bank assesses and grades the performance of suppliers based on their responses to the form. Further details can be found on the Supplier Management website: https://tbb.twl4whyqw.</li> <li>The Bank has additionally released the implementation plan of the supplier management regulations. During the procurement, investment soliciting, or transaction period, we regularly check whether suppliers have violated relevant laws and regulations on the websites of the Environmental Protection Administration, Executive Yuan, and the Ministry of Labor, while strengthening communication, evaluation and guidance, and rewards, to motivate suppliers to duly take actions in ESG related issues. Further evaluation is conducted to determine volmelier suppliers have violated environmental and social issues and have been identified as having a negative impact. Different supplier counseling and education are provided based on the impact type. Further details can be found on the Supplier Management website: https://tbb.twl4whyqw.</li> <li>It is stipulated in the contracts that if a supplier violates environmental and social issues and have been identified as having a negative impact. If a supplier violates environmental and social issues and regulations, the Bank may refuse its participation in a bid. If a supplier kase a material im</li></ol>	No gap
Does the bank refer to report preparation standards or guidelines commonly used internationally to prepare reports that disclose non- financial information of the bank, such as CSR reports? Has the abovementioned report received the confirmation or assurance opinion of any third-party certification department?	•		The Bank's 2021 Sustainability Report was prepared in accordance with "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies", GRI Sustainability Reporting Standards and Sustainability Accounting Standards Board (SASB) Standards.     The Report Obtained the Independent Assurance Opinion Statement from British Standards Institution based on the AA1000 Assurance Standard V3 pursuant to the GRI Sustainability Reporting Standards, and obtained the Independent Assurance Report from Ernst & Young Accounting Firm in accordance with the Statement of Assurance Engagements Standards No. 1, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" published by Accounting Research and Development Foundation.     The Bank is in the process of preparing the 2022 Sustainability Report.	No gap

7. Other important information contributes to understanding the operations of Sustainable Development: Please refer to IX. Sustainable Development Report (page 342).

# (9) Implementation of Ethical Corporate Management, and Gaps with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," and the cause of the said gaps

		Gaps with the " Ethical	
Assessed items	Yes	Corporate Management Best Practice Principles for TWSE/CTSM Listed Companies," and the cause of the said gaps	
<ol> <li>Establishment of Corporate Conduct and Ethics Policy and Implementation Measures         <ol> <li>Has the bank established the integrity management policies that were approved by the Board and stated in its Memorandum and external correspondence about the policies and practices it has to maintain business integrity? Are the Board and the management committed to fulfilling this commitment?</li> </ol> </li> </ol>	¥	<ol> <li>The Banks has established the Ethical Corporate Management Best Practice Principles for Taiwan Business Bank, which was passed by the Board, and the last revision date is December 14, 2022. The content of the principles clearly states the Bank's policy of ethical corporate management, and is disclosed on the Bank's website and the Market Observation Post System (MOPS).</li> <li>The Ethical Corporate Management Best Practice Principles for Taiwan Business Bank clearly stipulates that business activities shall be conducted in the principle of fairness, honesty, integrity, and transparency and that the Bank's personnel shall not directly or indirectly offer, accept, promise, or demand any illegitimate benefits in the performance of duties, while specifying the ethical management policy, including respect for intellectual property rights, prohibition of insider trading, and whistleblowing of unethical conduct. The principles apply to the Bank's subsidiaries and other institutions or juridical persons with substative control over the Bank.</li> <li>On September 21, 2022, all directors and senior management trainings (including BSA/AML and OFAC regulations at the U.S.)*, with an attendance rate of 100%, to convey the importance of ethical corporate management to the Bank.</li> <li>The Bank's directors and senior management trainings (including BSA/AML and OFAC regulations at the U.S.)*, with an attendance rate of 100%, to convey the importance of ethical corporate management to the Bank.</li> </ol>	No gap
(2) Does the bank has an evaluation system for the risk of dishonest conduct to regularly analyze and evaluate operating activities with a higher probability of dishonest conduct within its scope of operations, so as to establish the program for preventing dishonest conduct, and such program includes prevention measures listed in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM- Listed Companies"?	1	<ol> <li>On December 14, 2022, the Board passed the amendments to the Ethical Corporate Management Best Practice Principles for Taiwan Business Bank, which has incorporated the conduct under Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</li> <li>An inventory of potential risks of unethical conduct within the Bank's scope of business was taken in 2022. Preventive measures were installed against offering or taking of bribes, making illegal political donations, inadequate sponsorship or chanity donations, providing or receiving improper gifts, treatments, or other unjustified benefits, and infringing on trade secret, trademark, patent, or intellectual property rights.</li> <li>The result of the inventory above was provided to the Risk Management Department, the Compliance Department, and the Auditing Department for reference. The result was also implemented in the risk and control self assessment (RCSA) and the compliance risk assessment (CRA) and used to draft audit plans in order to prevent unethical conduct.</li> </ol>	No gap
(3) Does the bank have any measures against dishonest conduct? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions, and complaint systems? Does the bank implement such measures and regularly review and amend the abovementioned measures?	¥	<ol> <li>On December 23, 2022, the Bank has completed an inspection on possible risks of unethical behavior within the Bank's business scope and examine the control points of the internal operating procedures. Regulations were also established for the division of job responsibilities.</li> <li>For any unethical conduct by an employee that is found true after investigation, the case shall be submitted to the Personnel Evaluation Committee according to the punishment provisions of the Working Rules. The involving party for the punishment may reply in writing, or attend the meeting for inquiries where the Personnel Evaluation Committee has any doubt.</li> </ol>	No gap
<ol> <li>Implementation of business integrity         <ol> <li>Does the bank evaluate the integrity of all counterparties with which it has business relationships? Are there any integrity clauses in the agreements it signs with business partners?</li> </ol> </li> </ol>	1	When the Bank is signing a contract with others, it is required to fully understand the other party's integrity. The contract shall include terms of complying with the ethical corporate management of the Bank and shall stipulate that when the counterparty in the transaction engages in unethical behaviors, the Bank may terminate or cancel the terms of the contract at any time. When the Bank enters a loan contract with the customer, the contract shall state that, if a customer has records of bad check or bad credit, or the financial reports and data provided, or any statement, description, waiver, consent, or commitment made by a customer are found to be fraudulent or false and violating integrity, the Bank may call back the loan, reduce the credit amount, shorten the term for borrowings, or deem the terms as expired. Furthermore, when processing purchase or tender, where the assigned personnel from the awarded supplier of the purchasing project engages in any illegial conduct, leakage of confidential information, or fault that results in losses of the Bank, the supplier shall be jointly responsible for compensating the losses. In addition, the Bank may reject such suppliers to participate in the tender in reference to the Government e-Procurement system regarding suppliers on the blackist, so as to implement the ethical corporate management policy of the Bank.	No gap
(2) Does the bank have a unit that specializes in business integrity? Does this unit report to the Board regularly (at least once a year) regarding the business integrity policy, measures to prevent dishonesty, and the supervision and execution?	*	The Bank's Sustainable Development Committee is the dedicated unit for ethical operations, which has 6 subordinated units dedicated to Corporate Governance, Sustainable Finance, Customer Rights, Sustainable Environment, Social Benefit, and Employee Care, and is responsible for the promotion of corporate governance matters, such as ethical corporate management, anti-corruption, anti-bribery and compilance. The Sustainable Development Committee would report to the Board on a regular basis (once a year) regarding the implementation of ethical operations during the previous year before the first quarter of each year. Furthermore, the Secretarial Dept. is responsible for the amendment, interpretation, and consultation services for the Bank's Ethical Corporate Management Best Practice Principles, as well as the report of content for archiving, and other relevant tasks.	No gap
(3) Does the bank have any policy that prevents conflict of interest, and channels that facilitate the reporting of conflicting interests?	¥	<ol> <li>The Bank's Ethical Corporate Management Best Practice Principles, Corporate Governance Best Practice Principles, Rules of Procedure for Board Meetings, and Audit Committee Charter all stipulate that when directors, managers, or other stakeholders who attend a board meeting in a voting or non-voting capacity or juridical persons they represent have their personal interests involved in any motins on the agenda, they shall explain the important content of their personal interests at the Board meeting. If it may be detrimental to the Bank's interests, they may state their opinions and answer questions, shall recuse themselves from discussion and voting, and shall not exercise the voting rights on behalf of other directors. Directors shall maintain discipline among one another and not inappropriately support one another.</li> <li>In addition, the Bank's Directions for Loans to Stakeholders, Procedures of Loans to Stakeholders, Code of Conduct for Financial Advisors, Anomaly Report System, Procedures of raquisition and Disposal of Assets. Directions for Construction Work, Purchase, Customization and Selling of Properties, Directions for Acquisition and Disposal of Premises and Real Estate, Directions for Leasing Real Estate, Internal Control System for Securities Firms, etc. also contain relevant rules for prevention of conflicts of interest and appropriate channels for declaration and mignementation.</li> </ol>	No gap

			State of Implementation	Gaps with the " Ethical
Assessed items	Yes No Summary		Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," and the cause of the said gaps	
(4) Has the bank implemented effective accounting and internal control systems for maintaining business integrity? Does the internal audit department establish relevant audit plans according to the results of risk assessment of dishonest conduct, so as to examine the compliance with measures for preventing dishonest conduct? Or does the Bank engage CPAs for audits?	~		<ol> <li>The Bank adopted the accounting system established according to the International Financial Reporting Standards (IFRS) recognized by the FSC for its operations, and regularly checks the appropriateness of the accounting system.</li> <li>According to the Bank's Enforcement Guidelines for Internal Control Systems and Procedures for Internal Control Systems, the departments at the head office should implement adequate policies and operating procedures for all business activities, conduct regular audits, and require relevant personnel to implement effective execution in everyday operations and regular review and revision.</li> <li>Unrethical conduct has been added to audit items of self assessments of all units to strengthen the internal control system and management mechanisms. The Auditing Department audited all units in 2022 and did not find any violation of the Bank's ethical management practice or acceptance of unlawful gain.</li> <li>The Board of Directors approved the amendment of the Bank's Ethical Corporate Management Best Practice Principles. The Auditing Department devised audit plans based on the results of unethical conduct risk assessment. These plans cover audit subjects, scope, items, and frequency and provide a basis for inspecting compliance with the preventive programs. Audit results are required to be reported to the senior management and the Sustainable Development Committee, and audit reports are to be prepared and submitted to The Board of Directors.</li> </ol>	Nogap
(5) Does the Bank organize internal or external training on a regular basis to maintain business integrity?	~		<ol> <li>The relevant business departments shall promote the internal and external requirements through ethical corporate management training programs of the Bank, including contents in relation to ethical operations such as laws and regulations promotion, legal responsibilities of employees of the Bank, so as to reinforce the cognition and press of employees regarding requirements under "Treat Client Fairly Policies" and "Treat Client Fairly Splicies", as well as ethical operations that Financial Practitioners Should Follow, mainly covering various laws and regulations and integrity education and training. A total of 11 sessions have been held in 2022, with 596 new employees trained. Meanwhile, 5,233 people browsed through and learned Treat Client Fairly Policies ware added to the online assessment tests for the second half of 2022. The pass rate of the test was 99% or higher. The purpose was to reinforce awareness and practice of ethical conduct and ethical management among employees.</li> <li>The Bank routinely send employees to participate in external education and training. A total of 76 employees were sent in 2022.</li> </ol>	No gap
<ul> <li>Implementation of a misconduct reporting system</li> <li>Does the Bank provide incentives and means for employees to report maipractices? Does the Bank assign dedicated personnel to investigate the reported maipractices?</li> </ul>	V		<ol> <li>To establish an ethical and transparent corporate culture and promoting healthy operations, the Bank established its "Directions for Handling Reported Cases" based on the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets," and "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies." It also announced the whistle-blowing channels on its website and the integrated portal of its internal employee system, set up the whistle-blowing mainbox and direct line for internal and external parties; the Compliance Dept. would assign officers to handle the reported matters.</li> <li>The Bank has integrated the whistle-blowing channels on the portal on the official website and the internal staff system, and set up a whistleblowing channels to handle whistleblowing by people inside and outside the Bank.</li> <li>Rewards were distributed according to the Bank's work rules.</li> </ol>	No gap
(2) Does the Bank implement any standard procedures for handling reported cases or follow-up and confidentiality measures after the investigation?	√		The "Directions for Handling Reported Cases" of the Bank has stated the responsible department, SOP for investigation, and execution of related confidentiality system regarding any reported cases.	No gap
(3) Does the Bank take measures to protect whistleblowers from facing repercussions for making reports?	~		Article 12 under the "Directions for Handling Reported Cases" of the Bank has provided that the Bank shall keep confidential regarding the information about the whistleblower, including the name, age, residence, and identity. Except for otherwise provided by the laws, no third party is allowed to browse or transcribe the information, and the Bank may not carry out dismissal, discharge, demotion, pay-cut regarding the whistleblower, or form damages to the rights that the whistleblower is entitled to according to laws and regulations, contracts, or practices, or other adverse actions. However, where the whistleblower reported untrue facts or set unjustified benefits as targets shall be excluded.	No gap
Enhanced information disclosure Does the Bank disclose its integrity principles and progress on its website and MOPS?	~		The "Ethical Corporate Management Best Practice Principles" of the Bank is disclosed on the Market Observation Post System and its corporate website. the Bank will facilitate the disclosure of its yearly ethical operations on its website (Home > Investor Relations > Corporate Governance > Corporate Integrity).	No gap

 Regarding banks that established its "Ethical Corporate Management Best Practice Principles" based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please specify the gaps between its operations and the provisions in the Principles: "The Bank's "Ethical Corporate Management Best Practice Principles" was modified with reference to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," and no such gap exist.

6. Other important information contributes to understanding the ethical operations of the Bank (such as the Bank examining and revising its "Ethical Corporate Management Best Practice Principles"). The Bank inspected the risk of unethical behaviors within its scope of business during the year and submitted the inspection results to the Auditing Dept., Risk Management Dept., and Compliance Dept. to introduce the risk of unethical behaviors into the risk-oriented internal audit system, the RCSA system, and CRA, realizing the prevention for unethical behaviors.

# (10) Procedures for Handling Material Inside Information:

The Bank reports its information according to the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities," "Taiwan Stock Exchange Corporation Rules Governing Information Filing by Companies with TWSE Listed Securities and Offshore Fund Institutions with Listed Offshore Exchange Traded Funds," and "Taiwan Business Bank Procedures for External Information Disclosures."

- (11) Inquiry for Corporate Governance Principles and relevant rules: Please refer to the Bank's website at Investor Relations > Corporate Governance > Regulation Documents (https://ir.tbb.com.tw/corp/regulations-info).
- (12) Other important information contributes to understanding the operations of corporate governance: Please refer to the Bank's website at Investor Relations (https://ir.tbb.com. tw/).

# (13) Implementation of the Internal Control System

A. Internal control system statement

# Taiwan Business Bank Internal Control System Statement

To: Financial Supervisory Commission, R.O.C (Taiwan)

- I. On behalf of Taiwan Business Bank (the "Bank"), we hereby state 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 procedures, designating an independent and objective department to conduct audits, and regularly reporting to the Board of Directors and the Audit Committee. The Bank has also duly complied with Article 38, Paragraph 5 and Article 38-1 of the aforementioned regulation and the information security self-discipline regulations formulated by the association in the banking industry.
- II. With respect to the securities business, evaluation of the effectiveness of the design and implementation of the internal control system has been duly performed 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 agent business, evaluation of the effectiveness of the design and implementation of the internal control system has been duly performed in accordance with the criteria for evaluating effectiveness of internal control systems described in the "Regulations Governing the Implementation of Internal Control and Audit Systems and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies ".
- IV. After prudent evaluation, except for items listed in the attached schedule, the internal control, legal compliance, and information security were implemented by all departments effectively during the year.
- V. This Statement will be included as an integral part of the Bank's annual report and prospectus, and be disclosed to the public. Any false or fraudulent representations and concealment of information in the content disclosed above shall be subject to legal liabilities prescribed by Article 20, 32, 171, and 174 of the Securities and Exchange Act.
- VI. This Statement was approved by the Board of Directors on March 15, 2023 for declaration hereof.

Chairman

President

Executive Vice President & Chief Auditor

Executive Vice President & Chief Compliance Officer

Executive Vice President & Chief Information Security Officer

Chien-hao Lin Chang Chih Chian

Heich Frang Chan Chen Chin - Jen Sometime

# Taiwan Business Bank

# Matters of Internal Control to be Enhanced and Improvement Plan

(Base Date: December 31, 2022)

Matters to be Enhanced	Improvement Measures	Estimated Time for the Completion of the Improvement
The Financial Supervisory Commission ("FSC") fined the Bank NT\$240,000 and imposed corrective action requirements for the finding in the full-scope examination of the Bank in 2020 that the internal personnel placed securities trading orders and handled securities brokerage operations on behalf of others, and the bank has not formulated relevant norms for user authority management.	<ol> <li>The "Same Securities Order-Placing IP or Phone Voice Verification Procedure" was established and a checklist was made to prevent internal personnel from placing orders on behalf of others.</li> <li>The "User Authority Management Guidelines for the Securities Brokerage System" was established and relevant inspections will be conducted annually.</li> </ol>	Completed according to the improvement measures.
The Bank was fined NT\$1 million by the FSC for investing in stocks which was issued by the Bank's interested party.	<ol> <li>Strengthened the verification of interested parties check by the Investment Section traders before daily transactions, transaction orders can only be placed after a supervisor confirms not interested parties.</li> <li>For adding a stock to an equity portfolio, it is required to confirm not interested party and be approved by the investment team meeting. Besides, the self-inspection item of "whether the verification of interested parties has been conducted" was included in the monthly project self-inspection of Treasury Department.</li> <li>The current month's equity portfolio is checked regularly by the system each month. If the result shows a stock involving a interested party, the establishment of new positions will be ceased immediately. A report will be subsequently made to the General Manager of the Treasury Department and a proposal to remove the stock will be submitted to the next securities investment team meeting.</li> <li>Relevant rules were added to the "Guidelines for Investments in Securities" and the revision was made to the business handbooks and stock trading standard operating procedure to prevent similar cases from re-occurring.</li> </ol>	Completed according to the improvement measures.
An employee of the Banking Department embezzled the processing fee from the managing bank of the Bank's Relief Project Loan Program. The competent authority was notified of a material contingency. (All embezzled funds have been returned.)	<ol> <li>Improved account management:         <ol> <li>All new project loans which provide interest subsidies or commission fees will be processed in a single project account management approach.</li> <li>Assigned dedicated personnel to verify the correctness of account balance regularly.</li> </ol> </li> <li>Transfer process management:         <ol> <li>Funds will be processed by ACH transfer to reduce the risk of human operations.</li> <li>Notifications for the transfer operation instructions will be sent by official documents before (or on) the transfer date. The transfer vouchers will be issued by the Business Management Department instead.</li> <li>After each transfer operation is completed, the outgoing/ incoming payment records of the account will be checked to ensure the normality and the account balance will be confirmed before the case can be signed off.</li> </ol> </li> </ol>	Completed according to the improvement measures.

# Independent Auditors' Report on Applying Agreed-Upon Procedures

To Taiwan Business Bank, Ltd.

Pursuant to the agreed-upon procedures, we have performed Taiwan Business Bank's the correctness of the report submitted to the competent authority for the banking business, the execution status of internal control system, compliance officer system, personal data protection and the appropriateness of policies for loan loss reserves in 2022. Your company made the final decision in these procedures; therefore, we do not express our opinion regarding whether these procedures were sufficient. This work is conducted in accordance with Standards on Related Services No.4400 "Perform Agreed-Upon Procedures Regarding Financial Information," and its purpose is to assist your company in evaluation the compliance with the 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, sampling methods and the associated findings in the attachments herein, respectively.

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

This report provides your company for the purpose of the first paragraph mentioned only, and should not distribute to any third parties for whatever purposes.

#### KPMG

Taipei, Taiwan (Republic of China) February 22, 2023

# (14) Violation cases, major deficiencies, and corrective actions taken in the most recent two years and up to the end of February 2023

- A. Any indictment of a responsible person or employee by a prosecutor for an offense related to the occupation: Liu (hereinafter referred to as "Liu"), a retired employee of the Bank, conducted the credit check on the company, New and its affiliates (hereinafter referred to as "New Group") for Branch at which she was employed. The prosecutor considered Liu might have aided New Group in Ioan fraud on the grounds that Liu received fruit baskets and condolence money from New Group during 2015 to 2019, and changed Liu from witness to suspect on August 3, 2020. Liu was released on bail for NT\$300,000. Several media reported on December 30, 2022 that the prosecutor prosecuted Liu with violation of the Banking Act for suspected acceptance of fruit baskets and large condolence money in return for illegal Ioans to New Group.
- B. Any fine imposed by the Financial Supervisory Commission for violation of law or regulations:
  - a. According to Letter of Jin-Guan-Zheng-Quan-Fa-Zi No. 1090351676 on Jan. 21, 2021: The FSC conducted a project inspection on the securities business concurrently operated by the Bank from Feb. 13 to Feb. 19, 2020. The deficiencies found were verified to be violating the requirements under Paragraph 2 in Article 2 of the "Regulations Governing Securities Firms." Therefore, a fine of NT\$240,000 was imposed according to Subparagraph 4, Paragraph 1 in Article 178-1 of the Securities Exchange Act. Furthermore, Letter Jin-Guan-Zheng-Quan-Zi No. 10903516761 ordered the Bank to rectify according to the requirements under Article 65 of the Securities Exchange Act. To prevent the recurrence of defects, the Bank have amended relevant internal regulations and established a systematic inspection and control mechanism, while strengthening educational training and self-audit operations.
  - b. According to Letter of Jin-Guan-Bao-So-Zi No. 11004952917 on Dec. 30, 2021: The Bank has never engaged in insurance solicitation and only agrees that insurance companies may re-market and explain to the customers who we have previously solicited and been underwritten by any insurance companies and that the Bank will charge commissions or business service fees linked to the actual premiums paid by such customers for purchasing insurance products from the insurance companies. This has been confirmed to be in violation of Article 49, paragraph 12 of the Regulations Governing Insurance Agents, formulated as authorized by Article 163, paragraph 4 of the Insurance Act. The FSC requested the Bank to make corrections within one month and was fined NT\$1.5 million in accordance with Article 167-2 of the Insurance Act. The Bank has already terminated related collaboration cases and had no such business collaboration model anymore. Based on the examination of the commissions paid by the insurance companies currently collaborating with the Bank, commissions were all generated from insurance solicitation conducted by the Bank's salespersons and there were no such deficiencies identified. All insurance brokerage activities conducted by the Bank comply with the Insurance Brokerage Solicitation and Procedures for Taiwan Business Bank and adhere strictly to the Regulations Governing Insurance Agents and related rules. Going forward, the Bank will review contracts and other rules with greater caution when entering into agreements with insurance partners.
  - c. According to Letter of Jin-Guan-Bao-Zong-Zi No. 11104902891 and Letter of Jin-Guan-Bao-Zong-Zi No. 11104902892 on Jan. 21, 2022: The insurance company, with which the Bank works, in charge of the change of the home fire insurance policy upon the expiration of the policy, failed to explain to customers and obtain their consent in advance, and the Bank failed to set a deadline for the transfer of such applications from the responsible branches to the Insurance Agent Department during the relevant insurance operations. This has been confirmed to be in violation of Article 6, paragraph 1; Article 7, paragraph 1, subparagraph 1; Article 4 and Article 8 of Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies, formulated as authorized by Article 165 paragraph 3 of the Insurance Act. The Bank was fined NT\$600,000 in accordance with Article 167-3 of the Insurance, and strengthened the educations and trainings to avoid operational deficiencies. The Bank has also set a deadline for the transfer of insurance applications from the responsible branches to the Insurance Agent Department to prevent from compromising customer's rights.
  - d. According to Letter of Jin-Guan-Zheng-Quan-Fa-Zi No. 1100373282 on Feb. 16, 2022: the FSC has conducted general business inspection on the Bank from May 20 to June 19, 2020, among which the deficiency in the concurrent securities business was found to be in violation of Article 2, paragraph 2 of the Regulations Governing Securities Firms. The Bank was fined NT\$240,000 in accordance with

Article 178-1, paragraph 1, subparagraph 4 of the Securities and Exchange Act, and was corrected in accordance with Article 65 of the Securities and Exchange Act as per the Letter of Jin-Guan-Zheng-Quan-Zi No. 11003732821. In order to improve and prevent deficiencies, the Bank has added internal regulations, established the system control, and reinforced the educational training and self-inspection operations.

- e. According to Letter of Jin-Guan-Yin-Guo-Zi No. 11102742202 on Jan. 11, 2023: The Bank invested in the stock issued by a company where the Bank's director serves as an independent director on the Board, violating Article 74-1 of the Banking Act and Article 5 of the Directions Governing Limitations on Types and Amounts of the Securities. A penalty of NT\$1 million was issued according to Subparagraph 4, Article 130 of the Banking Act. The Bank has amended internal operating guidelines and rules, established review procedures, and strengthened educational and self-audit trainings.
- C. Disclose any security incident arising from employee infidelity or material contingencies or failure to faithfully abide by security maintenance work. If actual losses, whether singly or in aggregate, exceed NT\$50 million in any given year: None.
- D. Other matters that must be disclosed pursuant to Financial Supervisory Commission designation: None.

# (15) Material resolutions of a Shareholders' Meeting or a Board meeting during 2022 and up to the end of February 2023

1. Resolutions at the Annual Shareholders' Meeting of 2022 (June 17, 2022) and resolution execution process

Reason for the resolution	Execution of resolutions
Resolution to ratify the annual final statement and statements for 2021.	The Shareholders' Meeting has ratified the annual final statement and statements for 2021.
Resolution to ratify the annual earnings distribution from the final accounts of 2021.	The Shareholders' Meeting has ratified the earnings distribution from the final accounts of 2021 and the execution of such distribution (cash dividend of NT\$0.1 per share and stock dividend of NT\$0.37 per share), and the distribution was made to shareholders on September 7, 2022.
Resolution to carry out a capital increase via transferred earnings and issuance of new stocks in accordance with the earnings distribution of dividends for 2021.	Reported to the Financial Supervisory Commission upon receiving the approval from the Shareholders' Meeting, and was publicly announced and became effective on July 12, 2022. Also, the alteration registration was completed according to the approval from the Ministry of Economic Affairs through Letter Jing-shou-shang-zi No. 11101156810 on August 26, 2022. Stock certificates were transferred to shareholders on September 7, 2022, and the listing for trading of our new shares completed smoothly.
Amendments to the Article of Association of the Bank	Amendments to the Bank's Article of Association were approved in the Shareholders' Meeting and reported to the Ministry of Economic Affairs for the approval of change through Letter Jing-shou-shang-zi No. 11101115230 on July 18, 2022.
Amendments to the Rules for Election of Directors of the Bank	Approved by the Shareholders' Meeting, and disclosed on the MOPS and the Bank's website.
Amendments to the Procedures for Acquisition or Disposal of Assets of the Bank	Issued on June 21, 2022 through Letter Xing-cai-zi No. 1116004348 after approved by the Shareholders' Meeting.
Lifting the non-competition ban on the Directors of the Board	Approved by the Shareholders' Meeting and disclosed on the MOPS.

 Material resolutions of Board meetings for 2022 and up to the end of February 2023: Please refer to the Bank's website (https://www.tbb.com.tw) at Investor Relations > Corporate Governance > Board of Directors.

# (16) For 2022 and up to the end of February 2023, disclose any dissenting opinion of any director regarding any material resolution passed by the Board, where there is a record or written statement of such opinion: None.

# (17) For 2022 and up to the end of February 2023, the resignations and dismissals of relevant personnel to the financial report

				February 28, 2023
Title	Name	Date of arrival	Date of dismissal	Reason for resignation or dismissal
Chief Auditor	Jia-Ruey Luan	Nov. 12, 2021	Jul. 8, 2022	Reassigned as Executive Vice President
SVP&GM, Treasury Dept.	Jyun-You Shih	Aug. 20, 2021	Jan. 13, 2023	Reassigned
SVP&GM, Accounting Dept.	Yu-Chuan Chou	Feb. 8, 2018	Jan. 31, 2023	Retired at retirement age

Note: Relevant personnel of the Bank refers to chairman, president, financial manager, accounting manager, internal audit manager, and corporate governance manager.

# 4. CPA Professional Fees

#### (1) CPA professional charges grading table Unit: NT\$ 1.000 Name of the Non-Name of the Accounting Audit Period accounting Total Note accounting СРА charge firm charge Non-audit fees include: 2022 01 01-Feng-Hui Li Tax compliance audit, bad debt account audit, 2022.12.31 Maintenance of FATCA Act & CRS Compliance, electronic payment security operation and review report, KPMG 10,584 5,082 15,666 information security execution assessment, assessment 2022.01.01of the contract for providing IT services by the head Tan-Tan Chung 2022.12.31 office to overseas branches, overseas branches' deposit insurance, audit of work and business registration.

- (2) Having altered the CPA firm and the audit fee in the altering year is less than that in the previous year: None.
- (3) Where the audit fee has decreased by more than 10% compared with the prior year: None.

# 5. Information on Changing CPAs

# (1) Former CPA

Date of Change		February 17, 2022					
Reason of Change and Explanatior	Internal structural adjustment of KPMG						
Whether the appointment is terminated by the appointor or	Cond	Parties Involved	СРА	Appointor			
CPA or the CPA does not accept the appointment	Termi	nate the Appointment by Initiative	None	None			
		e to Accept (Continue) the intment	None	None			
Opinion and reason for issuing an audit report during the most recen 2 years containing an opinion other than an unqualified opinion		None					
			Accounting p	Accounting principles or practice			
	Mara		Disclosure in financial reports				
Whether the CPA has any opinion	Yes		Scope or process of audit				
discrepancy		Other					
	No	✓					
	Explanation: None						
Other Disclosures (disclosures required under item A(d), Subparagraph 6, Article 10 of the Regulations)		None					
Successor CPA							

Name of the Accounting Firm	KPMG
Name of the CPA	Feng-Hui Li, Tan-Tan Chung
Date of Appointment	February 17, 2022
Consultations and the consultation results may be issued by the CPA regarding the accounting treatment of or application of accounting principles to a specific transaction, or the type of audit opinion that might be rendered on the financial report before the appointment	
Written opinions from the successor CPA regarding the matters on which the firm disagreed with the former $\mbox{CPA}$	None

- (3) A letter of response from the former CPA regarding Item A and Item B (c), Subparagraph 6, Article 10 of the Regulations: None.
- 6. The Bank's chairman, president, or any manager in charge of finance or accounting matters who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated enterprise: None.

7. Changes in Shareholdings of Directors, Executive Officers, and Shareholders Conform to the Requirements under Article 11 of the Regulations Governing the Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank

# (1) Changes in Shareholding

				Unit: Shares			
		20	22	As of Feb 28, 2023			
Title	Name	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding		
Chairman	Chien-Hao Lin	0	0	0	0		
Managing Director & President	Chih-Chien Chang	8,536	0	0	0		
Managing Director	Hsin-Tzu Hu	0	0	0	0		
Managing Director	Xin-Wu Lin	0	0	0	0		
Managing Director	Chun-Hsien Yeh	0	0	0	0		
Director	Tung-Fu Lin	0	0	0	0		
Director	Hung- Sheng Yu	0	0	0	0		
Director	Ho-Chyuan Chen	996	0	0	0		
Director	Tzu-Hao Tsai	0	0	0	0		
Director	Wen-Hsiang Ma	10	0	0	0		
Director	Che-Nan Wang	505,013	0	0	0		
Independent Director	Jin-Long Liu	0	0	0	0		
Independent Director	Yung-Cheng Chuang	0	0	0	0		
Independent Director	Shao-Yuan Chang	0	0	0	0		
Independent Director	Chiou-Mien Lin	0	0	0	0		
Manager	Chih-Chien Chang	8,536	0	0	0		
Manager	Sung-Shui Chiu	5,960	0	0	0		
Manager	Shao-Huang Chen	15,755	0	0	0		
Manager	Chiu-Yen Chen	8,809	0	0	0		
Manager	Tseng-Hsiang Yi	4,702	0	0	0		
Manager	Jia-Ruey Luan	8,165	0	0	0		
Manager	Tsung-Chu Hsieh	4,939	0	0	0		
Manager	Li-Yueh Hsu	3,825	0	0	0		
Manager	Chu-Jou Chen	9,290	0	0	0		
Manager	Kuo-Liang Tseng	4,531	0	0	0		
Manager	Hsiou-Chen Kang	4,518	0	0	0		
Manager	Ching-Yun Kuo	8,928	0	0	0		
Manager	Mei-Huei Chen	418	0	0	0		
Manager	Chiang-Shu Lin	4,995	0	0	0		
Manager	Wen-Fang Lin	3,898	0	0	0		
Manager	Jyun-You Shih	191	0	0	0		
Manager	Yu-Cheng Tsai	841	0	0	0		
Manager	Min-Chung Hsieh	4,107	0	0	0		
Manager	Yi-Chin Chai	3,922	0	0	0		
Manager	Ying-Che Fang	7,988	0	0	0		

CORPOR REPORT

		20	22	As of Feb 28, 2023		
Title	Name	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	
Manager	Wen-Shu Lin	4,563	0	0	0	
Acting manager	Ming-Ju Yang	0	0	0	0	
Manager	Yu-Chuan Chou	5,122	0	0	0	
Manager	Le-Yi Jiang	765	0	0	0	
Manager	Ting-Huei Liao	10,012	0	0	0	
Manager	Shenn-Bao Jean	4,673	0	0	0	
Manager	Wen-Ling Wang	828	0	0	0	
Manager	Li-Chuan Huang	4,524	0	0	0	
Manager	Yueh-Chin Wang	4,949	0	0	0	
Manager	Li-Huei Chen	1,315	0	0	0	
Manager	Ming-Yi Lin	14,151	0	0	0	
Manager	Chih-Cheng Chen	4,858	0	0	0	
Manager	Wen-Hsiu Huang	6,169	0	0	0	
Manager	Shu-Cing Wu	2,292	0	0	0	
Manager	Ching-Yi Lin	4,234	0	0	0	
Manager	Tung-Sheng Ni	0	0	0	0	
Manager	Po-Jung Huang	3,749	0	0	0	
Manager	Mu-Hsiang Wu	4,458	0	0	0	
Manager	Yu-Chiao Wei	4,182	0	0	0	
Manager	Yuan-Hsueh Hsiao	4,527	0	0	0	
Manager	Tung-Han Lu	2,678	0	0	0	
Manager	Shui-Chiang Fang	3,863	0	0	0	
Manager	Hsih-Hui Chen	4,752	0	0	0	
Manager	Li-Ching Lai	3,851	0	0	0	
Manager	Zuo-Ling Zeng	3,700	0	0	0	
Manager	Ching-Yang Lee	4,603	0	0	0	
Manager	Hsiu-Hsin Hou	4,542	0	0	0	
Manager	Shu-Ling Yuan	(111,645)	0	0	0	
Manager	Yun-Hui Chang	2,043	0	0	0	
Manager	Jiann-Yea Shyu	3,831	0	0	0	
Manager	Sung-Nan Chiao	3,495	0	0	0	
Manager	Ching-Hsiu Liu	1,706	0	0	0	
Manager	Yun-Shiang Tsai	4,117	0	0	0	
Manager	Chao-Lieh Chen	225	0	0	0	
Manager	Chun-Ying Shen	2,143	0	0	0	
Manager	Li-Jhu Huang	3,365	0	0	0	
Manager	Bi-Shuang Lin	3,836	0	0	0	
Manager	Ssu-Jung Lai	2,404	0	0	0	
Manager	Pei-Ling Lin	0	0	0	0	
Manager	Mei-Chih Hou	5,127	0	0	0	
Manager	Ching-Yao Chen	1,729	0	0	0	
Manager	Fuh-Yuh Yeh	4,525	0	0	0	

		20	22	As of Feb 28, 2023		
Title	Name	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	
Manager	Yen-Ling Chen	4,544	0	0	0	
Manager	Hui-Mei Chen	39	0	0	0	
Manager	Chin-Shan Sung	9,007	0	0	0	
Manager	Chin-Tsan Wu	(51,130)	0	0	0	
Manager	Wen-Ching Huang	8,359	0	0	0	
Manager	Mei-Kuei Li	1,548	0	0	0	
Manager	Shu-Ping Ciou	472	0	0	0	
Manager	Chien-Fa Wang	3,979	0	0	0	
Manager	Pin-Hsiung Chen	1,075	0	0	0	
Manager	Jui-Yuan Huang	3,854	0	0	0	
Manager	Shuan-Hua Liu	5,666	0	0	0	
Manager	Ying-Hui Lai	0	0	0	0	
Manager	Yu-Hsia Feng	0	0	0	0	
Manager	Ming-Chien Chien	0	0	0	0	
Manager	Nien-Tzu Chen	4,799	0	0	0	
Manager	Chun-Ta Lin	4,093	0	0	0	
Manager	Fang-Chuan Chiu	4,544	0	0	0	
Manager	Jui-Yu Li	3,998	0	0	0	
Manager	Ming-Yi Chiu	3,227	0	0	0	
Manager	Shu-Ting Chen	3,991	0	0	0	
Manager	Chin-Chih Li	1,968	0	0	0	
Manager	Han-Mei Nung	50,015	0	0	0	
Manager	Mei Hung	0	0	0	0	
Manager	Tsung-Jen Hsieh	416	0	0	0	
Manager	Ming-Fa Chien	3,862	0	0	0	
Manager	Cheng-Hsiung Tsai	780	0	0	0	
Manager	Yueh-Mei Chang	4,867	0	0	0	
Manager	Ju-Hsiang Tien	191	0	0	0	
Manager	Shu-Fen Li	3,845	0	0	0	
Manager	Chin-Fu Chiang	7,425	0	0	0	
Manager	Chia-Yi Wu	0	0	0	0	
Manager	Chi-Fen Yen	4,959	0	0	0	
Manager	Hsu-Hsiang Huang	4,066	0	0	0	
Manager	Chun-Hung Chang	0	0	0	0	
Manager	Shu-E Chen	4,143	0	0	0	
Manager	Chun-Chu Hsiao	832	0	0	0	
Manager	Nai-Chia Chi	7,470	0	0	0	
Manager	Kuan-Yi Huang	2,261	0	0	0	
Manager	Su-Fen Chen	4,535	0	0	0	
Manager	Chiu-Yu Lin	1,807	0	0	0	
Manager	Hsin-Te Li	4	0	0	0	
Manager	Yu-Jung Tseng	618	0	0	0	

		20	22	As of Feb 28, 2023		
Title	Name	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	
Manager	Hsin-Lu Chiang	14	0	0	0	
Manager	Sheng-Wang Chang	4,460	0	0	0	
Manager	Fang-Mei Lai	259	0	0	0	
Manager	Li-Chung Lin	4,813	0	0	0	
Manager	Yih-Shiou Wang	5,794	0	0	0	
Manager	Man-Chung Yeh	(794)	0	0	0	
Manager	Jung-Yu Huang	4,568	0	0	0	
Manager	Cheng-An Hsieh	4,951	0	0	0	
Manager	Fu-Ching Chou	4,388	0	0	0	
Manager	Chien-Ta Wu	3,928	0	0	0	
Manager	Meng-Fang Wu	2,752	0	0	0	
Manager	Pi-Chu Chang	7,373	0	0	0	
Manager	Yen-Ju Chen	6,585	0	0	0	
Manager	Yueh-Man Sung	5,479	0	0	0	
Manager	Tsai-Chuan Wu	7,282	0	0	0	
Manager	His-Her Pai	7,267	0	0	0	
Manager	Chih-Shan Hung	514	0	0	0	
Manager	Chih-Cheng Cho	4,054	0	0	0	
Manager	Ming-Tang Chen	4,710	0	0	0	
Manager	Liang-Pin Chen	797	0	0	0	
Manager	Fu-Yuan Yao	421	0	0	0	
Manager	Yu-Cheng Chiao	2,849	0	0	0	
Manager	Ming-Chin Ke	0	0	0	0	
Manager	Po-Hung Wang	4,408	0	0	0	
Manager	Ruey-Shyang Guo	4,643	0	0	0	
Manager	Chia-Cheng Liu	4,348	0	0	0	
Manager	I-Man Chen	4,621	0	0	0	
Manager	Li-Feng Huang	3,926	0	0	0	
Manager	Chung-Hsien Huang	869	0	0	0	
Manager	Chun-Jen Huang	3,908	0	0	0	
Manager	Mei-Chen Chen	5,338	0	0	0	
Manager	Hui-Pai Kuo	2,442	0	0	0	
Manager	Hsiu-Chen Chiu	4,062	0	0	0	
Manager	Chien-Lai Su	30	0	0	0	
Manager	Hsiu-Chu Lin	4,642	0	0	0	
Manager	Guo-Shiang Huang	1,922	0	0	0	
Manager	Shun-Ho Chen	(23,399)	0	0	0	
Manager	Su-Chih Wang	9,468	0	0	0	
Manager	Ling-Ling Chen	8	0	0	0	
Manager	Shu-Hui Chen	3,871	0	0	0	
Manager	Kuo-Tai Shih	43	0	0	0	
Manager	Hui-E Wu	4,636	0	0	0	

		20	22	As of Feb 28, 2023		
Title	Name	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	
Manager	Kuang-Tsai Wang	(73,244)	0	0	0	
Manager	Fu-Lai Chang	4,026	0	0	0	
Manager	Yi-Ching Wang	4,053	0	0	0	
Manager	Chin-Chuan Su	12,376	0	0	0	
Manager	Chiu-Yuan Hung	84	0	0	0	
Manager	Li-Jung Lin	5,003	0	0	0	
Manager	Tao-Cheng Shen	5,185	0	0	0	
Manager	Yao-Chin Yang	4,057	0	0	0	
Manager	Shu-Fang Kuo	0	0	0	0	
Manager	Leh-Chin Kuo	3,826	0	0	0	
Manager	Chien-Chung Lin	2,136	0	0	0	
Manager	Meng-Hsun Sung	4,006	0	0	0	
Manager	Hsueh-Mei Yang	3,829	0	0	0	
Manager	Cheng-Chuan Lin	8	0	0	0	
Manager	Wen-Ling Chang	1,923	0	0	0	
Manager	An-Yun Lin	9,004	0	0	0	
Manager	Hsiao-Ming Chen	4,505	0	0	0	
Manager	Chen-Chung Fan	4,542	0	0	0	
Manager	Chao-Ming Huang	4,385	0	0	0	
Manager	Sue-Jen Chen	4,157	0	0	0	
Manager	Feng-Chang Wu	0	0	0	0	
Manager	Chu-Ying Ting	1,165	0	0	0	
Manager (Note 2)	Cheng-Hung Chang	4,410	0	-	-	
Manager	Hsi-Pin Tseng	45,090	0	0	0	
Manager (Note 2)	Jhong-Lin Yang		-	-	0	
Manager (Note 2)	Siang-Lan Jian	-	-	0	0	
Manager (Note 2)	Rong-Ciang Huang	-	-	0	0	
Legal Person Shareholder Represented by a Director (Note 1)	Ministry of Finance	5,949,684	0	0	0	
Legal Person Shareholder Represented by a Director (Note 1)	Bank of Taiwan Co., Ltd.	46,451,852	0	0	0	
Legal Person Shareholder Represented by a Director (Note 1)	National Development Fund, Executive Yuan	16,807,908	0	0	0	
Legal Person Shareholder Represented by a Director	TBB Industry Union	259,332	0	0	0	

Note 1: A major shareholder holding 1% of the Bank's shares or above.

Note 2: Managers appointed based on the resolution of the Board and transferred to the new post on January 2023. ("-" means that the information is not required to be disclosed)

# (2) Information of shareholding transfer: The counterparties of the above shareholding transfer are not related parties, therefore, this item is not applicable.

(3) Information for shareholding pledge: None.

CORPORATE GOVERNANCE REPORT

# 8. Information Disclosing the Relationship among Top Ten Shareholders in the Relationship of Related Parties or Spouses, Relatives within the Second Degree of Kinship

Feb. 28, 2							. 28, 2023		
Name	Sharehold	Shareholding Spouse & M		Shareholding by Spouse & Minor Children		olding others' nes			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Bank of Taiwan (Representative: Chu-Cheng Lu)	1,301,907,315	16.21%	0	0	0	0	Ministry of Finance	Taiwan Financial Holding Co., Ltd., a wholly- owned subsidiary of the Ministry of Finance	
National Development Fund, Executive Yuan, R.O.C	471,075,689	5.87%	0	0	0	0	None	None	
Land Bank of Taiwan (Representative: Jyuan-Jyuan Sie)	183,489,051	2.29%	0	0	0	0	Ministry of Finance	Land Bank of Taiwan, a wholly- owned subsidiary of the Ministry of Finance	
Ministry of Finance (Representative:	166,751,972	2.08%	0	0	0	0	Bank of Taiwan (subsidiary of Taiwan Financial Holding Co., Ltd.)	Taiwan Financial Holding Co., Ltd., a wholly- owned subsidiary of the Ministry of Finance	
Tsui-Yun Chuang)							Land Bank of Taiwan	Land Bank of Taiwan, a wholly- owned subsidiary of the Ministry of Finance	
Taiwan Business Bank Trust Account for Employee Stock Ownership of Taiwan Business Bank	78,026,393	0.97%	0	0	0	0	None	None	
Vanguard Emerging Markets Stock Index Fund A Series Of Vanguard International Equity Index Funds	74,968,270	0.93%	0	0	0	0	None	None	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	70,065,692	0.87%	0	0	0	0	None	None	
Morgan Stanley & Co. International Plc	69,731,620	0.87%	0	0	0	0	None	None	
BES Engineering Corporation (Representative: Chih-Ming Chou)	68,964,727	0.86%	0	0	0	0	None	None	
Norges Bank - internal - NBIM PF EQ INTERNAL CFD	63,987,604	0.80%	0	0	0	0	None	None	

Note: Shares of shareholding represent the number of shares recorded on the last ex-dividend basis date.

9. Shareholding in the Same Investee Company of a Business Directly or Indirectly Controlled and Managed by Directors, President, Executive Vice Presidents, and SVP & GM of Departments and Branches, and the Consolidated Shareholding Ratio

**Consolidated Shareholding Ratio** 

December 31, 2022 Unit: Share; %

Unit: Share						Unit: Share; %
Name of the Investee Investments of TBB Company (Note)			Controlled a by Directors Executive Vic	Indirectly nd Managed , President, e Presidents, & GM of	Consolidated Investments	
	Shares	%	Shares	%	Shares	%
Taipei Forex Inc.	700,000	3.5318%	1,400,000	7.0636%	2,100,000	10.5954%
Financial Information Service Co., Ltd.	6,460,857	1.2377%	15,143,965	2.9011%	21,604,822	4.1388%
Taiwan Stock Exchange Corporation	9,736,561	0.9496%	102,640,419	10.0101%	112,376,980	10.9597%
Taiwan Futures Exchange Corporation	4,786,449	1.0000%	23,214,305	4.8500%	28,000,754	5.8500%
Taiwan Asset Management Corporation	60,000,000	5.6754%	60,000,000	5.6754%	120,000,000	11.3508%
Taiwan Financial Asset Service Corporation	5,000,000	2.9412%	10,000,000	5.8823%	15,000,000	8.8235%
Sunny Asset Management Corporation	46,062	0.7678%	15,531	0.2589%	61,593	1.0267%
Financial eSolution Co., Ltd.	905,475	4.1158%	1,268,688	5.7668%	2,174,163	9.8826%
Taiwan Depository & Cleansing Corporation	484,550	0.0830%			484,550	0.0830%
Taiwan Mobile Payment Co., Ltd.	600,000	1.0000%	1,200,000	2.0000%	1,800,000	3.0000%
Taiwan Power Company	1,451,523	0.0044%	865,191,972	2.6218%	866,643,495	2.6262%
Taiwan Sugar Corporation	16,831,537	0.2986%	20,074,211	0.3561%	36,905,748	0.6547%
Taiwan Incubator SME Development Corporation	3,417,440	4.8438%			3,417,440	4.8438%
Sunsino Development Associate Inc.	1,480,402	3.1166%			1,480,402	3.1166%
CDIB & Partners Investment Holding Corp.	54,000,000	4.9505%			54,000,000	4.9505%
Taipei Financial Center Corporation	11,760,000	0.8000%			11,760,000	0.8000%
Taiwan Urban Regeneration & Financial Services Co., Ltd.	2,500,000	5.0000%	2,500,000	5.0000%	5,000,000	10.0000%
Chaofu Real Estate Management Co., Ltd.	150,000	3.0000%			150,000	3.0000%
Taiwan High Speed Rail Corporation	44,500,000	0.7906%	120,055,365	2.1329%	164,555,365	2.9235%
TBB International Leasing Co., Ltd.	150,000,000	100.000%			150,000,000	100.0000%
TBB (Cambodia) Microfinance Institution Plc	20,000	100.000%			20,000	100.0000%
TBB Venture Capital Co., Ltd.	105,000,000	100.000%			105,000,000	100.0000%
TBB Consulting Co., Ltd.	5,000,000	100.000%			5,000,000	100.000%
Taiwania Capital Buffalo II Bioventures, LP		1.6946%		33.89%		35.5846%

Note: Long-term investment of the Bank.



# **Fund-Raising Status**

69	1. Capital and Shares
72	2. Issuance Status of Financial Bonds
77	3. Preferred Stocks, Global Depository Receipts, and Employee Stock Warrants, New Restricted Employee Shares, Any Merger and Acquisition Activities, and Acceptance of Transfer of the Shares of Another Financial Institution
77	4. Status of Implementation of Capital Allocation Plans

# 1. Capital and Shares

# (1) Sources of Capital

							Unit: Share; NT\$
Year/	Issue	Authorize	ed Capital	Paid-in Capital		Remarks	
Month	Price	Number of shares	Amount	Number of shares	Amount	Sources of Capital	Others
2022.8	10.00	10,000,000,000	100,000,000,000	8,029,693,521	80,296,935,210	Capital Increased by Earnings of 2,864,982,260	Letter of Jing- Shou-Shang-Zi No. 11101156810 issued by MOEA approved the change in registration on August 26, 2022.
							Unit: Shares

Catagory of Sharos		Remarks		
Category of Shares	Outstanding Shares	Un-issued Shares	Total	Remarks
Common Share	8,029,693,521	1,970,306,479	10,000,000,000	Listed Shares
Total	8,029,693,521	1,970,306,479	10,000,000,000	Listed Shales

# (2) Structure of Shareholders

						Feb. 28, 2023
Structure of Shareholders Quantity		Financial institutions	Other Corporate Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	8	10	591	334,721	542	335,872
Number of Shares Held (share)	699,783,419	1,535,216,575	429,236,925	4,468,196,762	897,259,840	8,029,693,521
Shareholding Ratio (%)	8.71	19.12	5.35	55.65	11.17	100.00

Note: Structure of Shareholders was based on the number of shares recorded on the last closing date of the Bank.

# (3) Distribution of Shareholding

# Par value NT\$10

			Feb. 28, 2023
Classification of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Ratio (%)
1 to 999	77,421	19,528,741	0.24
1,000 to 5,000	139,904	338,437,258	4.21
5,001 to 10,000	44,191	343,099,159	4.27
10,001 to 15,000	21,715	273,252,028	3.40
15,001 to 20,000	12,194	224,863,632	2.80
20,001 to 30,000	13,594	346,779,185	4.32
30,001 to 40,000	6,931	249,180,903	3.10
40,001 to 50,000	4,390	206,855,199	2.58
50,001 to 100,000	8,465	615,725,013	7.67
100,001 to 200,000	4,287	598,441,602	7.45
200,001 to 400,000	1,715	487,179,865	6.07
400,001 to 600,000	431	215,118,291	2.68
600,001 to 800,000	186	135,015,936	1.68
800,001 to 1,000,000	111	104,351,067	1.30
1,000,001 to 99,999,999,999	337	3,871,865,642	48.23
Total	335,872	8,029,693,521	100.00

Note: Distribution of Shareholding was based on the number of shares recorded on the last closing date of the Bank.

Feb. 28, 2023

# (4) Major Shareholders

		Feb. 28, 2023
Name of Major Shareholders	Number of Shares Held	Shareholding Ratio (%)
Bank of Taiwan	1,301,907,315	16.21%
National Development Fund, Executive Yuan	471,075,689	5.87%
Land Bank of Taiwan	183,489,051	2.29%
Ministry of Finance	166,751,972	2.08%
Taiwan Business Bank Trust Account for Employee Stock Ownership of Taiwan Business Bank	78,026,393	0.97%
Vanguard Emerging Markets Stock Index Fund A Series of Vanguard International Equity Index Funds	74,968,270	0.93%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	70,065,692	0.87%
Morgan Stanley & Co. International Plc	69,731,620	0.87%
BES Engineering Corporation	68,964,727	0.86%
Norges Bank - internal - NBIM PF EQ INTERNAL CFD	63,987,604	0.80%

Note: Number of Shares held by shareholders was based on the number of shares recorded on the last closing date of the Bank.

# (5) Market Price Per Share, Net Value, Surplus, Capital Bonus, and Related Information for the Past Two Years (based on the consolidated financial information)

Year			2021	2022	2023 (as of Feb. 28)
Market Price per Share (NT\$)	Max.		10.03	14.45	14.60
	Min.		9.10	9.80	12.85
	Average		9.62	12.12	13.63
Net Value per Share (NT\$)	Before Distribution		13.13	12.97	-
	After Distribution		-	-	-
Earnings per Share	Weighted Average Number of Shares (before adjustment)		7,743,195 thousand shares	8,029,693 thousand shares	8,029,693 thousand shares
	Weighted Average Number of Shares (after adjustment)		8,029,693 thousand shares	-	-
	Earnings per Share (before adjustment) (NT\$)		0.66	1.26	-
	Earnings per Share (after adjustment) (NT\$)		0.64	-	-
Dividends per Share (NT\$)	Cash Dividends		0.10	To be determined at the Shareholders' Meeting	-
	Stock Dividends	Stock Dividends from Surplus	0.37	To be determined at the Shareholders' Meeting	-
		Capital Surplus Distribution	-	-	-
	Accumulated Undistributed Dividend		-	-	-
Return on Investment Analysis	Price/Earnings (P/E) Ratio (Note 1)		14.58	9.62	-
	Price/Dividend Ratio (Note 2)		96.2	-	-
	Cash Dividend Yield (Note 3)		1.04	-	-

Note 1: P/E ratio = average closing price per share of the year/earnings per share.

Note 2: Price/dividend ratio = average closing price per share of the year/cash dividends per share.

Note 3: Cash dividend yield = cash dividends per share/average closing price per share of the year.

#### (6) Dividend Policy and Distributions

- A. Dividend policy prescribed in the Article of Association of the Bank: Please refer to "Earnings Distribution and Dividend Policy" in the "Notes to the Financial Statements" of VI. Financial Status. (page 100)
- B. Dividend distribution to be proposed in the upcoming Shareholders' Meeting: A cash dividend of NT\$0.10 per share and a stock dividend of NT\$0.24 per share are proposed to be distributed from the capital surplus of the Bank in 2022.
- (7) Impacts of the Stock Dividends to be Proposed in the Upcoming Shareholders' Meeting to Operating Performance and Earnings Per Share

According to the requirements under the "Regulations Governing the Publication of Financial Forecasts of Public Companies" and "Taiwan Stock Exchange Corporation Standards for Determining Whether a TWSE Listed Company Shall Publish Complete Financial Forecasts," as the Bank has not published a complete financial forecast in 2023, the item of disclosure is not applicable.

#### (8) Employees and Directors' Remuneration

- A. Percentage or scope of employees and Directors' remuneration set out in the Article of Association of the Bank: Please refer to "Employees and Directors' Remuneration" in the "Notes to the Financial Statements" of VI. Financial Status. (page 100)
- B. If the amounts of estimated employees and Directors' remuneration differ from the actual distribution amounts, such differences are deemed as changes in estimates, which shall be recorded in profit or loss for 2023.
- C. Status of remuneration distribution as approved by the Board
  - a. The Bank has proposed a total of NT\$451,457 thousand of employees' remuneration and NT\$75,243 thousand of Directors' remuneration to be distributed for 2022.
  - b. The amount of any employees' remuneration distributed in stocks as a percentage of the sum of the current after-tax net income and total employees' remuneration in the individual financial report: The Bank has not distributed any employees' remuneration in stocks during 2022.
- D. Actual distribution of employees and Directors' remuneration for the previous year: The Bank distributed employees and Directors' remuneration for the previous year amounted to NT\$371,068 thousand and NT\$37,107 thousand, respectively, equivalent to the estimates set out in the financial statements of 2021.

#### (9) Share Redemption by the Bank in 2022 and as of the End of February 2023: None.

FUND-RAISING STATUS

# 2. Issuance Status of Financial Bonds

Category of Financial Bonds	Tranche 104-2 (A) long-term subordinated bonds	Tranche 104-2 (B) long-term subordinated bonds	Tranche 105-2 long-term subordinated bonds
Approval Date and Approval Document Number of the Central Competent Authority	April 8, 2015 Letter of Jin-Guan-Yin-Guo-Zi No. 10400065480	April 8, 2015 Letter of Jin-Guan-Yin-Guo-Zi No. 10400065480	June 24, 2016 Letter of Jin-Guan-Yin-Guo-Zi No. 10500148070
Date of Issuance	August 31, 2015	August 31, 2015	December 20, 2016
Nominal Value	NT\$10 million	NT\$10 million	NT\$10 million
Place of Issuance and Trading	Taiwan	Taiwan	Taiwan
Currency	NTD	NTD	NTD
Issue Price	Issued in full	Issued in full	Issued in full
Total Amount	NT\$4.7 billion	NT\$0.3 billion	NT\$2.7 billion
Coupon Rates	Annual rate fixed at 2.05%	Annual rate fixed at 2.10%	Annual rate fixed at 1.40%
Term	8-year term Maturity Date: August 31, 2023	10-year term Maturity date: August 31, 2025	7-year term Maturity date: December 20, 2023
Priority of Distribution	Superior to shareholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors of the Bank.	Superior to shareholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors of the Bank.	Superior to shareholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors of the Bank.
Guarantor	None	None	None
Trustee	None	None	None
Underwriting Agency	None	None	None
Lawyer	None	None None	
Certified Public Accountant	KPMG Feng-Hui Lee, CPA	KPMG Feng-Hui Lee, CPA	KPMG Tan-Tan Chung, CPA
Verification Financial Institution	None	None	None
Payment Method	Lump sum payment at maturity (bullet loan)	Lump sum payment at maturity (bullet loan)	Lump sum payment at maturity (bullet loan)
Outstanding Balances	NT\$4.7 billion	NT\$0.3 billion	NT\$2.7 billion
Paid-in Capital of the Preceding Year	NT\$52.979 billion	NT\$52.979 billion	NT\$56.846 billion
Net Worth of Paid-in Capital After Final Report for the Preceding Year	NT\$62.738 billion	NT\$62.738 billion	NT\$67.659 billion
Payment Status	Normal	Normal	Normal
Redemption or Early Settlement Term	None	None	None
Conversion and Exchange Terms	None	None	None
Restrictive terms	Subordinate bonds	Subordinate bonds	Subordinate bonds
Net Value of Paid-in Capital After Final Report for the Preceding Year	72.68	72.68	
Application of Funds	Medium-to-long-term loans	Medium-to-long-term loans	Medium-to-long-term loans
Eligible Equity Capital	Tier II Capital	Tier II Capital	Tier II Capital
Credit Rating Agencies, Evaluation Date and Rating Score			

Category of Financial Bonds	Tranche 106-1 (A) long-term subordinated bonds	Tranche 106-1 (B) long-term subordinated bonds	Tranche 106-1 (C) long-term subordinated bonds
Approval Date and Approval Document Number of the Central Competent Authority	June 24, 2016 Letter of Jin-Guan-Yin-Guo-Zi No. 10500148070	June 24, 2016 Letter of Jin-Guan-Yin-Guo-Zi No. 10500148070	June 24, 2016 Letter of Jin-Guan-Yin-Guo-Zi No. 10500148070
Date of Issuance	March 28, 2017	March 28, 2017	March 28, 2017
Nominal Value	NT\$10 million	NT\$10 million	NT\$10 million
Place of Issuance and Trading	Taiwan	Taiwan	Taiwan
Currency	NTD	NTD	NTD
Issue Price	Issued in full	Issued in full	Issued in full
Total Amount	NT\$0.39 billion	NT\$0.25 billion	NT\$3.36 billion
Coupon Rates	Annual rate fixed at 1.50%	Annual rate fixed at 1.60%	Annual rate fixed at 1.850%
Term	7-year term Maturity Date: March 28, 2024	8-year term Maturity Date: March 28, 2025	10-year term Maturity Date: March 28, 2027
Priority of Distribution	Superior to shareholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors of the Bank.	Superior to shareholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors of the Bank.	Superior to shareholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors of the Bank.
Guarantor	None	None	None
Trustee	None	None	None
Underwriting Agency	None	None	None
Lawyer	None	None	None
Certified Public Accountant	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA
Verification Financial Institution	None	None	None
Payment Method	Lump sum payment at maturity (bullet loan)	Lump sum payment at maturity (bullet loan)	Lump sum payment at maturity (bullet loan)
Outstanding Balances	NT\$0.39 billion	NT\$0.25 billion	NT\$3.36 billion
Paid-in Capital of the Preceding Year	NT\$59.689 billion	NT\$59.689 billion	NT\$59.689 billion
Net Worth of Paid-in Capital After Final Report for the Preceding Year	NT\$70.87 billion	NT\$70.87 billion	NT\$70.87 billion
Payment Status	Normal	Normal	Normal
Redemption or Early Settlement Term	None	None	None
Conversion and Exchange Terms	None	None	None
Restrictive terms	Subordinate bonds	Subordinate bonds	Subordinate bonds
Net Value of Paid-in Capital After Final Report for the Preceding Year	64.48	64.48	64.48
Application of Funds	Medium-to-long-term loans	Medium-to-long-term loans	Medium-to-long-term loans
Eligible Equity Capital	Tier II Capital	Tier II Capital	Tier II Capital
Credit Rating Agencies, Evaluation Date and Rating Score			

Category of Financial Bonds	Tranche 106-2 long-term subordinated bonds	Tranche 106-3 unsecured US dollar bonds	Tranche 107-2 long-term subordinated bonds
Approval Date and Approval Document Number of the Central Competent Authority	June 24, 2016 Letter of Jin-Guan-Yin-Guo-Zi No. 10500148070	April 28, 2017 Letter of Jin-Guan-Yin-Guo-Zi No. 10600090390	June 6, 2018 Letter of Jin-Guan-Yin-Guo-Zi No. 10702114820
Date of Issuance	May 23, 2017	October 27, 2017	August 20, 2018
Nominal Value	NT\$10 million	US\$1 million	NT\$10 million
Place of Issuance and Trading	Taiwan	Taiwan	Taiwan
Currency	NTD	USD	NTD
Issue Price	Issued in full	Issued in full	Issued in full
Total Amount	NT\$1.3 billion	US\$0.12 billion	NT\$5.45 billion
Coupon Rates	Annual rate fixed at 1.850%	Issued as zero-coupon bond, with an internal rate of return of 4.10%	Annual rate fixed at 1.450%
Term	10-year term Maturity Date: May 23, 2027	30-year term Maturity Date: October 27, 2047	10-year term Maturity Date: August 20, 2028
Priority of Distribution	Superior to shareholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors of the Bank.	The distribution priority is equivalent to other unsecured creditors of the Bank.	Superior to shareholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors of the Bank.
Guarantor	None	None	None
Trustee	None	None	None
Underwriting Agency	None	None	None
Lawyer	None	None	None
Certified Public Accountant	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA
Verification Financial Institution	None	None	None
Payment Method	ent Method Lump sum payment at bo maturity (bullet loan) rep		Lump sum payment at maturity (bullet loan)
Outstanding Balances	NT\$1.3 billion	US\$0.12 billion	NT\$5.45 billion
Paid-in Capital of the Preceding Year	NT\$59.689 billion	NT\$59.689 billion	NT\$61.48 billion
Net Worth of Paid-in Capital After Final Report for the Preceding Year	NT\$70.87 billion	NT\$70.87 billion	NT\$75.818 billion
Payment Status	Normal	Normal	Normal
Redemption or Early Settlement Term	None	Issuer's redemption right: 5 years after the bond is issued, the Bank may redeem the bond in full, on each effective day of redemption and at the par value prices per share as set out in the bond redemption table.	None
Conversion and Exchange Terms	None	None	None
Restrictive terms	Subordinate bonds		Subordinate bonds
Net Value of Paid-in Capital After Final Report for the Preceding Year	66.32	62.96	67.37
Application of Funds	Medium-to-long-term loans	Medium-to-long-term loans	Medium-to-long-term loans
Eligible Equity Capital	Tier II Capital	No	Tier II Capital
Credit Rating Agencies, Evaluation Date and Rating Score			

Category of Financial Bonds	Tranche 107-3 unsecured US dollar bonds	Tranche 108-1 (A) long-term subordinated bonds	Tranche 108-1 (B) long-term subordinated bonds
Approval Date and Approval Document Number of the Central Competent Authority	April 28, 2017 Letter of Jin-Guan-Yin-Guo-Zi No. 10600090390	June 6, 2018 Letter of Jin-Guan-Yin-Guo-Zi No. 10702114820	June 6, 2018 Letter of Jin-Guan-Yin-Guo-Zi No. 10702114820
Date of Issuance	September 27, 2018	March 21, 2019	March 21, 2019
Nominal Value	US\$1 million	NT\$10 million	NT\$10 million
Place of Issuance and Trading	Taiwan	Taiwan	Taiwan
Currency	USD	NTD	NTD
Issue Price	Issued in full	Issued in full	Issued in full
Total Amount	US\$0.18 billion	NT\$1 billion	NT\$4.8 billion
Coupon Rates	Issued as zero-coupon bond, with an internal rate of return of 4.70%	Annual rate fixed at 1.20%	Annual rate fixed at 1.30%
Term	30-year term Maturity Date: September 27, 2048	7-year term Maturity Date: March 21, 2026	10-year term Maturity Date: March 21, 2029
Priority of Distribution	The distribution priority is equivalent to other unsecured creditors of the Bank.	Superior to shareholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors of the Bank.	Superior to shareholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors of the Bank.
Guarantor	None	None	None
Trustee	None	None	None
Underwriting Agency	None	None	None
Lawyer	None	None	None
Certified Public Accountant	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA
Verification Financial Institution	None	None	None
Payment Method	Except for the redemption via the "issuer's right," the bond is subject to lump sum repayment at maturity (bullet loan).	Lump sum payment at maturity (bullet loan)	Lump sum payment at maturity (bullet loan)
Outstanding Balances	US\$0.18 billion	NT\$1 billion	NT\$4.8 billion
Paid-in Capital of the Preceding Year	NT\$61.48 billion	NT\$63.938 billion	NT\$63.938 billion
Net Worth of Paid-in Capital After Final Report for the Preceding Year	NT\$75.818 billion	NT\$84.853 billion	NT\$84.853 billion
Payment Status	Normal	Normal	Normal
Redemption or Early Settlement Term	Issuer's redemption right: 5 years after the bond is issued, the Bank may redeem the bond in full, on each effective day of redemption and at the par value prices per share as set out in the bond redemption table.	None	None
Conversion and Exchange Terms	None	None	None
Restrictive terms		Subordinate bonds	Subordinate bonds
Net Value of Paid-in Capital After Final Report for the Preceding Year	74.66	73.36	73.36
Application of Funds	Medium-to-long-term loans	Medium-to-long-term loans	Medium-to-long-term loans
Eligible Equity Capital	No	Tier II Capital	Tier II Capital
Credit Rating Agencies, Evaluation Date and Rating Score			

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Category of Financial Bonds	Tranche 109-1 long-term subordinated bonds	Tranche 109-2 non- cumulative perpetual subordinated bonds	Tranche 110-1 non- cumulative perpetual subordinated bonds	
Approval Date and Approval Document Number of the Central Competent Authority	July 11, 2019 Letter of Jin-Guan-Yin-Guo-Zi No. 10802116910	July 2, 2020 Letter of Jin-Guan-Yin-Guo-Zi No. 1090216191	August 13, 2021 Letter of Jin-Guan-Yin-Guo-Zi No. 1100220115	
Date of Issuance	March 25, 2020	August 13, 2020	November 17, 2021	
Nominal Value	NT\$10 million	NT\$10 million	NT\$10 million	
Place of Issuance and Trading	Taiwan	Taiwan	Taiwan	
Currency	NTD	NTD	NTD	
Issue Price	Issued in full	Issued in full	Issued in full	
Total Amount	NT\$10 billion	NT\$10 billion	NT\$8 billion	
Coupon Rates	Annual rate fixed at 0.80%	Annual rate fixed at 1.62%	Annual rate fixed at 1.60%	
Term	10-year term Maturity Date: March 25, 2030	No maturity date	No maturity date	
Priority of Distribution	Superior to shareholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors of the Bank.	Subordinate to the holders of the Bank's tier II subordinated bonds and other ordinary creditors	Subordinate to the holders of the Bank's tier II subordinated bonds and other ordinary creditors	
Guarantor	None	None	None	
Trustee	None	None	None	
Underwriting Agency	None	None	None	
Lawyer	None None		None	
Certified Public Accountant	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA	
Verification Financial Institution	None	None	None	
Payment Method	ent Method Lump sum payment at maturity (bullet loan)		5 years and 1 month (including) after the bond is issued, the Bank may redeem the bond, upon the approval of the competent authority, in full at its face value with the accrued interest paid.	
Outstanding Balances	NT\$10 billion	NT\$10 billion	NT\$8 billion	
Paid-in Capital of the Preceding Year	NT\$71.319 billion	NT\$71.319 billion	NT\$74.886 billion	
Net Worth of Paid-in Capital After Final Report for the Preceding Year	NT\$95.517 billion	NT\$95.517 billion	NT\$97.910 billion	
Payment Status	Normal	Normal	Normal	
Redemption or Early Settlement Term	None	5 years and 1 month (including) after the bond is issued, the Bank may redeem the bond, upon the approval of the competent authority, in full at its face value with the accrued interest paid.	5 years and 1 month (including) after the bond is issued, the Bank may redeem the bond, upon the approval of the competent authority, in full at its face value with the accrued interest paid.	
Conversion and Exchange Terms	None	None	None	
Restrictive terms	Subordinate bonds	Subordinate bonds	Subordinate bonds	
Net Value of Paid-in Capital After Final Report for the Preceding Year	79.19	80.67	70.08	
Application of Funds	Medium-to-long-term loans	Medium-to-long-term loans	Medium-to-long-term loans	
Eligible Equity Capital	Tier II Capital	Tier I Capital	Tier I Capital	
Credit Rating Agencies, Evaluation Date and Rating Score				

# 3. Preferred Stocks, Global Depository Receipts, and Employee Stock Warrants, New Restricted Employee Shares, Any Merger and Acquisition Activities, and Acceptance of Transfer of the Shares of Another Financial Institution: None.

### 4. Status of Implementation of Capital Allocation Plans

#### (1) Plan Details

None.

#### (2) Status of Implementation

Analysis of the changes of major financial ratios, capital adequacy ratios, and after-tax earnings per share of the Bank:

			Unit: NT\$1,000; %
Year	2022	2021	Increase/Decrease
Financial Ratios			
After-tax Return on Assets (ROA)	0.49%	0.27%	0.22%
After-tax Return on Shareholders' Equity (ROE)	9.84%	5.09%	4.75%
Capital Adequacy Ratio	12.48%	13.39%	-0.91%
Net Profit After Tax	10,121,852	5,100,112	5,021,740
Earnings Per Share After Tax	1.26	0.64	0.62

Notes:

1. Earnings per share is calculated according to the weighted average number of shares of the current fiscal year. The effects of retrospective adjustments apply to basic earnings per share for 2021.

2. Net profit after tax for 2022 totaled NT\$10.122 billion, increased by NT\$5.022 billion from 2021, primarily due to the growth of deposit and loan volume, and the increase in net income from interests, service fees and financial products.



On July 21, 2022, Taiwan Business Bank won the Asia Responsible Enterprise Awards (AREA) for the third time. The Bank's President, Chih-Chien Chang (center), and Executive Vice President, Jia-Ruey Luan (second from the left), shared the honor with the management team and entire staff.



# **Business Operation**

79	1. Business Scope
91	2. Employees
94	3. Corporate Responsibilities and Moral Conduct
94	4. Number of Non-managerial Full-time Employees and Their Average and Median Salaries
94	5. Information Equipment
95	6. Cyber Security Management
97	7. Labor-Management Relations
98	8. Important Contracts
99	9. Relevant Information on Securitization Products

79

### 1. Business Scope

#### (1) Principal Activities for Various Business Areas

- A. Corporate Banking
  - a. Corporate financing loan

Engage in various corporate loans, project loans, syndication, bills discounting, domestic credit issuing, domestic and overseas guarantee provision, as well as accounts receivable financing and factoring.

b. Foreign exchange

Engage in foreign currency in cash, foreign currency deposits, import and export foreign exchange, general outward and inward remittance, loans in foreign currency, and foreign currency guarantee.

- B. Personal Banking
  - a. Personal loans

Engage in personal mortgage and consumer financing business.

b. Credit card

Engage in credit card businesses.

c. Wealth management

Engage in the promotion of wealth management products.

d. Insurance agency

Engage in life insurance and property insurance agent businesses.

- e. Trust service
  - Monetary trust: Fiduciary investments in domestic and overseas marketable securities, advance trust, real estate transaction trust, civil servant estate trust, government projects subsidy trust, caring trust, insurance trust, third-party payment trust, equity transaction values trust, foreign exchange trust, charitable trust, employee stock ownership trust, and other monetary trust business.
  - Custodian business: Entrusted for keeping domestic securities investment trust fund, entrusted for keeping investment policy-linked investment targets, and entrusted for keeping operation deposits and custody business for foreign investors.
  - Others: Real estate trust, superficies trust, marketable securities trust, marketable securities subscription business, and trust business concurrently engaging in securities investment consulting business.
- f. Securities

Engage in marketable securities transactions, margin trading and short selling, as well as futures introducing broker services.

C. Finance Logistics

Engage in the capital movement for New Taiwan Dollars and foreign currencies, foreign exchange transactions, marketable securities transactions, long-term equity investments, financial products marketing, and derivatives business.

D. Deposits

Engage in check deposits, passbook deposits, certificate deposits, tax collection, national treasury agent, collections, and remittance.

E. Digital Banking

Engage in digital banking businesses such as general online banking, corporate online banking and online banking APP, global e-banking, mobile banking APP, telephone banking, e-ATM, national payment, parking fee collection, virtual accounts, digital deposit account, the Bank's official website, smart customer services, online loan service, Open API, big data, Account link, social media (Facebook, Line), Taiwan Pay, deposit account acquisition with QR Code, ACH (eACH, eDDA) and blockchain confirmation.

#### (2) Business Overview for the Past Two Years

#### A. Corporate Banking

а.	Corporate	financing	loan
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Corporate financing loan Unit: NT\$ millio					
Year	20	22	20	21	Increase
Item	Amount	Percentage %	Amount	Percentage %	(Decrease) %
SMEs loan balances	713,010	65.74	684,684	67.35	4.14
Large enterprises loan balances	142,832	13.17	121,813	11.98	17.26
Government and public enterprise loan balances	77,097	7.11	70,921	6.98	8.71
Corporate banking NTD loan balances	932,939	86.02	877,418	86.31	6.33
Foreign currency loan balances	151,672	13.98	139,248	13.69	8.92
Total	1,084,611	100.00	1,016,666	100.00	6.68

#### b. Foreign exchange

Foreign exchange					Unit: NT\$ million
Year	20	22	20	21	Increase
Item	Amount	Percentage %	Amount	Percentage %	(Decrease) %
Balances of foreign currency demand deposit	111,841	30.63	125,241	40.25	-10.70
Balances of foreign currency time deposit	253,346	69.37	185,939	59.75	36.25
Total	365,187	100.00	311,180	100.00	17.36

			Unit: US\$ million
Year	2022	2021	Increase (Decrease) %
Volume of foreign exchange business	77,459	69,063	12.16

Note: The volume of foreign exchange business is the sum of business volumes of DBU and OBU.

#### B. Personal Banking

2	Dorce	anal	loans
а.	reiso	Jilai	ioans

Personal loans					Unit. N 15 million
Year	2022 2021		Increase		
Item	Amount	Percentage %	Amount	Percentage %	(Decrease) %
Consumer loan balance	4,522	1.37	6,005	2.02	-24.70
Mortgage balance	227,292	69.10	193,127	65.19	17.69
Other personal loan balance	97,130	29.53	97,133	32.79	0.00
Total	328,944	100.00	296,265	100.00	11.03

Linit: NT\$ million

b. Wealth management and insurance agent businesses

Unit: NT\$ million Year 2022 2021 Increase (Decrease) % Amount Percentage % Amount Percentage % Item Trust fund service fee 532.50 25.71 1,024.09 55.95 -48.00 income Life insurance service 1494.24 72.16 760.14 41.53 96.57 fee income Property insurance 41.20 1.99 43.20 2.36 -4.63 service fee income Gold passbook income 2.86 0.14 2.94 0.16 -2.72 Total 2070.80 100.00 1,830.37 100.00 13.14

c.	Trust
0.	

Trusts			Unit: NT\$ million
Ye	ar 2022	2021	Increase (Decrease) %
Fiduciary investments in domestic and overseas marketable securities balance	76,884	73,955	3.96
Custodian bank balance (Note)	116,056	118,299	-1.90
Other trusts balance	28,644	24,239	18.17

#### Unit: NT\$ million/card

Unit: NT\$ million/lot

Unit: US\$ million

Unit: NT\$ million

d. Credit card Unit: NT\$ million/c			
Year	2022	2021	Increase (Decrease) %
Card transaction volume	9,833	9,418	4.41
Number of issued cards	195,551	204,682	-4.46

Note: Visa Debit and Easy Debit cards are not included in the number of issued cards.

e. Securities

Year	2022	2021	Increase (Decrease) %
Securities broker transacted amount	493,215	794,729	-37.94
Average securities financing balance	2,806	2,900	-3.24
Lot amount for futures (lot)	133,639	152,676	-12.47

#### C. Finance Logistics

a. Foreign currency and foreign capital transaction

Year	2022		2021		Increase
Item	Amount	Percentage %	Amount	Percentage %	(Decrease) % Percentage %
Forwards	452	0.37	464	0.45	-2.60
SWAP	25,074	20.53	22,798	22.14	9.98
Non-deliverable forwards	-	0.00	0	0.00	0.00
Options	176	0.14	204	0.20	-13.50
Inter-bank borrowings and inter-bank loans	96,427	78.95	79,485	77.21	21.32
Total	122,130	100.00	102,951	100.00	18.63

Note: The foreign exchange transaction volume is the sum of the transaction volume of the Bank's head office and overseas branches.

#### b. Stock fund investment

Year	At the en	At the end of 2022		At the end of 2021	
Item	Amount	Percentage %	Amount	Percentage %	(Decrease) % Percentage %
Stocks	12,444	98.96	14,573	90.37	-14.61
Funds	131	1.04	1,553	9.63	-91.56
Total	12,575	100.00	16,126	100.00	-22.02

Note: Stated at the initial acquisition costs.

#### c. Bonds and notes

Bonds and notes					Unit: NT\$ million
Year	At the end of 2022		At the end of 2021		Increase
Item	Amount	Percentage %	Amount	Percentage %	(Decrease) % Percentage %
Short-term notes	226,493	54.40	268,411	59.24	-15.62
Certificates of deposit acquisition	195,595		231,395		
Commercial paper acquisition	30,898		37,016		
Acceptances acquisition	-		0		
Bonds	189,844	45.60	184,681	40.76	2.80
Government bonds	75,540		71,149		
Corporate bonds	69,567		65,267		
Financial debentures	44,248		47,691		
Beneficiary securities and asset-backed securities	489		574		
Total	416,337	100.00	453,092	100.00	-8.11

Note: Stated at the initial acquisition costs.

#### d. Long-term Equity Investments

Investment Target	Investment Amount (NT\$1,000)	Shareholding Ratio (%)
Taipei Forex Inc.	7,000	3.5318
Financial Information Service Co., Ltd.	59,008	1.2377
Taiwan Stock Exchange Corporation	198,012	0.9496
Taiwan Futures Exchange Corporation	20,000	1.0000
Taiwan Asset Management Corporation	600,000	5.6754
Taiwan Financial Asset Service Corporation	50,000	2.9412
Sunny Asset Management Corporation	461	0.7678
Financial eSolution Co., Ltd.	19,285	4.1158
Taiwan Depository & Cleansing Corporation	4,639	0.0830
Taiwan Mobile Payment Co., Ltd.	6,000	1.0000
Taiwan Power Company	11,427	0.0044
Taiwan Sugar Corporation	58,294	0.2986
Taiwan Incubator SME Development Corporation	29,000	4.8438
Sunsino Development Associate Inc.	17,440	3.1166
CDIB & Partners Investment Holding Corp.	500,000	4.9505
Taipei Financial Center Corporation	328,104	0.8000
Taiwan Urban Regeneration & Financial Services Co., Ltd.	25,000	5.0000
Chaofu Real Estate Management Co., Ltd.	8,598	3.0000
Taiwan High Speed Rail Corporation	445,000	0.7906
Taiwania Capital Buffalo II Bioventures, LP	85,000	1.6946
Note: Long-term investment of the Bank.		

#### D. NTD Deposits

82

Taiwan Business Bank Annual Report 2022

NTD Deposits	Unit: NT\$ million				
Year	At the en	d of 2022	At the en	d of 2021	Increase
Item	Amount	Percentage %	Amount	Percentage %	(Decrease) %
Demand Deposits	842,271	57.86	829,772	58.24	1.51
Time Deposits	613,313	42.14	594,921	41.76	3.09
Total	1,455,584	100.00	1,424,693	100.00	2.17

#### E. Digital Banking

Year	At the end of 2022	At the end of 2021	Increase (Decrease) %
Number of online banking customers	1,678,782 customers	1,650,103 customers	1.73
Number of mobile banking customers	1,025,392 customers	918,915 customers	11.58
Number of digital banking transactions	16,983,953 transactions	15,084,884 transactions	12.58
Number of digital deposit accounts	76,529 customers	30,053 customers	154.64
Number of Taiwan Pay customers	62,111 customers	45,165 customers	37.52
Number of Taiwan Pay transactions	1,883,700 transactions	1,199,681 transactions	57.01

# Unit: Customer/Transaction

#### (3) Operating Plan for 2023

#### A. Corporate Banking

#### a. Corporate financing loan

- 1) Promote the government's "Three Major Programs for Investing in Taiwan" and "6 Core Strategic Industries Promotion Program", etc. to assist enterprises in obtaining required funding and increase the investment in Taiwan, creating more domestic employment opportunities.
- 2) Continue to promote the government's initiative for actively assisting in micro-scale enterprises and start-ups (of which the capital is below NT\$ 30 million) to obtain the capital required for operations; participate in project loans inaugurated by county/city governments; support youth entrepreneurs as well as small and medium enterprise (SME) corporate financing; invigorate the local economy and fulfill its corporate social responsibilities.
- 3) Strengthen the Bank's DBU replace OBU and the parent-subsidiary shared credit model, actively increase transactions with such OBU customers, provide customized financing plans, such as foreign currency working capital, foreign letters of credit, and export bill negotiations, with complete foreign exchange financial services.
- 4) Focus on core clients in business clusters and industrial zones and strive to expand our upstream and downstream client base to scale up our loan business and market share in industrial zones.
- 5) Continue to provide loan projects related to urban renewal and green finance, while promoting building reconstruction to integrate electricity generation on-farm, energy storage, and other building designs, in response to the government's policy of urban renewal, reconstruction of old and dangerous buildings, and green energy sustainability, to achieve the goal of sustainable development of the environment
- 6) Focus on long-term SME customers or SMEs supported by the Bank and actively organize and manage the syndicated loans and credits to expand the number of loans and commissions from corporates.
- 7) With consideration of credit risks and revenue, adjust loan structure, enhance the credit guarantee funds transferring to reduce the risk-adjusted assets, and increase the loans for SMEs.
- 8) Focus on the major business of SMEs, enhance educational training and enhance professional competencies to effectively control risks and improve overall service quality.
- b. Foreign exchange
  - 1) Strengthen the expansion of foreign exchange businesses
    - ① Provide various foreign exchange services to closely meet the needs of our customers.
    - ② Optimize the digitalization services of various foreign exchange products.
    - ③ Enhance training to improve foreign exchange service quality.
    - ④ Strengthen the implementation of various operation procedures to minimize operating risks.
  - 2) Facing uncertainty factors such as interest rate hikes, and changes in political and economic situations in various countries, our overseas branches will continue to focus on the implementation of credit risk control to respond to the local political and economic circumstances, changes in industries at any time, and steadily promote their business with considerations given to different risks in accordance with factors such as the nature of regions, policies implemented by the headquarters, regulations, and supervisory strength.

### B. Personal Banking

- a. Personal loans
  - 1) Enhance the operating efficiencies of personal banking and focus on the growth of revenue.
  - 2) Continue to strengthen the expansion of house mortgage life insurance business to increase the service fee income of the Bank.
  - 3) Strengthen online service functions for personal banking and provide diverse selling channels.
  - 4) Actively cooperate with various government policies to fulfill the Bank's corporate social responsibilities.

#### b. Wealth management

- Promote high-end asset and wealth management business: Integrate personal finance, wealth management, and trust resources to launch timely and well-rounded marketing campaigns and work with certified public accountants (CPAs) and attorneys when necessary to promote family wealth management and wealth inheritance, so as to rapidly enhance the Bank's ability to serve VIP customers.
- 2) Establish a digital transaction process: Continuously optimize the digital financial transaction process to meet the digital mobility trend and scale up our wealth management operation.
- 3) Provide comprehensive services to VIP customers: Strengthen the Bank's wealth management service team, enhance the training programs for wealth management personnel, such as asset management, research and analysis, tax planning, and cash management, and employ experienced senior investment planning professionals in the banking industry.

#### c. Insurance agent

- Digital services Implement mobile insurance application, online insurance application, and new internet banking "Policy Inquiry" function: Launch innovative Fintech services to respond to the trend of digitalization and paperless environment; as such, customers no longer need to apply for insurance policies over the counter. Strengthen digital finance services and simplify the insuring process to improves customer satisfaction, which in turn expanding our digital customer base.
- 2) Continue to select premium insurance products as an agency: Keep abreast of market changes, provide insurance products based on the needs of different customer bases, and enrich the diversity of products to enhance the competitive advantage.
- 3) Adopt inter-departmental integrated marketing: Integrate marketing across departments in an all-inone manner for our core group of customers, including SMEs, business owners, and their employees. Expand the property insurance business related to employees, factories, construction projects, houses, etc. For the individual customer group, the main focus is placed on the injury insurance of accident protection, with the protection extended to their family members, so as to boost the trust of customers with our professional image.

#### d. Trusts

- Develop closer relationships with investment trust companies as IPO fund custodian and provide fund custody products that are marketable and risk-diversified to generate long term fixed income in order to satisfy customers' investment needs and increase the scale of funds under custody.
- 2) Extend the range of assets under custody (e.g. private placement, ETFs) and continue to work with investment trust companies and investment consulting companies to expand the size and range of fund custody products and increase the scale of assets under custody.
- Continue to introduce marketable overseas bonds with high credit rated issuers in order to meet the demands of high net worth customers and make the Bank more competitive in the market.
- 4) Explore new financial products and introduce specific money trusts for investment in overseas stocks, ETFs, and preferred stocks to create an all-round wealth management platform to satisfy customers' investment needs.
- 5) Follow the Trust 2.0 policy and make plans for diversified trust products and services in order to provide trust products and services corresponding to social requirements and fulfill corporate social responsibility.
- 6) Continue to launch programs, which promote elder care trust and trust for people with disabilities, and help the elderly or people with dementia protect their assets and care for their later years, in response to the trend of an aging society, declining birth rates, and a growing need to protect assets of people with dementia.
- 7) Provide real estate and fund trust services along with financing for urban renewal and old building reconstruction, and organize seminars related to urban renewal and old building reconstruction trust in order to improve the local amenities and living environment.
- 8) Implement Phase 2 of Trust 2.0 and step up presale property transaction trust services to ensure property payments are used for the intended purpose and development projects are completed as scheduled, and help consumers keep property transactions secure.

- 9) Continue to promote the employee stock ownership trust, implement investment transaction functions for employee benefit and stock ownership trusts, and integrate with the securities investment consulting business to strengthen the competitiveness of the Bank.
- e. Credit card
  - 1) Continue to promote the Sustainable Life Card with "green food, carbon reduction and green transportation" as the theme to develop the Bank's image as an ESG business. Offer card discounts through certain channels and entice ESG conscious consumers to apply for the card.
  - Advertise art and culture as well as entertainment via the Enjoy Life and Fun Signature Card and continue to refine and optimize channel specific offers in order to become the first choice of credit card in the art and culture community.
  - Continue to hold marketing campaigns for the Beigang Chaotian Gong Affinity Card and the Charity Affinity Signature Business Card to attract specific customer groups and develop closer ties with these customers to encourage loyalty.
  - 4) The Bank cooperates with the government-funded platform to introduce Taiwan Pay scanned transactions, and will continue to hold marketing events, and encourage cardholders' usage by utilizing credit card statements and the website of the Bank to achieve the goal of mobile payment under the government's policy and increase the usage rate of mobile payment.
  - Optimize various operating processes based on customers' experience to improve customers' satisfaction.
- f. Securities
  - 1) Expand the institutional customer base and provide customer oriented securities services.
  - 2) Vigorously cooperate with branches to jointly visit the target customer groups, implement and execute on annual key operations, and develop securities business to fully exerting the integral marketing function of the entire bank and improve the overall contribution of customers.
  - Plan to establish an Online Securities Account Opening System to provide securities account opening services without the need to visit branch counters, so as to save customers' valuable time and improve their satisfaction.
  - 4) Plan to implement a regular stock investment plan that allows customers to purchase individual stocks and ETFs on a regular basis in a fixed amount to meet the need for small-budget investments and attract young customers to invest in the stock market in order to increase participation in inclusive finance.
  - 5) Continue to optimize the e-Gold App as the Bank is the first securities dealer in the market to offer screen customization in a friendly, intuitive and simple design that increases customer stickiness to the platform.
- C. Finance Logistics
  - a. Enhance capital management and operating efficiency to maintain liquidity and improve capital utilization income.
  - b. Actively carry out foreign exchange operations to increase exchange gains.
  - c. Closely monitor domestic and overseas governmental and economic conditions to get hold of the overall market investment trend. Select premium stocks in different industries in due course to balance the investment allocation and increase our investment income.
  - d. Improve the planning and management for our long-term equity investment business to increase the income of the Bank.
  - e. Cautiously select premium investment targets with stable growth and financial health to expand our investment portfolio, boosting foreign currency securities income.
  - f. Implement KYC system and assessment for product adequacy; closely monitor customers' credit limits and carry out risk control.
- D. Deposits
  - a. Enhance performance management and evaluation, and utilize incentive measures and activities to reinforce the expansion of key customer groups, so as to drive deposit growth momentum of our branches and increase the size of demand deposits.

- b. Enhance various deposit agency services and continue to optimize system services in order to provide better customer service, strengthen the Bank's competitiveness, and assist the branches in expanding business.
- c. Continue to improve the payroll to demand deposit service and introduce special offers for payroll customers in order to increase the size of demand deposits while extending retail banking, wealth management and related services through cross selling and synergy to create more profit sources.
- E. Digital Banking
  - a. Continue to optimize digital channels and value user experiences to satisfy the needs of customers and enterprises.
  - b. Introduce digitalized procedures, promote mobile payment and digital membership to expand sales momentum.
  - c. Utilize data to drive growth, develop digital marketing, and create a convenient financial ecosystem.
  - d. Develop innovative FinTech, promote digital transformation, and establish AI in financing.
  - e. Change thinking patterns, enhance digital knowledge and image, and optimize human capital.
  - f. Develop and manage three major customer groups (enterprise + generation, young YZ generations, orange/silver generation) to enhance the value of active customers.
- F. Risks Management
  - a. Complete the Task Force on Climate-Related Financial Disclosure (TCFD) for the Bank and release the 2022 TCFD Report.
  - b. Start the implementation of Basel III system requirements in 2022 in response to the FSC's adoption of BIS Basel III in 2024; and schedule to gradually complete risk-weighted asset calculation and logic modification for credit, market, and operational risks by the end of 2023 and the end of 2024 in order to comply with the FSC's BIS modification requirements.
  - c. Continue to enhance the linking function among the top three managing tools for operating risks, allowing management tools to support and link to one another, perform cross-over analysis and verification, to improve the Bank's capacity for active and advance control on operating risks.
- G. Legal compliance and anti-money laundering
  - a. Comply with regulations imposed by domestic and foreign competent authorities and continue to optimize the AML system of the Bank.
  - b. Strengthen the supervision for the first line of defense as well as field visits and sampling tests for the branches.
  - c. Adopt diversified channels to continue organizing educational trainings
  - d. Convene video conference from time to time to communicate with branches regarding relevant regulations and matters of attention, so as to achieve the effectiveness and immediacy of control.

#### (4) Market Analysis

A. Geographic Scope of Operations

Apart from being a SME specialized bank, the Bank also provides diversified services in personal financing, wealth management, and the professional financing field. Our branches spread across the nation, including 125 branches in Taiwan and 1 Offshore Banking Unit. There are also 8 overseas branches in Los Angeles, New York, Sydney, Brisbane, Shanghai, Wuhan, Hong Kong, and Tokyo, as well as one representative office in Yangon, Myanmar.

B. Market supply, demand and growth in the future

As the forecast of the International Monetary Fund (IMF), the growth rate of the world trade volume will fall to 2.4% in 2023. Despite the slowing global demand, Taiwan can expect to maintain export momentum supported by the world leading semiconductor production and increased manufacturing capacity. In addition, international travel is expected to boost consumption. According to the figures released by the Directorate-General of Budget, Accounting and Statistics on February 22, 2023, Taiwan's economic growth rate in 2022 was 2.45% and that in 2023 is expected to drop to 2.12%. According to ITRI's IEK-CQM, it is estimated that the output value of the manufacturing industry in Taiwan will reach NT\$26.32 trillion in 2023, with an output value growth of 3.24%.

Inflation is expected to remain high worldwide in 2023. Slowing growth in major economies combined with geopolitical tension and a constant string of COVID variants can threaten the stability of financial markets and increase investment and lending risks for banks around the world. Fortunately, the rate hike cycle started by the Fed in March 2022 can improve the operating environment of the banking sector. Furthermore, the delayed reaction to rate hike policies in the US and in Taiwan in 2022 can help banks further increase interest spreads and profits in 2023. Nevertheless, rate hikes will create credit risk and solvency challenges for customers, causing an adverse effect on the asset quality of banks and leading to a possibility of higher non-performing loans ratio.

As countries lift more COVID related border control measures, banks can once again pick up pace in overseas market expansion and shake off the effects of travel restrictions on business promotion over the last two years. Moreover, experiences accumulated in the New Southbound market and more extensive participation in the market by the banking sector as a whole both point to a significant increase in the volume of overseas lending in 2023. Regarding the domestic lending market, the government continues to encourage domestic banks to extend the "6 Core Strategic Industries Promotion Program", which can create new market opportunities for banks. In addition, the construction of new hi-tech factories, such as IC, semiconductors, optoelectronics, and battery factories continues, giving support for growth in the domestic lending market in 2023. As for wealth management business, the Russia-Ukraine war has caused rising global inflation, supply chain issues, energy conflict and other negative impacts that may continue into 2023. Financial market volatility from rate hikes also create more investment risks worldwide. How to encourage investors to invest will be the direction for wealth management teams in 2023.

Meanwhile, the increasing use of online banking and impact of pandemic have driven the banking sector to take a more active approach to digital finance. Banks are working through cross-industry collaboration to create a financial ecosystem, establishing integrated platforms and optimizing their services, all of which will help banks as a whole improve the quality of digital financial services. In addition, as consumers have become more zero contact conscious as a result of the pandemic, the digital banking business is expected to move in the direction of fast expansion and security in 2023. Such development will not only benefit the banking sector in all lines of business, but will also effectively reduce operating costs in the long term.

C. Positive and negative factors affecting competitive niches and long-term development, as well as response strategies

Facing the fast-changing global financing and economic state, the Bank may encounter the following circumstances:

- a. Favorable factors
  - With a solid local business foundation, the Bank has a large number of loyal customers with longterm relationship, and established a good network relationship with external counseling institutions to jointly promote the sustainable operation of SMEs.
  - 2) Leverage on the competitive advantage of "Financing, Guidance, Investment," the Bank has been focusing on the SMEs loan business in the long run, assuming an essential part in the market of SME loans with the benefit of scale profit.
  - The monetary policies of the central banks in major countries are expected to turn from tightening to neutral, leading to a significant decrease in market risks.
  - 4) We have long promoted our trust business and work together with professional teams inside and outside the Bank to provide fast, easy, and convenient one-stop integrated planning services, from customer counseling, financing to trust.
- b. Unfavorable Factors
  - The Fed's rate hikes and the continuing Russia-Ukraine war are putting pressure on the supply/ demand of raw materials and inflation. A slowing domestic economy is causing businesses and consumers to become more conservative in terms of the investment momentum.
  - Fierce competition among domestic financial institutions which provide products and services of high homogeneity.
  - As the digitalization of our systems is pending improvement, and the types of business provided are limited, the transaction process and customer services cannot be optimized.

#### c. Countermeasures

- Leverage on the channel advantages and integrate marketing resources, increase in-depth relationship with target customers and core product promotions to improve the operating performance.
- 2) Strengthen our specialized field of SMEs with considerations equally given to financing and counseling and create a leading financial brand as a SME specialized bank.
- Carefully select large enterprises with stable financial structures at home and abroad as investment targets and adopt conservative and stable strategies to obtain stable returns.
- Consider factors of risks and returns to make effective adjustments on asset allocation for the increase of overall income.
- 5) In response to the implementation of the government's policies and to fulfill its corporate social responsibility, the Bank has organized diverse products and services to develop comprehensive financial businesses that cater to different aspects of lives for the public.
- 6) Continue to optimize digital finance services and enhance the backend system to improve customer experiences. Expand and strengthen the customer service team for VIPs, focus on target customer groups, carry out business opportunity and customer analysis, and integrate the internal resources from different departments based on customers' demands to provide comprehensive wealth management services for customers.

#### (5) Financial Product Research and Business Development Summary

- A. Primary Financial Products and Size of Newly Added Business Department, and Profit or Loss for the Past Two Years
  - a. Major financial products of the Bank for the past two years
    - 1) Providing the "Micro-to-small Enterprises + Startups Loan," and the loan balance was NT\$60.479 billion as of the end of February 2023.
    - Providing the "Preferential Loans for Youth Entrepreneurship and Start-up," and the loan balance was NT\$11.497 billion as of the end of February 2023.
    - Providing the "Preferential Loans for 6 Core Strategic Industries," and the loan balance was NT\$55.698 billion as of the end of February 2023.
    - Providing the "Industrial Zone Preferential Loans," and the loan balance was NT\$39.081 billion as of the end of February 2023.
    - 5) In response to the aging society, the Bank offers diverse products for seniors and provides secured house mortgages of "Reverse Mortgage Loan for Joyful Retirement" and "Joyful Retirement Part II," and a total of 248 customers received the loans with the loan balances amounted to NT\$ 974 million as of the end of February 2023.
    - 6) To prevent losing customers for the existing Considerate Loan and improve business relationship with premium customers, the Bank provides the "Heart of Gold" civil and teaching personnel credit loan in the hope of expanding its consumption loan business, and the loan balances were NT\$2.239 billion at the end of February 2023.
    - 7) In response to government policies for satisfying capital demands for giving birth, pregnancy, and raising children under 5-year-old, the Bank launched the "Childbirth Consumer Loans (originally Golden Pregnancy), and a total of 1,716 families received the assistance with the approved loan amounted to NT\$671 million as of the end of February 2023.
    - 8) The Bank carries out the Ministry of Finance's "Preferential Housing Loan Program for Successful Family Foundation of Youth (Case 2)," and a total of 31,425 customers received the loans with the loan amounted to NT\$132.220 billion at the end of February 2023.
    - 9) To satisfy the demands of borrowers regarding the flexible deployment of funds, the Bank continues to provide the "Convenient Revolving Overdraft Credit Loan," a product with mid-term guarantee limits, and the utilized balances were NT\$14.457 billion at the end of February 2023.
    - 10) To strengthen the competitiveness of mortgages and guide customers to implement an eco-friendly, energy-saving, and carbon-reduction livingstyles, so as to realize the ESG spirit, the Bank launched the Happiness Loan mortgage program. As of the end of February 2023, the cumulative amount of loans disbursed reached NT\$34.979 billion.
    - 11) To strengthen business relationship with owners of SMEs and high-income groups, the Bank launched the house mortgage project of "True Excellent Loan," and the loan balance was NT\$15.309 billion at the end of February 2023.

- 12) To help first-time homebuyers and other residential property buyers purchase a home and make the Bank more competitive in the mortgage market, the "Happiness Advantage" house mortgage program and related short-term measures have been promoted and disbursed a total loan amount of NT\$23.169 billion as of the end of 2022.
- 13) To support the government's Quintuple Stimulus Voucher, the Bank provided an in-branch voucher cashing service between October 15, 2021 and June 30, 2022. As of June 30, 2022, the Bank has helped consumers cash a total of 3.52 million vouchers for a total amount of NT\$1.767 billion.
- b. Newly added business departments of the Bank for the past two years: None.
- B. R&D expenses and results, and the future R&D plan
  - a. R&D expenses for the past two years

Year 2022 2021	
Amount 40,599 27,903	

- b. R&D results for the past two years
  - 1) Provide industrial information on a regular basis
    - ① To improve the professional knowledge and expertise of industries for our employees, industrial analysis reports were written by the Bank on a regular basis. 51 weekly reports on domestic and overseas economic and financial situation, 96 industrial dynamics reports, 12 domestic and overseas economic situation and industry overview reports, 8 monthly reports on industry trends, and 4 quarterly reports on prospects of domestic industries were completed during 2022.
    - 2 50 weekly reports on domestic and overseas economic and financial situation, 96 industrial dynamics reports, 12 domestic and overseas economic situation and industry overview reports, 8 monthly reports on industry trends, and 4 quarterly reports on prospects of domestic industries are expected to be completed during 2023.
  - 2) Analysis, reports, and research on particular and major industries
    - ① To help the business units understand and pay attention to the global initiative Net Zero by 2050, the Bank gathered the competent authority's methods and plans and prepared a project report titled "Trends in GHG Disclosure Regulations for Taiwanese Businesses". The goal is to guide the business units to disclose correctly customer carbon footprint verification data.
    - ② The Bank compiled a report, "Trends in Exchange Rate Spread between Offshore CNH/Onshore CNY", to help the business units and related departments understand the internationalization of the Chinese Renminbi and latest trends. To provide a reference for observing the change of the Chinese Renminbi, the report describes the factors for greater volatility in the transaction prices of CNH as compared to that of CNY, as well as the background and causes of significant price difference.
    - ③ Moving in the direction of the government's economic and trade policies, the Bank prepared project reports, including "Trends in Taiwan's Display Panel Industry" and "Electricity Trading Platform - Opportunities in Frequency Control Ancillary Services and Energy Saving Market", to help all employees of the Bank understand industrial and economic trends.
  - 3) The first financial innovation competition for bank employees and the fintech innovation challenge on campus were organized to cultivate talent in innovative financial services, as well as enhancing academia-industry collaboration. The Bank also encourages employees to pursue continuing education and be passionate about their work. Creative ideas taking shape in the competition will help businesses accelarate the implementation of their digital transition.
- c. Future research and development (R&D) plans and the R&D expenses expected to be invested
  - 1) R&D budget for 2023 is NT\$77,855 thousand.
  - 2) The Bank continues to invest in research and analysis of domestic/foreign financial markets and key industries in order to respond to future business development trends and domestic/foreign economic changes. Reports or data are provided in a timely manner to relevant business departments and branches to provide a basis for business expansion and risk management.

Unit: NT\$ thousand

- d. Disclosure of our intellectual property management plan
  - 1) Intellectual property management plan: The Bank is committed to innovating financial technology. In addition to integrating various departments' resources and encouraging employees to actively innovate, we have formulated an intellectual property rights plan in alignment with our operational goals to attach great importance to customers' financial service experience and their satisfaction, so as to further improve the values and profitability of our banking products, protecting trade secrets and research and development achievements and enhancing our momentum of accumulates intellectual property rights, thereby strengthening the Bank's competitiveness.
    - ① Patent management: The Bank develops a patent layout in alignment with various technology research and development initiatives. In addition to reward patent proposers and include their proposals in employee performance evaluation to motivate more patent proposals, the Bank also hires external patent law firms to assist in reviewing and developing a plan for intellectual property rights application and actively implement the plan accordingly. Relevant patents are mainly used for big data analysis, financial certificates, and automated services. In the process of research and development, we also appoint an external patent firm to conduct patent search for developing a patent layout and reducing our risk of infringement.
    - ② Management of trade secrets: To strengthen the management of trade secrets, the Bank's work rules and clerk employment agreement stipulate as follows:
      - (a) The Bank's trade secrets and customers' data shall be kept confidential and shall not be disclosed to the public.
      - (b) Unpublished information, trade secrets and customers' data informed or obtained due to work shall be kept confidential and shall not be used illegally regardless of the performance of duties, changes, or after resignation. If the violation causes the Bank to suffer losses, the employee shall be willing to be dismissed and liable for damages.
      - (c) During the tenure, due to job or business, individual or joint research and development achievements or creation of works or works derived from work or business, works edited, or other intellectual property rights (including patent rights) all have the Bank as the author or patentee, and the employee shall promise that all creations in which they engaged during their tenure are their own creations and that they never plagiarize or copy others' works and may not use pirated software by themselves or through others, or copy software to the Bank's computers without consent. If another person' copyright or other intellectual property rights are violated as a result, the employee shall be willing to be liable for all damages and any expenses incurred to the Bank as indicted or warned by a third party.
    - ③ Trademark management
      - (a) Regularly check the extension period of trademark registration every year and extend trademark registration by a trademark office appointed or by the Bank.
      - (b) Continue to optimize the Bank's CIS trademark to enhance our corporate image in alignment with our business marketing and advertising needs.
  - 2) Implementation: The Bank has been promoting the intellectual property management plan since 2020 and regularly reports the intellectual property management plan to the Board of Directors in the fourth quarter of each year. The main implementation situation is as follows:
    - 2022: Formulated an intellectual property rights plan in alignment with the Bank's operational goals.
    - ② As of the end of December 2022, all our intellectual property achievements are as follows:
      - (a) Invention patents: 11 applications have been approved.
      - (b) Utility model patents: 23 applications have been approved.
      - (c) Trademarks: The Bank' s 19 registered trademarks include the Bank's corporate identity, HiBank design drawing, BOBE, Daily Combo Card and drawing, as well as Governmental Banks Credit Card Alliance and drawing.

#### (6) Short- and Long-Term Business Development Plans

- A. Short-term business development plan: Please refer to the "(3) Operating Plan for 2023" (page 83) in this chapter.
- B. Long-term business development plan: Please refer to "3. Future Development Strategies" (page 14 ) in "I. Letter to Shareholders."

# 2. Employees

## (1) Employees Information

	Year	2021	2022	2023 (As of February 28)
Number of emp	loyees	5,321	5,424	5,395
Average age		43.88	43.26	43.22
Average year of service		16.37	15.56	15.49
	Ph.D.	0.19	0.15	0.15
Distribution of Academic Qualifications	Master's degree	18.12	18.71	18.74
of Academic Qualifications	Bachelor's degree	75.94	76.38	76.5
(%)	High school	5.49	4.55	4.41
(70)	Below high school	0.26	0.20	0.20
	Licenses for trusts	4,649	4,780	4,732
	Financial planner	1,715	1,708	1,698
	Senior Qualification Examination for Professional and Technical Personnel (Lawyers and Chartered Public Accountant)	13	9	9
Na	Qualification Examination for Senior Securities Specialist	1,743	1,755	1,744
me an	Qualification Examination for Securities Investment Analyst	87	91	92
d nu	Qualification Examination for Futures Specialist	2,118	2,123	2,118
mbe	Grade above S2 for FLPT®	1,395	1,534	1,531
er of	Internal auditor	11	11	11
of prof	Basic Proficiency Test on Bank Internal Controls	3,936	4,072	4,047
essi	Financial Risk Manager (FRM)	16	15	15
onal	Certified Financial Planner (CFP)	19	21	21
Name and number of professional licenses hold by	Qualification Examination for Property and Insurance Broker	15	16	16
es hold	Qualification Examination for Property Insurance Agent	13	14	14
	Qualification Examination for Personal Insurance Broker	9	10	10
employees	Qualification Examination for Personal Insurance Agent	10	11	11
	Qualification Examination for Investment- orientated Insurance Product Representative	4,271	4,321	4,317
	Property Insurance Representative	3,924	4,040	4,032
	Personal Insurance Representative	4,728	4,822	4,803
	Test for the Sales of Non-investment-oriented Life Insurance with Payment in Foreign Currency by Personal Insurance Representative	3,192	3,254	3,244

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#### (2) Studies and Training for Employees

- A. The Bank executed different training according to the "Enforcement Guidelines for Training for Employees of Taiwan Business Bank, Ltd." and the Bank's employee training program for 2022; however, due to the pandemic and in response to the central pandemic-prevention policies and measures, partial programs were postponed or adopted the form of digital learning, Webex or video connection. Training sessions held during 2022 recorded a total of 405 sessions (including 29 sessions of business foundation, 349 advanced sessions of business seminars, 7 sessions for managers, 20 sessions of lectures/orientations); the total number of people trained was 38,674, the average employee training frequency was approximately 7.1 times per person/year, and the annual employee training expense was NT\$29,209 thousand in total.
- B. A series of digital marketing courses are provided to give bank employees an in-depth knowledge of fintech and innovation in response to Bank 4.0 and in preparation for future transition. The Bank has hired Taiwan Academy of Banking and Finance (Fin & Tech) to provide a training course, "Future of Banking & Digital Innovations and Technologies", tailored specifically for the Bank's needs. The course is workshop based and encourages employees to exercise creativity and develop potential. Interdepartmental collaboration is adopted to bring creativity into the workplace.
- C. Management training courses are provided for managers on all levels to make the Bank more competitive and its managers better trained in their professional knowledge and roles. The Bank also held the Learning Diversity Book Club, which focuses on issues arising from the management of employees in the front-line business units and helps improve the expertise of the management team and reduce operational risks.
- D. To encourage employees to absorb new knowledge and improve their professional competencies, business departments at the head office will assign relevant personnel to participate in training courses organized by external professional training institutions, so as to meet the requirements on professional competencies for the business development of the Bank.

#### (3) Employee Code of Conduct and Ethics

The Bank attaches great importance to the employee code of conduct and ethics. All of our employees are provided with the working rules for them to clearly understand their own rights and code of conduct to be observed, including loyalty and dedication, legal compliance and faithfulness, honesty and integrity, professional commitment, confidentiality, and courtesy. Our employees also adhere to a high standard of morals and ethics.

# (4) Protective Measures for the Safety of the Work Environment and Personal Safety of the Employees

Item	Description
Access control	<ul> <li>A. Rigorous access control monitor system is available during daytime and nighttime.</li> <li>B. The Bank has signed a contract with the security company to protect the safety of the branches during night time and weekends.</li> <li>C. Connect with the police and public security unit as a precaution.</li> </ul>
Equipment inspection and maintenance	<ul> <li>A. According to the requirements under Regulations for Inspecting and Reporting Buildings Public Security, the Bank shall engage professional companies to carry out the security inspection every two to four years.</li> <li>B. The Bank commissioned professional organizations to inspect the fire safety facilities every year as required by the Fire Services Act.</li> <li>C. According to the Code of Practice for Occupational Health and Safety of the Bank, the maintenance and inspection for motorcycles, air conditioners, vehicles, coin counters, kitchen, hole puncher, and bill counter are carried out per day; the maintenance and inspection for air conditioners, first-aid kit, fire service equipment, and elevators are carried out per month; the maintenance and inspection for vehicles are carried out per season; the maintenance and inspection for motorcycles, fire service equipment, and elevators are carried out per six months; the maintenance and inspection for motorcycles, fire service equipment, and elevators are carried out per six months; the maintenance and inspection for motorcycles, fire service equipment, and elevators are carried out per season; the maintenance and inspection for motorcycles, fire service equipment, and elevators are carried out per season; the maintenance and inspection for motorcycles, fire service equipment, and elevators are carried out per three years.</li> </ul>
Disaster prevention and response measures	<ul> <li>A. The Bank has disaster prevention, rescue notes, and occupational accident reporting procedures in place, including "Disaster Emergency Response Countermeasures Manual," "Management Guidelines for Major Contingencies," "Procedure Guidelines for Security and Grouping of Branches," "Code of Practice for Occupational Health and Safety," "Regulations Governing Occupational Health and Safety," "Workplace Self-Inspection Plan," and "Procedure Guidelines for Equipment Maintenance." Such procedures specify the responsibilities and mission for personnel at each level before and after material events of natural disasters and material emergencies of robberies. Anti-robbery drills are performed twice a year at our branches.</li> <li>B. The head office engages the fire protection competent authority to organize the fire protection and disaster prevention lectures in accordance with the fire protection plan.</li> <li>C. To safeguard the security and health of our employees, the Occupational Safety Section subordinates to the Human Resources Department is in place for the promotion of safety and health affairs.</li> </ul>
Physical Health	<ul> <li>A. Health check and health management: Regular health check is provided for employees, and medical workers present at the branches will offer health guidelines and recommendations to employees who receive abnormal results of the health check.</li> <li>B. Hygiene of the working environment: Smoking is prohibited at all business premises. The Bank also carries out regular office cleaning and sterilization and sets the 17th of each month as the cleaning day.</li> <li>C. In order to help voluntary health management of our employees, the Bank organizes health seminars, CPR training, and provides health-related programs on the digital learning website of the Bank for our fellow colleagues to learn new knowledge from the internet and enrich their concepts of health.</li> <li>D. To provide employees a healthy working environment, the Bank established a health service and stress relief activity center, nursing rooms, and emergency facilities (such as AED and first -aid kit), and improved the workplace facilities in due course to improve the safety of the environment and minimize the occurrence of workplace accident.</li> </ul>
Mental Health	<ul> <li>A. Provide physical and mental relaxation for employees: To help care for the living quality of our employees and relieve their stress from workplace and family, the Bank provides programs of pressure release, family care, emotion control, and encouragement on its digital learning platform for our fellow colleagues to access, adjusting mental health in due course.</li> <li>B. Prevention of sexual harassment at the workplace: Establish report regulations and punitive terms, as well as provide the "Gender Equality" course on the E-learning website to strengthen employees' correct perception and awareness.</li> </ul>
Advice on hazardous factors during operations of contractors	Setting up the "Advice on hazardous analysis during operations environment of contractors" and "Q&A" in the exclusive zone for the employees of the Bank according to the government regulations.
Insurance and Medical Care Consolation	<ul> <li>A. The Bank provides labor insurance (including occupational injury and disease) and health insurance to its employees according to the law, and negotiates with insurance companies to provide casualty insurance, accident medical insurance, and cancer insurance to the Bank's employees and their families at a rate of concession.</li> <li>B. The Bank offers work-related casualty insurance for all our employees with coverage of NT\$3 million. For work-related disability or work-related deaths, the insurance claim will be used to support the employee or its successors.</li> <li>C. Provide disease subsidies to our clerks, their spouses, and descendants.</li> </ul>

# 3. Corporate Responsibilities and Moral Conduct: Please refer to IX. Sustainable Development Report (page 342).

# 4. Number of Non-managerial Full-time Employees and Their Average and Median Salaries

Items	2022	2021	Growth Rate
Number of non-managerial full-time employees (Persons)	5,065	5,040	0.50%
Average salary of non-managerial full-time employees (NT\$1,000)	1,283	1,195	7.36%
Median salary of non-managerial full-time employees (NT\$1,000)	1,143	1,069	6.92%

#### 5. Information Equipment

- (1) Primary hardware: Central accounting mainframe, foreign exchange mainframe, fund mainframe, automatic tape library of the mainframe, virtual tape library of the mainframe, hard drive of the mainframe, laser printer of the mainframe, hard drive of the open system, tape library of the open system, virtual tape library of the open system, virtual tape library of the open system, server of the open system, and network equipment.
- (2) Primary information system: Deposits system, Ioans system, remittance system, foreign exchange system, credit card system, general ledger system, e-banking information system, teller terminal system, seal/ signature verification system of the Bank, ATM system, ATM monitoring system, the central operating system for collection bill and outward remittance, statement management and inquiry system, CRM system, digital branches system, AML system, fund system, wealth management system, and overseas branches system.

#### (3) Information operating project

- A. Transform the information architecture to provide a double-speed development system architecture.
- B. Data-driven decision-making to build a customer data pool that can be accessed in real time.
- C. Streamline processes to improve operational efficiency.
- D. Develop and integrate business information application systems to fully support the development of various services.
- E. Strengthen the information security protection mechanism to provide transaction security management and protection.

#### (4) Emergency backup and security protection measures for information operations

#### A. Central mainframe backup

The operating center of the Bank is located at Linkou, and a remote backup center is established in Taipei. Established the SYSPLEX system with local HA in April 2020. The core system structure is the SYSPLEX system with local HA and remote mainframe backup. The data storage adopts local dual-disk backup and remote disk backup to prevent the disruption of operations and data damages due to the malfunction of a single mainframe or disk unit, so as to ensure data security, system availability and uninterrupted operations, and effectively shorten connection response time. In addition, to enhance the familiarity of our employees toward the operating procedures and the completeness of the verification document, remote backup rehearsals are carried out twice a year.

B. Branches backup

Our branches are equipped with backup networks. Also, when accidents occur and the connection system is down, customers may present at the nearby branch with relevant documents for handling.

- C. Computer virus and hacker invasion precaution for computer equipment of the Bank
  - a. Spam filtering and malicious email blocking system is in place; meanwhile, external email accounts are prohibited, and letters have been dispatched to all departments regarding internal control operations.
  - b. Build the Internet firewalls and the server zone firewalls, adopt dual firewall mechanism and Intrusion Prevention System (IPS), monitor the access to DMZ zone (i.e., Internet banking, the entry portal, and

online financing system, etc.), server zone (i.e., application servers, and database servers, etc.) and all external website connections made by our employees, to reinforce the cyber security protection.

- c. Establish the firewall that can partition into serval network segments and control the network connections between network segments, cross-network segment access of IoT equipment, and the connection to the internet, in order to avoid information equipment being implanted with malicious ware and resulting in effects on the Bank's operations due to the spreading and infection of viruses.
- d. Establish the web application firewall (WAF) to strengthen protection against web application program vulnerabilities and block application-layer web page attacks (such as SQL Injection).
- e. Establish the anti-virus software (Symantec) to protect the operating security of PCs, work stations, and servers using the Windows platform at all departments of the Bank, to prevent the interruption of normal business operations or leakage of important information due to the infection of computer viruses (including malicious ware).
- f. Facing the Distributed Denial-of-Service attack (DDoS), in addition to adopting the internet service provider (ISP) approach to stop DDoS traffic, DDoS defense system (Arbor) is also installed to block application-layer attacks.
- g. Establish an SIP system to manage private intranet connections and dual Ethernet devices.
- h. Inspect EOS/EOL systems (including operating systems, databases, and applications) every quarter to better prevent system vulnerabilities.
- i. Conduct regular emergency response drills for the information and communication systems to reinforce the operating procedures of system administrators' responding to cyber security incidents.
- j. Establish a personal data endpoint protection system (DLP) to manage the file transfer of portable storage devices (USB) and prevent personal data leakage.

#### 6. Cyber Security Management

#### (1) Risk management structure

- A. The Bank has completed the operations related to cyber security and adopted the principle of three lines of defense and division of labor to ensure the effective operations of the overall cyber security management and control mechanism. The first line is the bank-wide information and communication system management and user units, which are responsible for design and implementation; the second line is the Information Security Department, which is responsible for planning and monitoring information security management; the third line is the Auditing Department, which is responsible for performing independent audits.
- B. The Bank assigned the Executive Vice President supervising the Information Security Department as the Chief Information Security Officer, with responsibilities for coordinating the promotion of the Bank's cyber security policies and resource allocation.
- C. In addition to monthly cyber security updates to the Risk Management Committee, quarterly cyber security updates are submitted to the Cyber Security Management Committee for review before being presented to the Audit Committee and Board of Directors to keep the Board informed of information security operations in the Bank.
- D. To ensure operating procedures have been calibrated to the optimal condition, the Bank sends representatives to provide onsite assistance from time to time to help relevant units implement a fully developed information security operation as soon as possible.
- E. The Bank has the Cyber Security Management Committee in place for effective execution of cyber security management related matters. The Committee is convened by the Chief Information Security Officer who oversees the execution and coordination of cyber security management related matters, and the Bank's independent directors with cyber security background are invited to attend and provide guidance. Furthermore, cyber security experts are invited to discussions of major information security issues to provide expert opinions and be consulted when major information proposals are presented to the Board of Directors.
- F. The Cyber Security Management Committee convenes at least once a quarter, and the Committee had convened 6 meetings in 2022.

#### (2) Cyber Security Management Policy

- A. The Bank has formulated the Cyber Security Management Policy to ensure the security of our various information and communication systems and information assets, strengthen our overall cyber security structure, and reduce operational risks. The five key points of the Policy are listed as follows: objective, scope, compliance, cyber security management systems installed, and reporting to the Board of Directors on an annual basis.
- B. Our overall cyber security objective is to ensure the confidentiality, integrity, and availability of the information and communication systems and information assets, and reduce operational risks. In addition, all of our employees, outsourced vendors, and guests shall abide by our cyber security policy.
- C. The Bank re-examines this Policy every year regularly or at each major change in order to ensure compliance with the latest development trends in cyber security regulations, technologies, organizations, and operations.
- D. A third party is engaged every year to conduct onsite audits at relevant departments to assess the effectiveness of the information security system as a whole.
- E. Execution of the information security protection mechanism, reporting of cyber security incidents, and feedback from internal/external stakeholders from the previous year are summarized and reported to the Board of Directors. In addition, an overall cyber security update is presented to the Board of Directors in the first quarter of every year.

#### (3) Specific management plan and resources invested

- A. Computer systems are assessed for information security every year to ensure the security protection mechanisms in the IT systems provided by the Bank are effective. These assessments cover information architecture check, network activity check, vulnerability scan, penetration test, APP test, security settings check, and compliance check. They are used to identify potential information security threats and vulnerabilities and facilitate implementation of technical and administrative controls.
- B. The Bank is now a member of F-ISAC, F-SOC, F-CERT, and TWCERT/CC. These memberships give the Bank more channels for receiving and sending information security updates and perform risk assessment based on these updates. Handling of information security data is monitored by information security personnel.
- C. The Bank has implemented a cyber security maintenance program and cyber security incident response mechanism to keep information and communication systems working continuously. In addition, incident drills are conducted on a regular basis.
- D. All cyber security incidents will be reported and handled according to the applicable regulations.
- E. Collaborative white hat exercises are conducted to train the Bank in responding to cyber security incidents. In addition to testing the Bank's ability to monitor and prevent cyber security incidents during hacker attacks, these exercises provide a basis for improving the Bank's ability to respond to cyber attacks.
- F. A 3-hour information security awareness course is provided to all employees every year to reinforce information security awareness. All information security personnel complete 15 hours or more professional courses or training in information security to improve the expertise of information security personnel.
- G. For effective residual risk management, plans have been put in place to purchase information security insurance to transfer the risk. The Bank is currently evaluating suitable information security insurance products.
- H. The investment in information security (including hardware/software and licensing fees) in 2022 accounted for 1.87% of the total IT budget.
- I. To ensure the confidentiality, integrity, and availability of customer data and related operational information, the Bank obtained ISO 27001 information security management system certification in November 2010 and has been renewing the certificate every year. The current certificate is valid from November 7, 2022 to November 6, 2025. With the implementation of the ISO 27001 information security management system, it strengthens the Bank's information security protection and business continuity capabilities, ensures the safety of our internal assets and increases customer trust and protection.

#### (4) Material cyber security incidents

In 2022 and as of February 28, 2023, the Bank has not suffered any loss from material cyber security incidents.

97

### 7. Labor-Management Relations

#### (1) Welfare measures of the Bank

- A. Employees may use their off-hours to participate in language studies and apply for subsidies according to the Bank's requirements.
- B. The cafeteria at the head office provides delicious lunch at a decent price for employees.
- C. Except for securities staff who do not enjoy preferential deposit interest rates, all other employees may enjoy preferential rates for both deposits and loans.
- D. The Bank's employees who voluntarily retire at the age of 60 or above are given bonuses in three important Chinese holidays each year.
- E. The Bank provides insurance for all employees with coverage of NT\$3 million regarding accident insurance related to work; employees may apply for claims from insurance companies concerning work-related injury or illness or work-related death.
- F. The Bank has established the "Employee Welfare Committee" which deducts 0.5% of the employees' salaries as benefits each month. 0.15% of the operating revenue is allocated to the Employee Welfare Committee to process employee welfare matters, including scholarships for employees' children, medical assistance for employees and their spouses and children, childbirth subsidies, regular one-year term group life insurance, and employee bonuses for the three important Chinese holidays each year.
- G. Except for the fertility subsidies distributed to employees from the Bank's Employee Welfare Committee, the Bank also provided additional fertility subsidies to employees starting from 2020.
- H. Inaugurated the Employee Stock Ownership Trust to create a win-win situation for the Bank and its employees.

#### (2) Retirement system

The Bank shall set aside the pension (contribution rate of 6%) per month to deposit in the employees' individual pension accounts for employees eligible for the new labor pension plan. the Bank shall set aside employees' retirement allowance (contribution rate of 7.26% at the end of 2022) per month to deposit in financial institutions designated by the government for employees eligible for the old labor pension plan. As of the end of 2022, balances in the employees' retirement allowance account were over NT\$4.9 billion. the Bank has established the Labor Retirement Allowance Supervision Committee to supervise the utilization and contribution of retirement reserve funds.

Regarding the procedures and conditions for retirement application, the Bank complies with the "Direction for Employees' Retirement, Consolation Payment, and Discharge with Severance Payment of the Bank" and the "Group Contract" signed between the Bank and the Bank Industry Union for employees' retirement.

#### (3) Labor-management Agreements and Protective Measures for Employee Rights and Interests

- A. The Bank convenes labor-management conferences regularly according to "Regulations for Implementing Labor-Management Meeting" to negotiate employee rights and interests, and implements according to the resolutions at the conferences; the execution process remains well.
- B. The Bank conducted its first employee satisfaction survey in 2020. Based on the results of the questionnaire survey, the Bank will continue to develop improvement measures to enhance employees' interests.
- C. On May 16, 2011, the Bank completed the signing of the first "Group Contract", which includes terms related to salary, insurance, employment, transfer, termination, holiday, leave, retirement, working hours, and labor safety and health. Under the solid mutual trust between labor and management, the first renewal of the Contract was completed on September 2, 2014, followed by the second renewal on December 4, 2018, and the third renewal on December 15, 2022, promoting win-win harmony between labor and management and setting a good example for the mutually beneficial labor-management relations in the industry. In the future, labor and management relations will continue to move forward with mutual trust, assistance, existence, and prosperity, working together to keep the brand of Taiwan Business Bank glowing and shining.
- (4) Losses arising from labor disputes in the most recent year and up to the end of February 2023: None.
- (5) Current or future potential losses arising from labor disputes: None.

# 8. Important Contracts

Nature of contract	Parties	Starting date of the contract	Major contents	Restrictive terms
Outsourcing contract	SYSTEX Corporation	2020.7.1-2022.6.30 (automatically renewed for one year at expiration up to twice; currently renewed until 2023.6.30)	Credit card-related operations - Operations of form printing, filling and sealing, and posting.	Confidentiality clause
Outsourcing contract	Taiwan Security Co., Ltd. and LeeBao Security Co., Ltd.	2022.7.1-2023.6.30 (automatically extended for one year at expiration and all subsequent years)	Cash transit operation - Temporary and pay-per-use (2 firms)	None
Outsourcing contract	Taiwan Security Co., Ltd. and LeeBao Security Co., Ltd.	2022.7.1-2023.6.30 (automatically extended for one year at expiration and all subsequent years)	Cash transit operation - Charter by month (2 firms)	None
Outsourcing contract	SYSTEX Corporation	2020.1.1-2023.12.31	Printing and mailing of comprehensive statements and trust reports and sending of e-statements.	None
Outsourcing contract	SYSTEX Corporation	2020.7.1-2022.6.30 (automatically extended for six months up to twice if neither party gives termination notice by expiration)	Outsource printing and mailing of balance reports and time deposit termination statements.	None
Outsourcing contract	Yuen Foong Paper Co., Ltd.	2022.10.1-2023.9.30 (automatically extended for one year at expiration and all subsequent years)	Logistics for data processing - Notice for NTD time deposits automatic renewal upon expiry.	None
Outsourcing contract	Hong Li Assets Management Consultancy Co., Ltd.; Hong Kong Gold Partners (Asia) Asset Management Co., Ltd. Taiwan Branch	2007.11.7~ (no expiration date and can be terminated by the Bank at anytime)	Outsourcing of debt collection for credit cards and consumer finance.	Confidentiality clause
Outsourcing contract	United Credit Services Ltd.	2021.3.18 (no expiration date and can be terminated by the Bank at anytime)		Confidentiality clause
Outsourcing contract	Financial Information Service Co., Ltd.	2008.12.1-2010.12.31 (automatically renewed for one year at expiration and all subsequent years; currently renewed until 2023.12.31)	Credit card-related operations - international card purchase authorization operation, card opening/suspending/ lost reporting operation, cash advance, and emergency services.	Confidentiality clause
Outsourcing contract	Chung Hwa Express Corp.	Established on the date of signing by the signing department for a term of one year. Automatically extended for one year at expiration and all subsequent years.	Marketable securities, notes, and receipts transit operations	None
Outsourcing contract	An Feng Enterprise Co., Ltd. and Lian An Service Co., Ltd.	Established on the date of signing by the signing department for a term of one year. Automatically extended for one year at expiration and all subsequent years.	ATM replenishing operations (2 firms)	None

Nature of contract	Parties	Starting date of the contract	Major contents	Restrictive terms
Outsourcing contract	Shin Kong Security Co., Ltd., Taiwan Secom Co., Ltd., and China Steel Security Co., Ltd.	Established on the date of signing by the signing department for a term of one year. Automatically extended for one year at expiration and all subsequent years.	ATM video monitoring operations (3 firms).	None
Outsourcing contract	CROWN RECORDS MANAGEMENT	2021.2.1-2023.1.31	Document storage and destruction of contract	None
Outsourcing contract	Taiwan FamilyMart. Co., Ltd.	2012.10.1-2013.12.31 (automatically renewed for one year at expiration and all subsequent years; currently renewed until 2023.12.31)	Credit card operations - Collecting the credit card bill payment from the cardholders.	Confidentiality clause
Outsourcing contract	Yuen Foong Paper Co., Ltd.	2022.7.24-2023.7.23 (automatically renewed for one year at expiration and all subsequent years)	Matters of printing cash dividends check, data processing and folding for postage.	None
Outsourcing contract	Taiwan Mobile Payment Co., Ltd.	2014.12.25-2016.12.24 (automatically renewed for two years if neither party disagrees; currently renewed until 2024.12.24)	Participate in the Payment Service Provider TSM, and entrust Taiwan Mobile Payment Co., Ltd. to handle mobile payment tools (such as credit cards, debit cards, etc.) card production operations, card life cycle management and other data processing services.	Confidentiality clause
Outsourcing contract	SYSTEX Corporation	2022.3.1-2023.2.28	Printing, filling and sealing, and posting of e-bank transfer transaction statements.	None
Outsourcing contract	SYSTEX Corporation	2019.11.1-2022.10.31 (automatically extended for one year up to twice if neither party gives termination notice by expiration)	Printing, sealing, and posting of the balance statements for check deposits.	None
Outsourcing contract	Trade-Van. Com	2019.8.1-2021.12.31 (automatically extended for one year at expiration and all subsequent years; currently renewed until 2023.12.31)	Issue unified invoices and receipts for franchised stores and provide online inquiry and statement download services to franchised stores.	Confidentiality clause
Outsourcing contract	GUARDFORCE LIMITED	2022.11.1-2023.10.31	Shipping Exchange Bill Business for Hong Kong Branch	None
Outsourcing contract	Yuen Foong Paper Co., Ltd.	2021.7.1-2023.6.30 (automatically extended for one year at expiration and all subsequent years)	Sending notices of undelivered SMS for transfers from physical ATM and mobile APP	None
Outsourcing contract	SYSTEX Corporation	2021.6.15-2023.6.14	Printing and mailing of insurance-purchasing notifications for residential fire insurance agents	None

# 9. Relevant Information on Securitization Products: None.

**()** V



# **Financial Status**

101	1. Condensed Consolidated Balance Sheets and Consolidated Statements of Comprehensive Income for the Past Five Years
105	2. Financial Analysis for the Past Five Years
111	3. Audit Committee's Audit Report on the 2022 Financial Statements
112	4. Representation Letter for 2022 Consolidated Financial Statements
113	5. Independent Auditors' Report for 2022 Consolidated Financial Statements
116	6. 2022 Consolidated Financial Statements and Accompanying Notes
218	7. Independent Auditors' Report for 2022 Individual Financial Statements
221	8. 2022 Individual Financial Statements and Accompanying Notes
321	9. Financial Difficulties Confronted by TBB or Its Associates and the Related Impacts

## 1. Condensed Consolidated Balance Sheets and Consolidated Statements of Comprehensive Income for the Past Five Years

# (1) Condensed Consolidated Balance Sheets and Consolidated Statements of Comprehensive Income

						Unit: NT\$ 1,000
	Year		Financial informa	tion for the past fi	ve years (Note 1)	
Item		2022	2021	2020	2019	2018
Cash and cash equivalents, du and call loans to banks	e from the Central Bank	197,818,006	197,554,450	145,013,105	156,827,077	133,016,947
Financial assets at fair value th	rough profit or loss	33,913,114	40,670,401	15,597,556	26,972,786	7,134,604
Financial assets at fair value th comprehensive income	rough other	160,000,410	157,533,062	117,355,850	102,597,144	73,164,201
Investment in debt instruments	at amortized costs	236,774,247	279,035,906	228,003,332	263,056,842	261,470,496
Securities purchased under res	sell agreements	797,893	7,831,274	6,132,162	13,399,113	2,386,518
Receivables-net		9,057,109	7,616,634	43,448,157	27,736,905	45,652,981
Current income tax assets		350,069	349,884	306,417	810	64,880
Discounts and loans - net		1,400,112,365	1,302,388,363	1,209,716,083	1,132,462,936	1,074,627,748
Investments measured by equi	ty method - net	808	0	0	0	0
Other financial assets - net		10,315	28,942	13,781	19,928	17,971
Property and equipment - net		14,121,833	14,533,721	14,514,906	14,498,237	14,309,738
Right-of-use assets - net		1,212,593	1,149,295	1,073,757	1,051,559	0
Intangible assets – net		757,216	554,337	375,008	352,376	286,054
Deferred income tax assets		1,777,199	1,951,636	1,843,835	1,624,651	1,646,991
Other assets - net		15,782,948	10,055,167	8,241,104	5,552,450	5,261,326
Total assets		2,072,486,125	2,021,253,072	1,791,635,053	1,746,152,814	1,619,040,455
Deposits from the Central Bank	and other banks	194,966,177	102,540,315	118,201,039	104,793,612	91,314,543
Due to the Central Bank and ot	her banks	1,131,025	50,261,590	29,040,100	752,145	591,988
Financial liabilities at fair value	through profit or loss	9,925,525	8,436,037	8,639,002	9,393,336	9,339,273
Securities sold under agreeme	nts	2,462,991	2,060,693	2,055,991	868,581	1,657,706
Payable		21,493,131	22,761,436	47,787,075	31,057,684	58,674,131
Current income tax liabilities		1,101,015	64,584	3,053	258,956	1,017,575
Deposits and remittances		1,673,580,263	1,668,656,822	1,418,572,000	1,435,049,547	1,311,041,103
Bank notes payable		52,250,000	52,250,000	53,250,000	53,250,000	47,450,000
Other financial liabilities		2,910,581	4,365,294	5,492,366	6,835,084	7,507,715
Provisions for liabilities		2,676,102	3,420,210	3,393,417	3,158,003	3,565,727
Lease liabilities		1,239,919	1,149,456	1,062,021	1,041,183	0
Deferred income tax liabilities		879,056	886,290	901,581	888,436	880,738
Other Liabilities		3,763,082	2,740,373	4,578,659	3,289,481	1,146,937
Total liabilities	Pre-distribution	1,968,378,867	1,919,593,100	1,692,976,304	1,650,636,048	1,534,187,436
(Note 2)	Post-distribution	Note 3	1,919,593,100	1,692,976,304	1,650,636,048	1,534,187,436
Equity attributable to owners of	the parent company	104,107,258	101,659,972	98,658,749	95,516,766	84,853,019
Stock capital	Pre-distribution	80,296,934	77,431,952	74,885,834	71,319,842	63,938,802
(Note 2)	Post-distribution	Note 3	80,296,934	77,431,952	74,885,834	67,135,742
Capital surplus		815,900	815,900	815,900	815,900	0
Retained earnings	Pre-distribution	26,764,099	21,105,900	19,245,962	19,702,723	18,007,553
(Note 2)	Post-distribution	Note 3	17,466,598	15,950,986	14,710,334	12,892,449
Other equity		(3,769,675)	2,306,220	3,711,053	3,678,301	2,906,664
Total equity	Pre-distribution	104,107,258	101,659,972	98,658,749	95,516,766	84,853,019
(Note 2)	Post-distribution	Note 3	100,885,652	97,909,891	94,090,369	82,934,855

#### **Condensed Consolidated Balance Sheets**

Note 1: The above five-year consolidated financial information has been certified by the CPA.

Note 2: Regarding the above information on pre-distribution and post-distribution, the pre-distribution amount was based on the amount certified by the CPA, while the post-distribution amount was based on the appropriation and distribution of surplus passed on the resolution of the Shareholders' Meeting in the following year.

Note 3: Distribution of earnings for 2022 is subject to the resolution at the Shareholders' Meeting.

#### **Condensed Individual Balance Sheets**

	Year		Financial information	tion for the nast fi	ve vears (Note 1)	Unit: NT\$ 1,000
Item	lea	2022	2021	2020	(Restated) 2019	2018
	lents, due from the Central	2022	2021	2020	(Restated) 2019	2010
Bank and call loans to		197,437,001	197,299,056	144,398,236	156,550,730	132,686,605
Financial assets at fair	value through profit or loss	32,536,757	39,658,224	15,003,571	26,626,885	6,934,604
Financial assets at fair value through other comprehensive income		159,970,603	157,498,525	117,352,923	102,597,144	73,164,201
vestment in debt instruments at amortized costs		236,774,247	279,035,906	228,003,332	263,056,842	261,470,496
Securities purchased u	under resell agreements	797,893	7,831,274	6,047,187	13,399,113	2,386,518
Receivables-net		6,469,268	5,609,809	41,709,998	25,662,450	43,698,543
Current income tax ass	sets	348,724	347,649	302,967	0	64,842
Discounts and loans -	net	1,400,112,365	1,302,388,363	1,209,716,083	1,132,462,936	1,074,627,748
Investments measured	by equity method - net	3,497,456	3,117,027	2,568,843	2,216,377	2,684,501
Other financial assets -	-net	10,315	28,942	13,781	19,928	17,971
Property and equipment	nt-net	14,118,286	14,529,762	14,512,022	14,493,529	14,298,525
Right-of-use assets - n	et	1,189,528	1,145,071	1,066,732	1,037,377	0
Intangible assets-net		756,703	553,784	374,263	351,476	284,944
Deferred income tax as	ssets	1,752,566	1,923,597	1,815,778	1,591,851	1,623,371
Other assets - net		15,763,696	10,011,973	8,209,863	5,514,283	5,222,172
Total assets		2,071,535,408	2,020,978,962	1,791,095,579	1,745,580,921	1,619,165,041
Deposits from the Cen	tral Bank and other banks	194,966,177	102,540,315	118,201,039	104,793,612	91,314,543
Due to the Central Bank and other banks		0	49,713,800	28,450,000	0	0
Financial liabilities at fa	air value through profit or	9,925,525	8,436,037	8,639,002	9,393,336	9,339,273
Securities sold under a	agreements	2,462,991	2,060,693	2,055,991	868,581	1,657,706
Payable		21,441,496	22,727,994	47,767,380	31,039,875	58,620,227
Current income tax liab	pilities	1,086,481	59,567	0	257,687	952,293
Deposits and remittand	ces	1,673,936,069	1,669,039,989	1,418,703,482	1,435,332,094	1,311,937,545
Bank notes payable		52,250,000	52,250,000	53,250,000	53,250,000	47,450,000
Other financial liabilitie	S	2,910,581	4,365,294	5,492,366	6,835,084	7,507,715
Provisions for liabilities	3	2,676,102	3,420,210	3,393,417	3,158,003	3,565,727
Lease liabilities		1,216,510	1,145,072	1,054,665	1,026,667	0
Deferred income tax lia	abilities	879,056	886,290	901,581	888,436	880,738
Other Liabilities		3,677,162	2,673,729	4,527,907	3,220,780	1,086,255
Total liabilities	Pre-distribution	1,967,428,150	1,919,318,990	1,692,436,830	1,650,064,155	1,534,312,022
(Note 2)	Post-distribution	Note 3	1,919,318,990	1,692,436,830	1,650,064,155	1,534,312,022
Stock capital	Pre-distribution	80,296,934	77,431,952	74,885,834	71,319,842	63,938,802
(Note 2)	Post-distribution	Note 3	80,296,934	77,431,952	74,885,834	67,135,742
Capital surplus		815,900	815,900	815,900	815,900	0
Retained earnings	Pre-distribution	26,764,099	21,105,900	19,245,962	19,702,723	18,007,553
(Note 2)	Post-distribution	Note 3	17,466,598	15,950,986	14,710,334	12,892,449
Other equity		(3,769,675)	2,306,220	3,711,053	3,678,301	2,906,664
Total equity	Pre-distribution	104,107,258	101,659,972	98,658,749	95,516,766	84,853,019
(Note 2)	Post-distribution	Note 3	100,885,652	97,909,891	94,090,369	82,934,855

Note 1: The above individual financial information for the past five years has been certified by the CPA.

Note 2: Regarding the above information on pre-distribution and post-distribution, the pre-distribution amount was based on the amount certified by the CPA, while the post-distribution amount was based on the appropriation and distribution of surplus passed on the resolution of the Shareholders' Meeting in the following year.

Note 3: Distribution of earnings for 2022 is subject to the resolution at the Shareholders' Meeting.

#### **Condensed Consolidated Statements of Comprehensive Income**

Year	Financial information for the past five years (Note 1)							
Item	2022	2021	2020	2019	2018			
Interest income	33,300,102	24,170,747	25,026,784	29,444,970	28,287,358			
Less: Interest expenses	(13,072,129)	(6,364,971)	(8,834,567)	(12,413,857)	(11,089,482)			
Net interest income	20,227,973	17,805,776	16,192,217	17,031,113	17,197,876			
Non-interest net income	8,301,150	6,300,248	5,677,225	6,178,829	5,829,071			
Net Income	28,529,123	24,106,024	21,869,442	23,209,942	23,026,947			
Allowances for doubtful accounts, commitments and guarantees	(2,386,062)	(5,187,503)	(4,054,740)	(2,417,677)	(794,134)			
Operating expenses	(14,103,269)	(13,116,475)	(12,429,441)	(12,726,585)	(13,034,396)			
Net income before tax from continuing operation	12,039,792	5,802,046	5,385,261	8,065,680	9,198,417			
Less: Income tax (expenses) gains	(1,917,940)	(701,934)	(683,486)	(1,331,427)	(1,557,875)			
Net income from continuing operation for the period	10,121,852	5,100,112	4,701,775	6,734,253	7,640,542			
Net income (net loss) for the period	10,121,852	5,100,112	4,701,775	6,734,253	7,640,542			
Other comprehensive income	(6,900,246)	(1,350,031)	(133,395)	847,658	583,288			
Other comprehensive income for the period (net of tax)	(6,900,246)	(1,350,031)	(133,395)	847,658	583,288			
Total comprehensive income for the period	3,221,606	3,750,081	4,568,380	7,581,911	8,223,830			
Net income attributable to owners of the parent company for the period	10,121,852	5,100,112	4,701,775	6,734,253	7,640,542			
Total comprehensive income attributable to owners of the parent company for the period	3,221,606	3,750,081	4,568,380 7,581,9		8,223,830			
Earnings per share (Note 2)	1.26	0.64	0.61	0.94	1.14			

Unit: NT\$ 1,000

Note 1: The above five-year consolidated financial information has been certified by the CPA.

Note 2: Earnings per share is calculated based on the weighted average number of shares of the current year and on the basis of NT\$. The effects of stock dividends have been included in the retrospective adjustments.

FINANCIAL STATUS

#### **Condensed Individual Statements of Comprehensive Income**

Year		Financial informa	tion for the past f	ive years (Note 1)	
Item	2022	2021	2020	(Restated) 2019	2018
Interest income	33,136,301	24,037,857	24,884,487	29,270,949	28,156,855
Less: Interest expenses	(13,046,962)	(6,357,367)	(8,822,210)	(12,384,142)	(11,082,469)
Net interest income	20,089,339	17,680,490	16,062,277	16,886,807	17,074,386
Non-interest net income	8,290,136	6,278,747	5,711,669	6,130,438	5,572,596
Net Income	28,379,475	23,959,237	21,773,946	23,017,245	22,646,982
Allowances for doubtful accounts, commitments and guarantees	(2,401,068)	(5,171,832)	(4,072,168)	(2,349,480)	(745,770)
Operating expenses	(13,964,622)	(13,011,107)	(12,328,268)	(12,611,218)	(12,814,383)
Net income before tax from continuing operation	12,013,785	5,776,298	5,373,510	8,056,547	9,086,829
Less: Income tax (expenses) gains	(1,891,933)	(676,186)	(671,735)	(1,322,294)	(1,446,287)
Net income from continuing operation for the period	10,121,852	5,100,112	4,701,775	6,734,253	7,640,542
Net income (net loss) for the period	10,121,852	5,100,112	4,701,775	6,734,253	7,640,542
Other comprehensive income	(6,900,246)	(1,350,031)	(133,395)	847,658	583,288
Other comprehensive income for the period (net of tax)	(6,900,246)	(1,350,031)	(133,395)	847,658	583,288
Total comprehensive income for the period	3,221,606	3,750,081	4,568,380	7,581,911	8,223,830
Earnings per share (Note 2)	1.26	0.64	0.61	0.94	1.14

Unit: NT\$ 1,000

Note 1: The above five-year individual financial information has been certified by the CPA.

Note 2: Earnings per share is calculated based on the weighted average number of shares of the current year and on the basis of NT\$. The effects of stock dividends have been included in the retrospective adjustments.

#### (2) Name of CPA and its Audit Opinions

Year	Audit Opinions from CPA	СРА
2018	Unqualified opinion	Tan-Tan Chung, Feng-Hui Lee
2019	Unqualified opinion	Tan-Tan Chung, Chun-Kuang Chen
2020	Unqualified opinion	Tan-Tan Chung, Chun-Kuang Chen
2021	Unqualified opinion	Tan-Tan Chung, Chun-Kuang Chen
2022	Unqualified opinion	Feng-Hui Lee, Tan-Tan Chung,

## 2. Financial Analysis for the Past Five Years

(1) Analysis of financial ratio

Consolidated Financial Analysis

	Year	Fina	ncial informat	ion for the pas	st 5 years (Not	e 1)
Analysis item		2022	2021	2020	2019	2018
	Loan-to-deposit ratio (%) (Note 2)	77.80	75.84	81.97	76.03	79.41
	NPL ratio (%) (Note 2)	0.20	0.28	0.50	0.32	0.30
	Interest expense to average deposits balances ratio (%)	0.65	0.33	0.50	0.71	0.67
Operation performance	Interest income to average credit loan balances ratio (%)	2.02	1.62	1.74	2.06	2.00
	Total assets turnover rate (Number of times)	1.39	1.26	1.24	1.38	1.44
	Average revenue of employee (NT\$1,000)	5,112	4,397	4,042	4,309	4,385
	Average profit of employee (NT\$1,000)	1,814	930	869	1,250	1,455
	Return on Tier 1 capital (%)	10.38	5.17	5.09	8.35	10.22
	Return on asset (%)	0.49	0.27	0.27	0.40	0.48
Profitability	Return on equity (%)	9.84	5.09	4.84	7.47	9.51
	Net profit margin (%)	35.48	21.16	21.50	29.01	33.18
	Earnings per share (NT\$)	1.26	0.64	0.61	0.94	1.14
	Debts to total assets ratio (%)	94.98	94.97	94.49	94.53	94.76
Financial structure	Real estate and equipment to equity ratio (%)	13.56	14.30	14.71	15.18	16.86
One with meter	Asset growth ratio (%)	2.53	12.82	2.60	7.85	2.21
Growth rate	Profit growth ratio (%)	107.51	7.74	(33.23)	(12.31)	56.67
	Cash flow ratio (%)	13.32	43.99	Note 3	3.86	31.91
Cash flow	Cash flow adequacy ratio (%)	1,352.80	1,080.68	707.51	1,507.14	3,177.03
	Cash flow adequacy ratio (%)	107.96	Note 3	Note 3	Note 3	Note 3
Liquidity reserve	e ratio (%)	23.09	22.00	18.21	23.81	20.94
Total credit loan balances for stakeholders (NT\$1,000)		11,820,604	11,177,905	10,214,528	9,542,062	9,598,016
Ratio of total credit loan balances for stakeholders to total credit loan balances (%)		0.82	0.83	0.83	0.83	0.88
	Market share of assets (%)	2.97	3.11	2.91	3.06	2.96
Operating	Market share of net value (%)	2.32	2.27	2.28	2.28	2.20
scale (Note 4)	Market share of deposits (%)	3.32	3.44	3.17	3.51	3.38
	Market share of loans (%)	3.65	3.69	3.66	3.61	3.57

Profit growth rate increased in 2022, primarily due to the growth of deposit and loan volume, and the increase in net income from interests, service fees and financial products in 2022.

Note1. The above financial information for the most recent 5 years has been calculated according to the balances in the consolidated financial report certified by the CPA.

2. Represent the key performance indicators with the industry particularity of the Bank.

3. No analysis is presented as negative net cash flow from investment activities was recorded.

4. Due to the restriction of information access, the operating scale is disclosed on the basis of individual financial information.

- Calculations for the financial items are as follow:
  - 1. Operation performance
    - (1) Loan-to-deposit ratio = total loans/total deposits
    - (2) NPL ratio = total not performing loans/total loans
    - (3) Interest expense to annual average deposits balances ratio = total interest expenditures related to deposits/annual average deposits balances
    - (4) Interest income to annual average credit loan balances ratio = total interest income related to credit loan balances/annual average credit loan balances
    - (5) Total assets turnover rate = net gain/total average assets
    - (6) Average gain for employee = net gain/total number of employees
    - (7) Average profit for employee = after-tax net profit/total number of employees
  - 2. Profitability
    - (1) Tier 1 return on assets = before-tax profit or loss/average total tier 1 assets
    - (2) Return on asset = before-tax profit or loss/average total assets
    - (3) Return on equity = after-tax profit or loss/average total equity
    - (4) Net profit ratio = after-tax profit or loss/net revenue
    - (5) Earnings per Share = (income attributable to owners of the parent company dividends on preferred stock)/weighted average number of shares issued.
  - 3. Financial structure
    - (1) Debt-asset ratio = total liabilities/total assets
    - (2) Real estate and equipment to equity ratio = net real estate and equipment/net equity

#### 4. Growth rate

- Asset growth ratio = (total assets of the current year total assets of the previous year)/total assets of the previous year
- (2) Profit growth ratio = (before-tax profit or loss of the current year before-tax profit or loss of the previous year)/before-tax profit or loss of the previous year

#### 5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities/(interbank loans and overdrafts + commercial paper payables + financial at fair value through profit or loss + notes issued under repurchase agreement and bond indebtedness + amount payable with maturity within one year)
- (2) Net cash flow adequacy ratio = net cash flow from operating activities for the past five years/(capital expenditures + cash dividend) for the past five years.
- (3) Cash flow adequacy ratio = net cash flow from operating activities/net cash flow from investment activities
- 6. Liquidity reserve ratio = current assets prescribed by the central bank/liabilities required liquid reserves
- 7. Operating scale
  - Market share of assets = total assets/total net value of all financial institutions available for deposits and loans business
  - (2) Market share of net value = net value/total net value of all financial institutions available for deposits and loans business
  - (3) Market share of deposits = total deposits/total net value of all financial institutions available for deposits and loans business
  - (4) Market share of loans = total loans/total net value of all financial institutions available for deposits and loans business

	Year	Financial analysis for the past five years (Note 1)					
Analysis item		2022	2021	2020	(Restated) 2019	2018	
	Loan-to-deposit ratio (%) (Note 2)	77.78	75.82	81.96	76.01	79.36	
	NPL ratio (%) (Note 2)	0.20	0.28	0.50	0.32	0.30	
	Interest expense to annual average deposits balances ratio (%)	0.65	0.33	0.50	0.71	0.67	
Operation performance	Interest income to average credit loan balances ratio (%)	2.02	1.62	1.74	2.06	2.00	
	Total assets turnover rate (Number of times)	1.39	1.26	1.23	1.37	1.41	
	Average revenue of employee (NT\$1,000)	5,132	4,408	4,055	4,305	4,365	
	Average profit of employee (NT\$1,000)	1,830	938	876	1,259	1,473	
	Return on Tier 1 capital (%)	10.36	5.15	5.08	8.34	10.10	
	Return on asset (%)	0.49	0.27	0.27	0.40	0.48	
Profitability	Return on equity (%)	9.84	5.09	4.84	7.47	9.51	
	Net profit margin (%)	35.67	21.29	21.59	29.26	33.74	
	Earnings per share (NT\$)	1.26	0.64	0.61	0.94	1.14	
	Debts to total assets ratio (%)	94.97	94.97	94.49	94.53	94.76	
Financial structure	Real estate and equipment to equity ratio (%)	13.56	14.29	14.71	15.17	16.85	
One with mate	Asset growth ratio (%)	2.50	12.83	2.61	7.81	2.18	
Growth rate	Profit growth ratio (%)	107.98	7.50	(33.30)	(11.34)	56.99	
	Cash flow ratio (%)	13.60	45.14	Note 3	4.08	32.50	
Cash flow	Cash flow adequacy ratio (%)	1,389.79	1,117.86	740.83	1,525.21	3,275.58	
	Cash flow adequacy ratio (%)	109.57	Note 3	Note 3	Note 3	Note 3	
Liquidity reserve	e ratio (%)	23.09	22.00	18.21	23.81	20.94	
Total credit loan	balances for stakeholders (NT\$1,000)	11,820,604	11,177,905	10,214,528	9,542,062	9,598,016	
Ratio of total credit loan balances for stakeholders to total credit loan balances (%)		0.82	0.83	0.83	0.83	0.88	
	Market share of assets (%)	2.97	3.11	2.91	3.06	2.96	
Operating as - I-	Market share of net value (%)	2.32	2.27	2.28	2.28	2.20	
Operating scale	Market share of deposits (%)	3.32	3.44	3.17	3.51	3.38	
	Market share of loans (%)	3.65	3.69	3.66	3.61	3.57	

#### **Individual Financial Analysis**

Profit growth rate increased in 2022, primarily due to the growth of deposit and loan volume, and the increase in net income from interests, service fees and financial products in 2022.

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VI

- Calculations for the financial items are as follow:
  - 1. Operation performance
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    - (3) Interest expense to annual average deposits balances ratio = total interest expenditures related to deposits/annual average deposits balances
    - (4) Interest income to annual average credit loan balances ratio = total interest income related to credit loan balances/annual average credit loan balances
    - (5) Total assets turnover rate = net gain/total average assets
    - (6) Average gain for employee = net gain/total number of employees
    - (7) Average profit for employee = after-tax net profit/total number of employees
  - 2. Profitability
    - (1) Tier 1 return on assets = before-tax profit or loss/average total tier 1 assets
    - (2) Return on asset = before-tax profit or loss/average total assets
    - (3) Return on equity = after-tax profit or loss/average total equity
    - (4) Net profit ratio = after-tax profit or loss/net revenue
    - (5) Earnings per Share = (income attributable to owners of the parent company dividends on preferred stock)/weighted average number of shares issued.
  - 3. Financial structure
    - (1) Debt-asset ratio = total liabilities / total assets.
    - (2) Real estate and equipment to equity ratio = net real estate and equipment/net equity

#### 4. Growth rate

- Asset growth ratio = (total assets of the current year total assets of the previous year)/total assets of the previous year
- (2) Profit growth ratio = (before-tax profit or loss of the current year before-tax profit or loss of the previous year)/before-tax profit or loss of the previous year

#### 5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / (interbank loans and overdrafts + commercial paper payables + financial at fair value through profit or loss + notes issued under repurchase agreement and bond indebtedness + amount payable with maturity within one year)
- (2) Net cash flow adequacy ratio = net cash flow from operating activities for the past five years/(capital expenditures + cash dividend) for the past five years.
- (3) Cash flow adequacy ratio = net cash flow from operating activities/net cash flow from investment activities
- 6. Liquidity reserve ratio = current assets prescribed by the central bank/liabilities required liquid reserves
- 7. Operating scale
  - Market share of assets = total assets/total net value of all financial institutions available for deposits and loans business
  - (2) Market share of net value = net value/total net value of all financial institutions available for deposits and loans business
  - (3) Market share of deposits = total deposits/total net value of all financial institutions available for deposits and loans business
  - (4) Market share of loans = total loans/total net value of all financial institutions available for deposits and loans business

#### (2) Capital Adequacy

#### **Consolidated Capital Adequacy**

		Year	Capital adequacy ratio for the past 5 years (Note 3)					
Anal	ysis item	(Note 1)	2022	2021	2020	2019	2018	Capital adequacy ratio as of DDMMYY of current year (Note 5)
m	Common sto	ock equity	100,331,196	96,157,516	93,119,841	88,212,592	78,947,036	
Eligible capital	Other Tier 1 common sto	capital that is not ock equity	18,000,000	17,487,758	17,504,060	12,708,443	13,386,998	
capit	Tier 2 capita	al	40,103,704	41,159,410	40,329,291	32,082,995	29,797,442	] \
<u>a</u>	Eligible capi	tal	158,434,900	154,804,684	150,953,192	133,004,030	122,131,476	
		Standardized approach	1,188,123,617	1,066,163,181	1,058,435,685	992,799,980	912,764,211	
	Credit risk	Internal ratings-based approach						
		Asset securitization						
Risk-v	Operational risk	Basic indicator approach						
Risk-weighted assets		Standardized approach/ alternative standardized approach		38,884,436	38,142,417	38,286,712	36,971,711	
assets		Advanced measurement approach						
		Standardized approach	38,716,513	50,859,425	28,041,588	19,565,088	11,844,063	
	Market risk	Internal models approach						
	Total risk-we	eighted assets	1,269,958,400	1,155,907,042	1,124,619,690	1,050,651,780	961,579,985	
Capit	al adequacy r	atio (Note 2)	12.48%	13.39%	13.42%	12.66%	12.70%	
Tier 1 capital / Risk-weighted assets ratio		9.32%	9.83%	9.84%	9.61%	9.60%		
Common stock equity / Risk-weighted assets ratio		7.90%	8.32%	8.28%	8.40%	8.21%		
Lever	age ratio		5.47%	5.41%	5.90%	5.53%	5.40%	
Pleas	e explain the	reasons for the change ir	n the capital adeo	quacy ratio in the	e last two vears.	(Note 4)		

Please explain the reasons for the change in the capital adequacy ratio in the last two years. (Note 4)

Note:1. The above five-year capital adequacy ratio has been certified by the CPA.

2. Represent the key performance indicators with the industry particularity of the Bank.

3. The regulatory capital, weighted risk-adjusted assets and total amount of exposure listed in the table was calculated according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks", and the "Explanation and table of calculation method for banks' regulatory capital and risk assets."

4. Changes for the latest two periods (2022 and 2021) have not reached 20%; analysis of the reason is exempted.

- 5. The Bank does not have the most recent financial information verified and certified by the CPA as of the publication date of the annual report.
- Calculation formula of capital adequacy ratio is as follow:
  - 1. Eligible capital = common stock equity + other tier 1 capital + tier 2 capital that is non-common stock equity.
  - 2. Total risk-weighted assets = credit-risk-weighted assets + capital charge of (operating risk + market risk)  $\times$  12.5
  - 3. Capital adequacy ratio = Eligible capital / total risk-weighted assets.
  - Tier 1 capital / Risk-weighted assets ratio = (common stock equity + other tier 1 capital under noncommon stock equity) / total risk-weighted assets.
  - 5. Common stock equity / Risk-weighted assets ratio = common stock equity / total risk-weighted assets.
  - 6. Leverage ratio = net tier 1 capital / total risk exposure.

			Ca	pital adequacy	ratio for the pas	st 5 years (Note	3)
Year (Note 1)		2022	2021	2020	2019	2018	
	Common sto	ock equity	100,331,709	96,157,516	93,119,841	88,212,592	78,947,036
	Other Tier 1 common sto	capital that is not ck equity	18,000,000	17,487,758	17,504,060	12,708,443	13,386,998
capital	Fier 2 capita	I	40,066,956	41,159,410	40,329,291	32,082,995	29,797,442
E	Eligible capit	tal	158,398,665	154,804,684	150,953,192	133,004,030	122,131,476
		Standardized approach	1,190,251,924	1,066,163,181	1,058,435,685	992,799,980	912,764,211
C	Credit risk	Internal ratings-based approach					
		Asset securitization					
Risk-	Operational risk	Basic indicator approach					
		Standardized approach/ alternative standardized approach	42,908,871	38,884,436	38,142,417	38,286,712	36,971,711
ssets		Advanced measurement approach					
		Standardized approach	38,716,513	50,859,425	28,041,588	19,565,088	11,844,063
Ν	Market risk	Internal models approach					
Т	Fotal risk-we	ighted assets	1,271,877,308	1,155,907,042	1,124,619,690	1,050,651,780	961,579,985
apital	adequacy ra	atio (Note 2)	12.45%	13.39%	13.42%	12.66%	12.70%
ier 1 c	apital / Risk	-weighted assets ratio	9.30%	9.83%	9.84%	9.61%	9.60%
Common stock equity / Risk-weighted assets ratio		7.89%	8.32%	8.28%	8.40%	8.21%	
everag	ge ratio		5.48%	5.41%	5.90%	5.53%	5.40%

#### Individual Capital Adequacy

Please explain the reasons for the change in the capital adequacy ratio in the last two years. (Note 4)

Note1~5: The notes and calculation formula of this table are the same as those in the previous table "Consolidated Capital Adequacy" .

(3) Improvement measures when the eligible capital to risk-weighted assets ratio calculated according to Article 44 of the Banking Act is lower than the required ratio: No such matter.

## 3. Audit Committee's Audit Report on the 2022 Financial Statements

# Taiwan Business Bank, Ltd. Audit committee's Review Report

The Board of Directors has compiled and prepared Taiwan Business Bank's Financial Statements, business report and profit distribution table for the fiscal year of 2022. The financial statements have been audited by Ms. Hui - Feng Lee and Ms. Tan-Tan Chung, the certified public accountants of KPMG.

The Audit Committee has also examined the said statements and reports delivered by the Board of Directors and found that its contents were in conformity with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. We hereby present the subject report for your review.

Submitted to:

2023 General Shareholders' Meeting of Taiwan Business Bank, Ltd.

Audit Committee of Taiwan Business Bank, Ltd.

Independent Director

Independent Director Vin-Wu Fin

Independent Director Shap - Juan Chang

Independent Director

Independent Director

Chiew-wien 0 Republic of China, March 15, 2023

#### 4. Representation Letter for 2022 Consolidated Financial Statements

#### **Representation Letter**

The entities that are required to be included in the combined financial statements of TAIWAN BUSINESS 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 International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TAIWAN BUSINESS BANK, LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

112

Company name: TAIWAN BUSINESS BANK, LTD. Chairman: Chien-Hao Lin Date: February 22, 2023

### 5. Independent Auditors' Report for 2022 Consolidated Financial Statements

#### Independent Auditors' Report

To the Board of Directors of Taiwan Business Bank, Ltd.:

#### Opinion

We have audited the consolidated financial statements of Taiwan Business Bank, Ltd. and subsidiaries ("the Bank and subsidiaries"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and subsidiaries 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 Held Banks, and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

We conducted our audits of the current period in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Jin-Kuan-Yin-Zi No.1082731571 and the auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank and subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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.

#### 1. The assessment of loans impairment

Please refer to Note 4(f) "Financial Instruments" for related accounting policy, Note 5 (a) for accounting assumptions and estimates, and Note 6 (f) "Discount and loans,net" and Note 6 (ap) "Financial Risk Information" for details of loans impairment, respectively. The management of the Bank and subsidiaries assess the impairment of loans by determining if there is any observable evidence indicating impairment, and dividing them into collective assessment and individual assessment based on the materiality levels to measure by different impairment method. For the individual assessment with objective evidence of impairment, the measurement is based on expected future cash flow. For the collective assessment with objective evidence of impairment, the Bank and its subsidiaries need to calculate the recovery rate of each group to measure the impairment amount. For the collectively assessed loans without objective evidence of assess with similiar credit risk characteristic to form basic estimation. Besides the methods mentioned above, the management of the Bank and its subsidiaries should inspect weather the amount of impairment is in compliance with the minimum level made by the authority. Both the evaluation of impairment evidences and its methods, as well as the uses of assumptions, such as the expected recovery rates and default rates, which are applied to determine the future cash flow, involved significant judgements and estimations.

#### How the matter was addressed in our audit:

Our principal audit procedures included: understanding the methodology and related control procedure about how the management assesses and measures the impairment amount of loans. For individual assessment, we used sampling test to evaluate the use of the original effective interest rate, the appropriateness of the estimation of future recoverable amounts and value of collateral. For collective assessment, we assessed the impairment model

adopted by the management and reviewed the appropriated of the calculation of the impairment parameters and verified the completeness of the loans portfolio via sampling. The impaired amounts recognized by the management were in compliance with the related regulations issued by authority. Meanwile, we assessed whether allowance for the loans meets the requirements.

#### 2. The valuation of financial instruments

Please refer to Note 4(f) "Financial Instruments" for the related accounting policy regarding the valuation of financial instruments, Note 5(c) for accounting assumptions and estimation and Note 6(ao) for details on the information about fair value and fair value hierarchy.

Financial instruments that are held by the Bank and subsidiaries, some of them are valued through models. The valuation methods and important parameters require significant professional judgment. Therefore, the valuation of financial instruments has been identified as a key audit matter in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: tested internal control procedures applied by management for fair value measurement of financial instruments. For financial assets with quoted prices in an active market, selected samples to test the appropriateness of quoted prices. For financial assets without quoted prices in an active market and measured the fair value by valuation techniques, selected samples to test valuation models and check the reasonableness of the valuation methodology and the underlying parameters in order to assess whether the valuation techniques were properly adopted in accordance with IFRS13 "Fair Value Measurement". Assessed the presentation and disclosures of financial instruments were in accordance with IFRSs.

#### Other Matter

Taiwan Business Bank, Ltd. has prepared its parent-company-only financial statements 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 Held Banks, and with the IFRSs, IASs, IFRC, 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 Bank and subsidiaries' 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 and subsidiaries 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 and subsidiaries' 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 auditor's 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 professional skepticism throughout the audit. We also:

 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.

- 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 and subsidiaries' 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 and subsidiaries' 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 Bank and subsidiaries 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 the entities or business activities within the Bank and subsidiaries 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 of the current period 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 audit resulting in this independent auditors' report are LEE, FENG HUI and CHUNG, TAN TAN.

KPMG

Taipei, Taiwan (Republic of China)

February 22, 2023

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

#### 6. 2022 Consolidated Financial Statements and Accompanying Notes

#### (English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

#### TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

#### **Consolidated Balance Sheets**

#### December 31, 2022 and 2021

#### (Expressed in Thousands of New Taiwan Dollars)

		December 31, 2	2022	December 31, 2021		
	Assets	Amount	%	Amount	%	
11000	Cash and cash equivalents (Notes 6(a) and 7)	\$ 49,260,262	2	39,444,032	2	
11500	Due from the Central Bank and call loans to banks (Notes 6(b) and 7)	148,557,744	7	158,110,418	8	
12000	Financial assets at fair value through profit or loss (Note 6(c))	33,913,114	2	40,670,401	2	
12100	Financial assets at fair value through other comprehensive income (Notes 6(g) and (q))	160,000,410	8	157,533,062	8	
12200	Investment in debt instruments at amortized cost (Note 6(h))	236,774,247	11	279,035,906	14	
12500	Securities purchased under resell agreements (Note 6(d))	797,893	-	7,831,274	-	
13000	Receivables (Note 6(e))	9,057,109	-	7,616,634	-	
13200	Current tax assets	350,069	-	349,884	-	
13500	Discounts and loans, net (Notes 6(f) and 7)	1,400,112,365	68	1,302,388,363	64	
15000	Investments accounted for using equity method (Note 6(i))	808	-	-	-	
15500	Other financial assets (Note 6(j))	10,315	-	28,942	-	
18500	Property and equipment, net (Note 6(k))	14,121,833	1	14,533,721	1	
18600	Right-of-use assets, net (Note 6(I))	1,212,593	-	1,149,295	-	
19000	Intangible assets, net	757,216	-	554,337	-	
19300	Deferred tax assets (Note 6(z))	1,777,199	-	1,951,636	-	
19500	Other assets, net (Note 6(m))	15,782,948	1	10,055,167	1	
	Total assets	<u>\$ 2,072,486,125</u>	100	2,021,253,072	100	

		December 31,	2022	December 31, 2021		
	Liabilities and equity	Amount	%	Amount	%	
	Liabilities					
21000	Deposits from the Central Bank and banks (Notes 6(n) and 7)	\$ 194,966,177	9	102,540,315	5	
21500	Due to the Central Bank and banks (Note 6(o))	1,131,025	-	50,261,590	3	
22000	Financial liabilities at fair value through profit or loss (Notes 6(p) and (t))	9,925,525	-	8,436,037	-	
22500	Notes and bonds issued under repurchase agreement (Note 6(q))	2,462,991	-	2,060,693	-	
23000	Payables (Note 6(r))	21,493,131	1	22,761,436	1	
23200	Current tax liabilities	1,101,015	-	64,584	-	
23500	Deposits and remittances (Notes 6(s) and 7)	1,673,580,263	81	1,668,656,822	83	
24000	Bank notes payable (Note 6(t))	52,250,000	4	52,250,000	3	
25500	Other financial liabilities (Note 6(u))	2,910,581	-	4,365,294	-	
25600	Provisions (Note 6(v))	2,676,102	-	3,420,210	-	
26000	Lease liabilities (Note 6(w))	1,239,919	-	1,149,456	-	
29300	Deferred tax liabilities (Note 6(z))	879,056	-	886,290	-	
29500	Other liabilities (Note 6(x))	3,763,082		2,740,373		
	Total liabilities	1,968,378,867	95	1,919,593,100	95	
	Equity attributable to owners of parent					
31101	Common stock (Note 6(y))	80,296,934	4	77,431,952	4	
31500	Capital Surplus (Note 6(y))	815,900	-	815,900	-	
	Retained earnings:					
32001	Legal reserve (Note 6(y))	17,239,615	1	15,693,140	1	
32003	Special reserve (Note 6(y))	185,128	-	185,128	-	
32005	Unappropriated retained earnings (Note 6(y))	9,339,356	-	5,227,632	-	
32500	Other equity interest (Note 6(y))	(3,769,675)		2,306,220		
	Total equity	104,107,258	5	101,659,972	5	
	Total liabilities and equity	<u>\$ 2,072,486,125</u>	100	2,021,253,072	100	

VI

#### (English Translation of Consolidated Financial Statements Originally Issued in Chinese)

#### TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

#### **Consolidated Statements of Comprehensive Income**

#### For the years ended December 31, 2022 and 2021

#### (Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		For the year ended December 31,				
		2022		2021		Percent
		Amount	%	Amount	%	Change%
41000	Interest income (Notes 6(ad) and 7)	\$ 33,300,102	117	24,170,747	100	38
51000	Less: Interest expenses (Notes 6(ad) and 7)	(13,072,129)	(45)	(6,364,971)	(26)	105
	Net interest revenue	20,227,973	72	17,805,776	74	14
	Net revenue other than interest					
49100	Net service fee revenue (Notes 6(ae) and 13)	3,951,892	14	3,334,199	14	19
49200	Gain on financial assets or liabilities measured at fair value through profit or loss (Note 6(af))	1,540,238	5	667,649	3	131
49310	Realized gain on financial assets at fair value through other comprehensive income (Note 6(ag))	1,462,681	5	1,187,914	5	23
49450	Gain arising from derecognition of financial assets measured at amortized cost (Note 6(h))	1,981	-	103,741	-	(98)
49600	Foreign exchange gain	923,295	3	309,479	1	198
49700	(Impairment loss on assets) reversal of impairment loss on assets (Note 6(ah))	11,689	-	(33,260)	-	(135)
49750	Share of profit of associates and joint ventures accounted for using equity method (Notes 6(h) and 6(ai))	(1,192)	-	-	-	-
49800	Net other revenue other than interest income (Note 6(aj))	83,689	-	168,887	1	(50)
49831	Net securities brokering revenue	326,877	1	561,639	2	(42)
	Net revenue	28,529,123	100	24,106,024	100	18
58200	Bad debts expense, commitment and guarantee liability provision (Note 6(ak))	(2,386,062)	(8)	(5,187,503)	(22)	(54)
	Operating expenses					
58500	Employee benefits expenses (Note 6(al))	(8,875,692)	(31)	(8,421,635)	(35)	5
59000	Depreciation and amortization expense (Note 6(am))	(1,229,876)	(4)	(1,041,031)	(4)	18
59500	Other general and administrative expense (Note 6(an))	(3,997,701)	(14)	(3,653,809)	(15)	9
	Total operating expense	(14,103,269)	(49)	(13,116,475)	(54)	8
61001	Income from continuing operation before tax	12,039,792	43	5,802,046	24	108
61003	Less: Income tax expenses (Note 6(z))	1,917,940	7	701,934	3	173
	Net income	10,121,852	36	5,100,112	21	98
65000	Other comprehensive income:					
65200	Components of other comprehensive income that will not be reclassified to profit or loss					
65201	Remeasurements of defined benefit plans	557,098	2	24,512	-	2,173
65204	Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	(2,347,122)	(8)	992,095	4	(337)
65220	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(z))	111,419		4,902		2,173
	Components of other comprehensive income that will not be reclassified to profit or loss	(1,901,443)	<u>(6</u> )	1,011,705	4	(288)
65300	Components of other comprehensive income that will be reclassified to profit or loss					
65301	Exchange difference on translation	1,511,789	5	(413,117)	(2)	466
65308	Losses from investments in debt instruments measured at fair value through other comprehensive income	(6,238,235)	(22)	(2,046,533)	(8)	(205)
65320	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(z))	272,357	1	(97,914)		(378)
	Components of other comprehensive income that will be reclassified to profit or loss	(4,998,803)	(18)	(2,361,736)	(10)	112
65000	Other comprehensive income	(6,900,246)	(24)	(1,350,031)	(6)	(411)
	Total comprehensive income	\$ 3,221,606	12	3,750,081	15	(14)
	Earnings per share (in NT dollar) (Note 6(ab))					
	Basic earnings per share (in NT dollar)	<u>\$</u>	1.26		0.64	
	Diluted earnings per share (in NT dollar)	<u>\$</u>	1.26		0.63	

# (English Translation of Consolidated Financial Statements Originally Issued in Chinese) TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

**Consolidated Statements of Changes in Equity** 

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

				Attributable to c	wners of parent				
							Other equi	ity interest	
	Share capital			Retained	earnings		Exchange differences on	Unrealized gains (losses) on financial assets measured at fair value	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	translation of foreign financial statements		
Balance at January 1, 2021	\$ 74,885,834	815,900	14,332,452	185,128	4,728,382	19,245,962	(1,476,771)	5,187,824	98,658,749
Net income for the year ended December 31, 2021	-	-		-	5,100,112	5,100,112		-	5,100,112
Other comprehensive income for the year ended December 31, 2021	-	-			19,610	19,610	(330,494)	(1,039,147)	(1,350,031)
Total comprehensive income for the year ended December 31, 2021					5,119,722	5,119,722	(330,494)	(1,039,147)	3,750,081
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	1,360,688	-	(1,360,688)	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(748,858)	(748,858)	-	-	(748,858)
Stock dividends of ordinary share	2,546,118	-	-	-	(2,546,118)	(2,546,118)	-	-	
Disposal of investment in equity instruments designated at fair value through other comprehensive income	_	-		_	35,192	35,192		(35,192)	-
Balance at December 31, 2021	77,431,952	815,900	15,693,140	185,128	5,227,632	21,105,900	(1,807,265)	4,113,485	101,659,972
Net income for the year ended December 31, 2022	-	-	-	-	10,121,852	10,121,852	-	-	10,121,852
Other comprehensive income for the year ended December 31, 2022	_			_	445,679	445,679	1,209,432	(8,555,357)	(6,900,246)
Total comprehensive income for the year ended December 31, 2022					10,567,531	10,567,531	1,209,432	(8,555,357)	3,221,606
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-		1,546,475	-	(1,546,475)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(774,320)	(774,320)	-	-	(774,320)
Stock dividends of ordinary share	2,864,982	-	-	-	(2,864,982)	(2,864,982)	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income					/1 020 020/	(1 070 000)		1,270,030	
•				405 400	(1,270,030)	(1,270,030)			104 407 050
Balance at December 31, 2022	<u>\$ 80,296,934</u>	815,900	17,239,615	185,128	9,339,356	26,764,099	(597,833)	(3,171,842)	104,107,258

VI

#### (English Translation of Consolidated Financial Statements Originally Issued in Chinese)

#### TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

#### **Consolidated Statements of Cash Flows**

For the years ended December 31, 2022 and 2021 (Expressed in Thousands of New Taiwan Dollars)

	For the years end	led December 31,
	2022	2021
Cash flows from (used in) operating activities:		
Net income before tax	\$ 12,039,792	5,802,046
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	980,783	869,996
Amortization expense	249,093	171,035
Provision for bad debt expense	2,378,872	5,127,339
Net loss on financial assets or liabilities at fair value through profit or loss	86,901	306,370
Interest expenses	13,072,129	6,364,971
Net gain arising from derecognition of financial assets measured at amortised cost	(1,981)	(103,741)
Interest income	(33,300,102)	(24,170,747)
Net change in provisions for guarantee liabilities	(21,496)	39,802
Net change in other provisions	29,220	92,077
Share of loss of associates and joint ventures accounted for using equity method	1,192	-
Loss on disposal of property and equipment	925	1,193
Impairment loss on financial assets (reversal of impairment loss)	(11,689)	33,260
Other items	(3,817)	(1,369)
Total adjustments to reconcile profit (loss)	(16,539,970)	(11,269,814)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in due from the central bank and call loans to banks	9,550,611	(43,911,562)
Decrease (increase) in financial assets at fair value through profit or loss	7,234,305	(25,674,071)
Decrease (increase) in securities purchased under resell agreements	7,033,381	(1,699,112)
(Increase) decrease in receivables	(75,360)	36,085,939
Increase in discounts and loans	(100,231,972)	(99,035,256)
Decrease (Increase) in other financial assets	25,244	(5,770)
Increase in other assets	(1,988,898)	(3,586,664)
Total changes in operating assets	(78,452,689)	(137,826,496)
Changes in operating liabilities:		
Increase (decrease) in deposits from the central bank and banks	92,425,862	(15,660,724)
Increase in financial liabilities at fair value through profit or loss	925,569	91,891
Increase in notes and bonds issued under repurchase agreement	402,298	4,702

# 120

	For the years ended December 31,		
	2022	2021	
Decrease in payable	\$ (3,682,123)	(25,389,001)	
Increase in deposits and remittances	4,923,441	250,084,822	
Decrease in other financial liabilities	(1,454,713)	(1,127,072)	
Decrease in provisions for employee benefits	(196,272)	(80,182)	
Total changes in operating liabilities	93,344,062	207,924,436	
Total changes in operating assets and liabilities	14,891,373	70,097,940	
Total adjustments	(1,648,597)	58,828,126	
Cash inflow generated from operations	10,391,195	64,630,172	
Interest received	31,992,358	23,921,904	
Interest paid	(11,090,974)	(6,248,636)	
Income taxes paid	(648,645)	(449,051)	
Net Cash flows from operating activities	30,643,934	81,854,389	
Cash flows (used in) from investing activities:			
Acquisition of financial assets at fair value through other comprehensive income	(11,055,764)	(41,252,988)	
Acquisition of financial assets at amortised cost	(188,506,846)	(130,873,423)	
Proceeds from repayments of financial assets at amortised cost	230,783,092	79,933,076	
Acquisition of investments accounted for using equity method	(2,000)	-	
Acquisition of property and equipment	(318,336)	(534,917)	
Proceeds from disposal of property and equipment	73	132	
Increase in refundable deposits	-	1,359,450	
Decrease in refundable deposits	(2,227,141)	-	
Acquisition of intangible assets	(288,288)	(309,411)	
Net cash flows from (used in) investing activities	28,384,790	(91,678,081)	
Cash flows (used in) from financing activities:			
(Decrease) increase in due to the central bank and banks	(49,130,565)	21,221,490	
Proceeds from issuing bank notes payable	-	8,000,000	
Repayments of bank notes payable	-	(9,000,000)	
Increase in guarantee deposits received	2,104,548	-	
Decrease in guarantee deposits received	-	(332,463)	
Payment of lease liabilities	(420,428)	(418,641)	
Decrease in other liabilities	(1,081,839)	(1,505,823)	
Cash dividends paid	(774,320)	(748,858)	
Net cash flows (used in) from financing activities	(49,302,604)	17,215,705	
Effect of exchange rate changes on cash and cash equivalents	90,110	1,234,582	
Net increase in cash and cash equivalents	9,816,230	8,626,595	
Cash and cash equivalents at beginning of period	39,444,032	30,817,437	
Cash and cash equivalents at end of period	\$ 49,260,262	39,444,032	

## (English Translation of Consolidated Financial Statements Originally Issued in Chinese) TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

#### Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

#### (1) Company history

TAIWAN BUSINESS BANK, LTD. (the "Bank") was formerly a general savings union known as "Taiwan Mutual Financing Bank" or "Tai-Shio Mutual Financing Bank" when it was established in 1915. After several mergers and acquisitions, it was renamed as Taiwan Business Bank, Ltd. in order to finance and provide banking assistance to small and medium-size businesses on July 1, 1976. The Bank's major lines of business are the following:

- (a) As prescribed by the Banking Law, provides professional services tailored to the needs of small and mediumsize businesses;
- (b) Trust and securities brokerage businesses as approved by the relevant authority;
- (c) International banking business; and
- (d) Other relevant businesses as authorized by the relevant authority in-charge.

As of December 31, 2022, the Bank not only sets up the business dept., international dept., securities dept. and trust dept. under head office but also has 124 domestic branches, 1 offshore banking unit, 8 overseas branches, 1 oversea representative office and 16 securities brokerage locations.

The Bank became listed on the Taiwan Stock Exchange on January 3, 1998.

Under the "Statute for Privatization of State Enterprises" and upon the approval of Taiwan Province Government, the shares of the Bank owned by the provincial government were sold to the public. In line with privatization of the three other major Taiwan province government owned run commercial banks, the Bank had completed its own privatization on January 22, 1998.

As of December 31, 2022 and 2021, the Bank and subsidiaries has 5,581 and 5,483 employees, respectively.

#### (2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the Board of Directors on February 22, 2023.

#### (3) New standards, amendments and interpretations adopted:

# (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Bank and subsidiaries has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment-Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts–Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

#### (b) The impact of IFRS issued by the FSC but not yet effective

The Bank and subsidiaries assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

#### (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Bank and subsidiaries does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 Comparative Information "
- IFRS16 "Requirements for Sale and Leaseback Transactions"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"

#### (4) Summary of significant accounting policies:

#### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Held Banks (hereinafter referred to as "the Regulation") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to IFRS endorsed by the FSC).

#### (b) Basis of preparation

#### (i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative instruments);
- 2) Financial instrument measured at fair value through other comprehensive income; and
- 3) The net defined benefit liability (asset) is recognized as fair value of plan assets, less present value of defined benefit obligation and the effect of the asset ceiling in Note 4(m).
- (ii) Consolidation of financial statement

The consolidation financial statements include the headquarter and all the domestic branches, foreign branches and subsidiaries. The internal transactions within the headquarter, the domestic branches and the foreign branches are offset when preparing the consolidated financial statement.

(iii) Functional and presentation currency

The functional currency of each entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Bank's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

#### (c) Basis of consolidation

(i) Subsidiary

A subsidiary is an enterprise controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. FINANCIAL STATUS

Gains or losses applicable to the non-controlling interests in a subsidiary are allocated to the noncontrolling interests even if doing so causes the non-controlling interests to have a deficit balance.

(ii) Elimination of intra-group transaction

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The unrealized profits arising from the transactions with the investments under the equity method are eliminated to the extent of the percentage of shares possessed by the Bank over the investee. The unrealized losses are eliminated in the same way as the unrealized profit, but only under the circumstances that there are no evidences of impairment.

List of subsidiaries in the consolidated financial statements:

			Shareholding	g (Holding %)
	Established location	Main business scope	December 31, 2022	December 31, 2021
TBB International Leasing Co., Ltd.	Taiwan	Leasing business	100	100
Taiwan Business Bank International Leasing Co., Ltd.	China	Leasing business	100	100
TBB (Cambodia) Microfinance Institution Plc	Cambodia	Financial company	100	100
TBB Venture Capital Co., Ltd.	Taiwan	Investing business	100	100
TBB Consulting Co., Ltd.	Taiwan	Consulting business	100	100

#### (d) Foreign currencies

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the end of each subsequent reporting period (hereinafter referred to as the reporting date) are retranslated to the functional currency at the exchange rate of Bank of Taiwan at 10 AM. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Foreign currency differences arising on retranslation are recognized in profit or loss, except for the equity instruments measured at fair value through other comprehensive income which are recognized in other comprehensive income arising on the retranslation.

#### (ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Bank and subsidiaries disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non controlling interests. When the the Bank and subsidiaries disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

FINANCIAL STATUS

#### (e) Cash and cash equivalents

Cash and cash equivalent comprise cash on hand, petty cash, foreign currency on hand and cash in banks, but excludes those items which are designated for specific purposes or restricted by contracts and law.

#### (f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Bank and subsidiaries becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Bank and subsidiaries changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the next reporting period following the change in the business model.

1) Investment in debt instruments measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets at fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL.

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

On initial recognition of an equity investment that is not held for trading, the Bank and subsidiaries may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the

investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Bank and subsidiaries' right to receive payment is established.

3) Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivate financial assets. On initial recognition, the Bank and subsidiaries may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Discount and loans, net

Discount and loans are recorded as initial fair value including direct transaction cost, and the subsequent measurement recognizes interest income via effective interest rate method if there is not much difference then it can adopt straight line method and is booked as per amortized cost deducted by impairment loss. Interest accrual on discount and loans are suspended if either of the following occurs:

- Payment of principal or interest is very likely not to be redeemed as per contracts.
- Non-performing loans are categorized as overdue loans in six months after the settlement period ends.
- 5) Impairment of financial assets

The Bank and subsidiaries recognizes loss allowances for expected credit losses on financial assets measured at amortized cost, debt investments measured at FVOCI and loan commitments and financial guarantee contracts. Equity instrument investment does not need to recognize expected credit losses.

The Bank and subsidiaries measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities, receivables, loan commitments and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instruments is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank and subsidiaries is exposed to credit risk.

When determining whether the credit risk of financial asset has increased significantly since initial recognition and when estimating ECL, the Bank and subsidiaries considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis, based on the Bank and subsidiaries' historical experience, informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Bank and subsidiaries expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Bank and subsidiaries assesses whether financial assets carried at amortized cost, debt securities at FVOCI, loan commitments and contracts of financial guarantee are credit-impaired. A financial asset is "credit-impaired" when one or move events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due;
- the restructuring of a loan or advance by the borrowers on terms that the borrowers would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties; or
- to purchase or initiate financial assets at a substantial discount that reflects the credit losses that have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

In addition to estimate the allowance for bad debts and guarantee liability provisions as above, according to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans", and considering the situation of their finance and the default of principal and interest payment, the credit assets are classified as below:

- 1% of the first class credit assets deducted by the amount of credit assets from the government.
- 2% of the second class credit assets.
- 10% of the third class credit assets.
- 50% of the fourth class credit assets.
- 100% of the fifth class credit assets.

The allowance for bad debts and guarantee liability provisions were assessed by the previously stated method shall not be less than the amount regulated by " Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans.

Unrecoverable overdue loans and bad debts of the Bank and subsidiaries, which are not able to be recovered after the overdue collection process, are written-off after deducting the recoverable portion. Upon approval by the board of directors and notification to supervisors, the excess amount of written off loans over such allowance or reserve is reflected as a current loss.

#### (ii) Financial liabilities

Financial liability measured at fair value through profit or loss, if one of the following conditions is met

1) Financial liabilities held for trading

A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, is classified as instrument held for trading as well.

2) Financial liabilities designated at fair value through profit or loss

Financial liabilities falling under this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes are measured at fair value and recognized in profit or loss. While for financial liabilities designated at fair value through profit or loss, the changes in fair value generated from credit risk should be recognized under other comprehensive income, except for avoiding accounting mismatch that should be recognized in profit or loss.

(iii) Reclassification of financial instruments

The Bank and subsidiaries only reclassified all affected financial assets in accordance with the regulations when changing the business model of managing financial assets. These changes are expected to be extremely infrequent. In addition, the Bank and subsidiaries must not reclassify any financial assets and liabilities of equity instruments.

If the Bank and subsidiaries reclassify financial assets in accordance with the aforesaid circumstances, the reclassification shall be postponed from the reclassification date, and any previously recognized gains, losses (including impairment losses or reversal of impairment loss) or interest shall not be restated.

#### (iv) Derecognition of financial assets and liabilities

The Bank and subsidiaries derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank and subsidiaries neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Bank and subsidiaries enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

The Bank and subsidiaries derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Bank and subsidiaries also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

(v) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Bank and subsidiaries currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(vi) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changes as a result of interest rate benchmark reform, the Bank and subsidiaries updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis - i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to change to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank and subsidiaries first updates the effective interest rate of the financial asset or financial liability to reflect the changes that is required by interest rate benchmark reform. Thereafter, the Bank and subsidiaries will applied the policies on accounting for modifications to the additional changes.

#### (g) Investment in associates

Associates are those entities in which the Bank and subsidiaries has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Bank and subsidiaries' share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Bank and subsidiaries, from the date on which significant influence commences until the date on which significant influence ceases. The Bank and subsidiaries recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Bank and subsidiaries and an associate are recognized only to the extent of unrelated Bank and subsidiaries' interests in the associate.

When the Bank and subsidiaries' share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Bank and subsidiaries has incurred legal or constructive obligations or made payments on behalf of the associate.

#### (h) Impairment loss on non-financial assets

The Bank and subsidiaries reviews the carrying amounts of its non-financial assets (other than contract assets and deferred tax assets) to determine whether there is any indication of impairment on the balance sheet date. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

#### (i) Property, plant and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank and subsidiaries.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Land is not depreciated.

The estimated useful lives of property and equipment for current and comparative periods are as follows:

- 1) Buildings 35~50 years
- 2) Equipment 3~8 years

The Bank and subsidiaries reviews and adjusts the residual value and the useful lives of assets at the end of each fiscal year. Whenever there is evidence indicating that the carrying amount is unable to be recovered due to environmental activities or changes, the Bank and subsidiaries evaluates the impairment loss of assets.

#### (j) Leases

At inception of a contract, the Bank and subsidiaries assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a leasee

The Bank and subsidiaries recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Bank and subsidiaries incremental borrowing rate. Generally, the Bank and subsidiaries uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Bank and subsidiaries estimates of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Bank and subsidiaries accounts for the

# 130

remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Bank and subsidiaries has elected not to recognize right-of-use assets and lease liabilities for shortterm leases that have a lease term of 12 months or less and leases of low-value assets. The Bank and subsidiaries recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a leasor

When the Bank and subsidiaries acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Bank and subsidiaries makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Bank and subsidiaries considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

#### (k) Deferred assets

The costs of installation for utilities, including electricity and water, as well as security facilities, are capitalized and amortized equally over 5 years.

#### (I) Collaterals

The difference between the amount of claims and the Bank and subsidiaries received when creditors cannot meet obligations and the collaterals are auctioned off is recognized as bad debts expense. The amount that net realized value lower than book value is recognized as impairment loss. The selling price deducts the original book value of collateral assumed is recognized as gain or loss on sale of collateral assumed.

#### (m) Provisions

A provision is recognized if, as a result of a past event, the Bank and subsidiaries has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Amortization of the discount is recognized as interest expense.

#### (n) Employee benefits

(i) Short term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Retirement benefit

The pension provision of the Bank and subsidiaries includes defined contribution plan and defined benefit plan. For the personnel of foreign offices, the Bank and subsidiaries provides pension fund per the regulations of the local authorities.

Defined contribution plan refers to the plan that the Bank and subsidiaries annually provides certain amount of money to funds to fulfill the obligation. The Bank and subsidiaries provides pension based on compulsory obligation, contracts or voluntary will to public or private managed pension funds. If certain pension fund fails to pay the employees the benefit which they deserve for the service they provided, the Bank and subsidiaries does not hold legal or constructive obligation to pay additional provision. The Bank and subsidiaries recognizes the pension fund provided as current pension cost on accrual basis.

The Bank's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the

reporting date on government bonds that have maturity dates approximating the terms of the Bank and subsidiaries' obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Bank and subsidiaries, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Bank and subsidiaries. An economic benefit is available to the Bank and subsidiaries if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increase benefit relating to past service by employees, is recognized immediately in profit or loss.

The remeasurements of defined benefit liability (asset) include:

- 1) Actuarial gains and losses;
- 2) Return on plan assets, excluding net interest on the net defined benefit liability (asset); and
- 3) The effect of the asset ceiling, excluding net interest on the net defined benefit liability (asset).

The remeasurements of defined benefit liability (asset) are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any changes in the fair value of plan assets, any changes in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

The pension cost in the consolidated interim financial statements was calculated and disclosed on a yearto-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, for the reporting period, the rate will be adjusted by material market volatility, material curtailment, reimbursement and settlement or other material one-time events.

(iii) Deposits with favorable rate

The Bank and subsidiaries provides deposits with favorable rate to employees, which include current employee fix amount deposits with favorable rate and retired employee fix amount deposits with favorable rate. The rate difference between the favorable rate and the market rate belongs to the category of employee benefit.

According to article 28 of "Regulations Governing the Preparation of Financial Report by Public Banks", the additional interests result from the difference between deposit with favorable rate and the deposits with market interest rate shall be calculated by actuary per the regulations related to defined benefit plan in IAS 19. The parameters of actuarial assumptions shall follow the regulations of the competent authority.

In accordance with the regulation of "Discussion of the employee benefit actuarial assumption related matter for adopting IAS 19 with respect to the additional interest of employee deposits with favorable rate" issued by the Banking Bureau, the difference between the actual payment and the estimated retirement benefit obligation is deemed as changes in accounting estimate and is recognized in profit or loss.

(iv) Termination benefits

Termination benefits are recognized as an obligation when the Bank and subsidiaries is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Bank and subsidiaries recognizes liabilities when a formal irrevocable termination project is undertaken or when benefit is provided for encouraging voluntary resignation. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

# FINANCIAL STATUS

#### (o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

#### (p) Revenue recognition

Interest is recognized according to interest method. Interest accrual is suspended from the date when the loan is reclassified to non-performing loan and only when the Bank and subsidiaries receives cash, the revenue is recognized.

The revenue of handling fee is recognized when cash collected or when the process of the profit are mostly completed. In addition, for the individual loan which does not belong to labor service and the handling fee is over 1% of the principal, the interest rate shall be adjusted from the original agreed interest rate to the effective interest rate. For the individual loan which does not belong to the service and the handling fee is less than 1% of the principal, the recognition of the revenue should be deferred and be recognized as revenue during the loan period.

#### (q) Earnings per share (EPS)

The Bank and subsidiaries discloses the basic and diluted earnings per share attributable to ordinary shareholders of the bank. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the bank divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Bank divided by the weighted average number of ordinary shareholders of the Bank divided by the weighted average number of ordinary shareholders of the Bank divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as stock that issued for employee bonuses.

#### (r) Operating segments

Operating segment is the component of the Bank and subsidiaries that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank and subsidiaries). The segment's operating results are reviewed regularly by the Bank's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess the performance for which discrete financial information is available.

#### (s) Segment information

An operating segment is a component of the Bank and subsidiaries that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank and subsidiaries). Operating results of the operating segment are regularly reviewed by the Bank and subsidiaries' chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

# (5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic and Russia-Ukraine war:

#### (a) Impairment losses on loans

The impairment of loans of the Bank and subsidiaries were evaluated by identifying the credit risk of those financial assets have significantly increased or not at the reporting date if the credit risk has not significant incurred, the 12-month expected credit loss should be adopted to evaluate, or the lifetime credit loss evaluation should be adopted.

To evaluate the expected credit losses for 12-month and lifetime, the Bank and subsidiaries considers the unfavorable changes of payment status or the economic conditions of the countries or areas related to the default loans. When analyzing expected cash flows, the estimates by the management are based on the pass losses experience from assets with similar credit risk characteristics. In order to reduce losses from the difference between estimated and actual amount, the Bank and subsidiaries has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the select inputs.

#### (b) Retirement benefit

The present value of the retirement benefit obligation is the actuarial result based on several assumptions. Any change of the assumptions may influence the carrying amount of the retirement benefit obligation.

The assumptions applied to determine net pension cost (revenue) include the discount rate. The Bank and subsidiaries determines the appropriate discount rate at the end of each year and apply it to calculate the present value of the future cash outflows which are to be paid to the retirement benefit obligation. To determine the appropriate discount rate, the Bank and subsidiaries should consider the interest rate of highquality corporate bonds and government bonds. The currency of the retirement benefit shall be the same as that of the high-quality corporate bond or government bonds and the duration till maturity date shall comply with the duration of the related pension obligation. Other significant assumptions of retirement benefit obligation are based on the current market situation.

#### (c) Fair value of financial instruments

Financial instruments without active market or quoted market prices are measured using the valuation models or counterparty prices. When using the valuation model, all the inputs data are using the observable factors as much as possible and the inputs cannot be adjusted manually. In principle, the models used the factors can be long-term stably accessed in the market. In order to avoid the data source changed causing the gap of the financial report between the difference financial years, the models need to be adjusted and verified repeatedly to ensure the output can be measured the value of financial instruments properly.

#### (6) Explanation of significant accounts:

#### (a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash and revolving funds	\$ 14,042,641	10,892,311
Foreign currencies on hand	988,995	813,650
Checks for clearing	11,029,785	12,197,958
Due from other banks	23,198,841	15,540,113
Total	<u>\$ 49,260,262</u>	39,444,032

FINANCIAL STATUS

#### (b) Due from the Central Bank and call loans to banks

	December 31, 2022	December 31, 2021
Due from the Central Bank	\$ 85,208,065	72,157,970
Deposits transferred to Central Bank	39,664	52,275
Call loans to banks	63,310,015	85,900,173
Trust fund indemnity reserve deposited	110,000	90,000
Securities serving as trust fund indemnity reserve deposited	(110,000)	(90,000)
Total	<u>\$ 148,557,744</u>	158,110,418

As of December 31, 2022 and 2021, in accordance with the Banking Law and the Central Bank Law, the required reserve deposited by the Bank with the Central Bank amounted to \$84,763,295 and \$71,836,985of which \$47,637,794 and \$44,525,965 respectively, were restricted and such restriction may only be lifted when the required reserve is adjusted to a lower amount. The Bank and subsidiaries cooperated with the Central Bank to undertake financing loans for small and medium enterprises that are affected by the severe and the special infectious pneumonia epidemic, as of December 31, 2022 and 2021 are guaranteed by the deposit reserve of the Central Bank as required, \$0 and \$39,000,000 respectively, please refer to 6(o) for the information of due to the Central Bank and banks.

As of December 31, 2022 and 2021, the Bank's subsidiaries and overseas branches, in compliance with the Central Bank's reserve requirement set by local authorities, deposited \$134,809 and \$154,177 and in reserve, of which \$52,137 and \$64,758 were restricted.

Effective December 2000, in accordance with the amended "Regulations Governing the Audit and Adjustment of Deposit and Other Liability Reserves of Financial Institutions", the Bank provides the required additional reserve on foreign currency deposits. As of December 31, 2022 and 2021, the required reserve with the Central Bank amounted to \$309,961 and \$166,808 respectively, and its use was unrestricted.

As of December 31, 2022 and 2021, deposits transferred to the Central Bank collected from the armed forces, prisons, and other treasury deposits were restricted.

Effective January 20, 2001, in accordance with the requirement of the Central Bank of China, the Bank complies with Clause 34 of the Trust Law to treat the discretionary trust of investments in overseas marketable securities as a default loss reserve. As of December 31, 2022 and 2021, the Bank deposited marketable securities of \$110,000 and \$90,000 as trust fund reserves.

#### (c) Financial assets at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss, mandatorily measured at fair value :		
Derivative instruments not used for hedging:		
Foreign exchange forward contracts	\$ 27,271	18,120
Currency swap contracts	1,088,827	495,831
Foreign currency options-buy	17,813	3,714
Stock index futures	26,860	28,745
Interest rate swap	5,896	6,226
Non-derivative financial assets		
Commercial paper	30,907,810	37,015,444
Listed stocks	752,713	474,025
Unlisted stocks	471,554	376,313
Beneficiary certificates	414,370	1,695,843
Convertible corporate bonds	-	79,230
Financial debentures	200,000	476,910
Total	<u>\$ 33,913,114</u>	40,670,401

Derivative financial instruments are used for hedging foreign exchange risk and interest rate risk arising from operating, financing and investing activities. The Bank and subsidiaries held derivative financial instruments which did not apply to hedge accounting are as follows (reported as financial assets mandatorily measured at fair value through profit or loss and financial liabilities held for trading)

	December 31, 2022	December 31, 2021
Currency swaps contract	\$ 260,470,257	153,249,108
Interest rate swaps contract	12,665,622	11,916,735
Option contract - buy	1,229,230	682,393
Option contract - sell	1,229,230	682,393
Forward foreign exchange contract	2,786,130	3,835,462

#### (d) Securities purchased under resell agreements

	December 31, 2022	December 31, 2021
Securities under resell agreements	<u>\$ 797,893</u>	7,831,274
Face amount	800,000	7,834,600
Resell period	2023.01.05	2022.01.03~2022.01.19
Range of resell interest rate	1.24%	0.33%~0.34%
Resell price	\$ 798,576	7,832,994

#### (e) Receivables, net

	December 31, 2022	December 31, 2021
Interest receivable	\$ 4,123,259	2,772,213
Acceptances receivable	791,284	1,033,229
Accrued income	140,805	138,537
Accounts receivable	1,262,213	893,518
Spot exchange receivable-foreign currencies	9,096	9,546
Refinacing guaranty deposits	1,505	33
Guaranteed proceeds receivable from refinacing	1,158	36
Credit cards accounts receivable	1,098,733	1,033,355
Receivable price of securities purchased for customers	179,159	177,964
Settlement price	-	141,261
Installment receivables and leases	1,320,741	1,147,550
Other receivables	233,198	387,503
Sub-total	9,161,151	7,734,745
Less: Allowance for bad debts	(104,042)	(118,111)
Total	<u>\$ 9,057,109</u>	7,616,634

The outstanding contract amount of financial assets that have been written off and still have recourse as of December 31, 2022 and 2021 were \$85,659,528 and \$85,356,830 respectively.

The change in allowance for bad debts was as follows:

	For the years ended December 31,		
	2022		2021
Beginning balance	\$	118,111	138,564
Reversal		(17,353)	1,252
Write-off		-	(21,046)
Foreign exchange		3,284	(659)
Ending balance	<u>\$</u>	104,042	118,111

#### (f) Discounts and loans, net

	December 31, 2022	December 31, 2021
Import/export bills negotiated	\$ 111,492	185,267
Bills and notes discounted	631,574	753,253
Overdrafts	30,781	35,359
Secured overdrafts	934,845	3,082,281
Short-term loans	175,758,201	158,526,680
Short-term secured loans	222,836,626	224,893,139
Margin loans receivable	2,672,159	3,245,824
Medium-term loans	182,824,935	158,957,105
Medium-term secured loans	293,811,922	283,220,193
Long-term loans	36,127,193	30,248,716
Long-term secured loans	500,599,070	453,214,205
Overdue loans	2,154,653	1,862,326
Sub-total	1,418,493,451	1,318,224,348
Less: Adjustment of discount and premium	(302,470)	(259,168)
Less: Allowance for bad debts	(18,078,616)	(15,576,817)
Total	<u>\$ 1,400,112,365</u>	1,302,388,363

The change in allowance for bad debts was as follows:

	For the years ended December 31,		
	2022		2021
Beginning balance	\$	15,576,817	14,326,157
Provision		2,419,063	5,153,489
Transfer out		(16,605)	(15,073)
Write-off		(2,300,641)	(5,081,394)
Write-off recovered		2,337,772	1,218,393
Foreign exchange		62,210	(24,755)
Ending balance	\$	18,078,616	15,576,817

#### (g) Financial asset at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Investment in debt instruments measured at fair value through other comprehensive income:		
Government bonds	\$ 48,754,854	46,011,743
Corporate bonds	60,445,796	57,107,224
Financial debentures	32,639,581	32,875,263
Subtotal	141,840,231	135,994,230
Investment in equity instruments measured at fair value through other comprehensive income:		
Listed stocks	12,676,936	16,414,356
Unlisted stocks	5,337,461	4,974,579
Real Estate Investment Trust	145,782	149,897
Subtotal	18,160,179	21,538,832
Total	<u>\$ 160,000,410</u>	157,533,062

VI

(i) Investment in debt instruments measured at fair value through other comprehensive income

The Bank and subsidiaries assessed that the above bond investments were held within a business model whose objective was achieved by both collecting contractual cash flows and selling financial assets. The bond investments have been classified as the financial asset measured at fair value through other comprehensive income. Some of the investment in debt instruments measured at fair value through other comprehensive income are used as resell condition. Please refer to Note 6 (q) for more details.

(ii) Investment in equity instruments measured at fair value through other comprehensive income

The Bank and subsidiaries designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments intending to hold for long-term for strategic purpose.

The Bank and subsidiaries designated the investments shown above as equity instrument as at fair value through other comprehensive income; therefore, the Bank and subsidiaries recognized \$1,457,705 and \$885,010, respectively as dividend revenue for the years ended December 31, 2022 and 2021. In which, the disposal equity instruments were recognized \$688,220 and \$44,127 as dividend revenue for the years ended December 31, 2022 and 2021.

The Bank and subsidiaries sold the investments which were measured as at fair value through other comprehensive income due to assets allocation. The fair value of disposed investments are \$11,601,994 and \$801,669. And (losses) gains on disposal are \$(1,270,030) and \$35,192 for the years ended December 31, 2022 and 2021. Therefore, accumulated gains on disposal were transferred from other equity to retained earnings.

- (iii) Please refer to Note 6(ap) for the credit risk (including the impairment in debt instruments) and market risk information.
- (iv) The Bank and subsidiaries assessed the impairment of financial assets measured at fair value through other comprehensive income as of December 31, 2022 and 2021. The changes in allowance for credit losses attribute to the financial assets were as follows:

	For the years ended December 31,			
		2022	2021	
Beginning balance	\$	87,792	66,454	
Provision		1,521	21,599	
Foreign exchange		1,539	(261)	
Ending balance	\$	90,852	87,792	

#### (h) Investment in debt instruments at amortized cost

	De	cember 31, 2022	December 31, 2021
Certificates of deposit with the Central Bank	\$	195,595,000	231,395,000
Government bonds		24,370,304	24,673,670
Corporate bonds		7,481,434	8,689,856
Financial debentures		9,337,858	14,306,782
Negotiable certificates of deposit		64,523	58,076
Subtotal		236,849,119	279,123,384
Less:Accumulated impairment		(74,872)	(87,478)
Total	<u>\$</u>	236,774,247	279,035,906

The Bank and subsidiaries assessed that these financial assets were held to collect the contractual cash flows, which consisted solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

- (i) Please refer to Note 6(ap) for credit risk.
- (ii) The pledged assets provided by the above investment in debt instruments at amortized cost were shown follows:

	December 31, 2022	December 31, 2021
Reserve for provisional seizure by the court, international card payment reserve, trust claim reserve and operating guaranty funds	\$ 854,500	901,900
Central Bank Financing Guarantee	-	11,300,000
Overseas branches required reserve of overdraft guarantee	64,523	58,076
Daylight overdraft guarantee (Certificates of deposit with the Central Bank)	2,000,000	2,000,000
Guarantee for borrowing US dollars	29,000,000	23,000,000
Guarantee for borrowing JPY dollars	200,000	200,000
Sponsorship of Treasury Affairs	20,000,000	16,200,000
Total	\$ 52,119,023	53,659,976

(iii) The Bank and subsidiaries assessed the impairment of investment in debt instruments at amortized cost as of December 31, 2022 and 2021. The changes in allowance for credit losses attribute to these financial assets were as follows:

	For the years en	ded December 31,
	2022	2021
Beginning balance	\$ 87,478	75,964
(Reversal) provision	(13,210)	11,661
Foreign exchange	604	(147)
Ending balance	<u>\$ 74,872</u>	87,478

(iv) Disposal gain (loss) on disposal investment in assets at amortized cost:

	For the years ended December 31, 2022	
	The carrying amount at the date of derecognition	Gain (Loss) on disposal
Corporate bonds	\$ 81,364	710
Financial debentures	305,979	1,271
Total	<u>\$ 387,343</u>	1,981
	For the years ended	December 31, 2021

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	The carrying amount at the date of derecognition	Gain (Loss) on disposal
Government bonds	\$ 791,559	78,951
Corporate bonds	248,776	2,048
Financial debentures	549,111	22,742
Total	<u>\$ 1,589,446</u>	103,741

For the year ended 2022 and 2021, the following reasons that caused the Bank dispose part of its financial assets measured at amortized cost for the mandatorily redemption of the bond issuers, and the purpose of fund management.

VI

#### (i) Investments accounted for using equity method

#### (i) Associates

The Bank and subsidiaries had significant influence on Media Talk Consultants Co., Ltd. by investing 2 million dollars on December 22, 2021 and holding 20% equity on it. The establishment registration was completed on January 19, 2022.

The Bank and subsidiaries' financial information for investments accounted for using the equity method are individually insignificant was as follows:

		December 31, 2022
Carrying amount of individually insignificant associates' equity	<u>\$ 808</u>	
	For the years end	led December 31,
	2022	
Attributable to the Bank and subsidiaries:		
Net income	<u>\$ (1,192</u> )	<u>-</u>
Total comprehensive income	<u>\$ (1,192</u> )	

#### (ii) Guarantee

As of December 31, 2022, the Bank and subsidiaries did not provide any investments accounted for using the equity method as collateral for its loans.

#### (j) Other financial assets, net

	December 31, 2022	December 31, 2021
Overdue receivable	\$ 58,786	80,334
Less: Allowance for bad debts, overdue receivable	(48,471)	(51,392)
Total	<u>\$ 10,315</u>	28,942

The change in allowance for bad debts was as follows:

	For the years ended December 31,		
	2022		2021
Beginning balance	\$	51,392	55,051
Reversal		(23,222)	(24,464)
Transfer in		16,605	15,073
Write-off		(16,567)	(15,308)
Written-off recovered		20,263	21,040
Ending balance	\$	48,471	51,392

#### (k) Property and equipment, net

December 31, 2022	Cost	Revaluation increment	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,743,535	2,986,161	-	14,031	9,715,665
Buildings	8,116,339	31,184	4,790,018	14,754	3,342,751
Machinery and equipment	2,696,721	-	2,012,107	-	684,614
Transportation equipment	272,344	-	230,440	-	41,904
Miscellaneous equipment	658,114	-	557,596	-	100,518
Leasehold improvements	205,430	-	119,731	-	85,699
Construction in progress	20,225	-	-	-	20,225
Prepayment for equipment	130,457				130,457
Total	<u>\$ 18,843,165</u>	3,017,345	7,709,892	28,785	14,121,833

December 31, 2021	Cost	Revaluation increment	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,743,535	2,986,161	-	14,031	9,715,665
Buildings	8,017,954	31,184	4,592,658	14,754	3,441,726
Machinery and equipment	2,393,432	-	1,865,901	-	527,531
Transportation equipment	272,502	-	225,193	-	47,309
Miscellaneous equipment	647,036	-	539,601	-	107,435
Leasehold improvements	162,953	-	83,416	-	79,537
Construction in progress	40,547	-	-	-	40,547
Prepayment for equipment	573,971				573,971
Total	<u>\$ 18,851,930</u>	3,017,345	7,306,769	28,785	14,533,721

Change of cost

	January 1, 2022	Increase	Decrease	Foreign Exchange	December 31, 2022
Land	\$ 9,729,696	-	-	-	9,729,696
Buildings	8,049,138	98,385	-	-	8,147,523
Machinery and equipment	2,393,432	449,271	154,016	8,034	2,696,721
Transportation equipment	272,502	7,577	8,543	808	272,344
Miscellaneous equipment	647,036	22,461	14,859	3,476	658,114
Leasehold improvements	162,953	42,391	2,572	2,658	205,430
Construction in progress	40,547	32,248	52,570	-	20,225
Prepayment for equipment	573,971	49,995	493,808	299	130,457
Total	<u>\$ 21,869,275</u>	702,328	726,368	15,275	21,860,510

	January 1, 2021	Increase	Decrease	Foreign Exchange	December 31, 2021
Land	\$ 9,729,696	-	-	-	9,729,696
Buildings	7,961,424	87,714	-	-	8,049,138
Machinery and equipment	2,273,606	229,566	106,275	(3,465)	2,393,432
Transportation equipment	275,438	18,695	21,548	(83)	272,502
Miscellaneous equipment	608,684	63,600	24,177	(1,071)	647,036
Leasehold improvements	168,234	19,223	20,641	(3,863)	162,953
Construction in progress	12,246	62,045	33,744	-	40,547
Prepayment for equipment	514,215	158,678	98,853	(69)	573,971
Total	<u>\$ 21,543,543</u>	639,521	305,238	(8,551)	21,869,275

#### Change of depreciation

	January 1, 2022	Increase	Decrease	Foreign Exchange	December 31, 2022
Buildings	\$ 4,592,658	197,360	-	-	4,790,018
Machinery and equipment	1,865,901	293,226	153,250	6,230	2,012,107
Transportation equipment	225,193	13,183	8,480	544	230,440
Miscellaneous equipment	539,601	30,261	14,690	2,424	557,596
Leasehold improvements	83,416	37,309	2,572	1,578	119,731
Total	<u>\$ 7,306,769</u>	571,339	178,992	10,776	7,709,892
				Foreign	December 31,
	January 1, 2021	Increase	Decrease	Foreign Exchange	December 31, 2021
Buildings	January 1, 2021 \$ 4,404,411	Increase 188,247	Decrease -		
Buildings Machinery and equipment			Decrease - 105,626		2021
0	\$ 4,404,411	188,247	-	Exchange -	<b>2021</b> 4,592,658
Machinery and equipment	\$ 4,404,411 1,771,978	188,247 201,131	- 105,626	Exchange - (1,582)	<b>2021</b> 4,592,658 1,865,901
Machinery and equipment Transportation equipment	\$ 4,404,411 1,771,978 232,974	188,247 201,131 13,865	- 105,626 21,394	Exchange (1,582) (252)	2021 4,592,658 1,865,901 225,193

#### Accumulated impairment

	January 1, 2022	Increase	Decrease	Foreign Exchange	December 31, 2022
Land	\$ 14,031	-	-	-	14,031
Buildings	14,754				14,754
Total	<u>\$ 28,785</u>	<u> </u>			28,785
				i i i i i i i i i i i i i i i i i i i	
	January 1, 2021	Increase	Decrease	Foreign Exchange	December 31, 2021
Land	January 1, 2021 \$ 14,031	Increase _	Decrease -	Foreign Exchange	December 31, 2021 14,031
Land Buildings		Increase - -	Decrease - -	Foreign Exchange	

When the Bank and subsidiaries first adopted IFRSs, it elected to apply the revaluation amount calculated per the regulation of GAAP of R.O.C as the original cost on the transition date.

As of December 31, 2022 and 2021, the appreciation from revaluation of properties all amounted to \$3,017,345. Reserve for land incremental tax all amounted to \$879,056 (Recognized under deferred tax liabilities).

As of December 31, 2022 and 2021, land which was occupied all amounted to \$5,496. Except for a portion of the land that had been negotiated with the occupant to collect the rent; the Bank intends to participate in land auction, urban renewal or by other appropriate means in due course.

#### (I) Right-of-use assets

The Bank and subsidiaries leases many assets including buildings, machinery and transportation equipment. Information about leases on costs, depreciation and impairment for which the Bank and subsidiaries as a lessee is presented below:

December 31, 2022	Cost	Accumulated depreciation	Accumulated impairment	Total
Buildings	\$ 1,857,074	706,516	-	1,150,558
Machinery and equipment	26,497	26,408	-	89
Transportation equipment	77,477	22,728	-	54,749
Miscellaneous equipment	 12,403	5,206		7,197
Total	\$ 1,973,451	760,858		1,212,593
		Accumulated	Accumulated	
December 31, 2021	Cost	Accumulated depreciation	Accumulated impairment	Total
December 31, 2021 Buildings	\$ <b>Cost</b> 1,795,803			Total 1,112,223
	\$	depreciation		
Buildings	\$ 1,795,803	depreciation 683,580		1,112,223
Buildings Machinery and equipment	\$ 1,795,803 27,842	depreciation 683,580 27,272		1,112,223 570

#### Change of cost

	January 1, 2022	Increase	Decrease	Foreign Exchange	December 31, 2022
Buildings	\$ 1,795,803	604,750	563,446	19,967	1,857,074
Machinery and equipment	27,842	-	1,345	-	26,497
Transportation equipment	74,819	54,940	52,442	160	77,477
Miscellaneous equipment	10,337	2,996	930		12,403
Total	<u>\$ 1,908,801</u>	662,686	618,163	20,127	1,973,451
	January 1, 2021	Increase	Decrease	Foreign Exchange	December 31, 2021
Buildings	January 1, 2021 \$ 1,538,073	Increase 538,564	Decrease 274,552	Foreign Exchange (6,282)	December 31, 2021 1,795,803
Buildings Machinery and equipment				3 3 3	
0	\$ 1,538,073	538,564	274,552	3 3 3	1,795,803
Machinery and equipment	\$ 1,538,073 43,406	538,564 3	274,552 15,567	(6,282)	1,795,803 27,842

# Change of depreciation

	Janu	uary 1, 2022	Increase	Decrease	Foreign Exchange	December 31, 2022
Buildings	\$	683,580	385,019	370,919	8,836	706,516
Machinery and equipment		27,272	481	1,345	-	26,408
Transportation equipment		45,301	22,623	45,294	98	22,728
Miscellaneous equipment		3,353	2,666	813		5,206
Total	\$	759,506	410,789	418,371	8,934	760,858
	Janı	uary 1, 2021	Increase	Decrease	Foreign Exchange	December 31, 2021
Buildings	\$	503,033	380,246	198,924	(775)	683,580
Machinery and equipment		40,895	1,944	15,567	-	27,272
Transportation equipment		36,156	21,183	12,032	(6)	45,301
Miscellaneous equipment		3,035	2,416	2,098		3,353
Total	\$	583,119	405,789	228,621	(781)	759,506

# (m) Other assets, net

	December 31, 2022	December 31, 2021
Office supplies	\$ 29,019	28,953
Prepayments	8,168,184	8,167,284
Operating guarantee deposits and settlement fund	31,753	31,450
Guarantee deposits paid	2,641,545	414,405
Deferred assets	128	175
Temporary payments and suspense accounts	4,675,748	-
Proceeds of settlement and margin trading	60,139	1,307,041
Other assets	176,432	105,859
Total	<u>\$ 15,782,948</u>	10,055,167

# (n) Deposits from the Central Bank and banks

	Dece	ember 31, 2022	December 31, 2021
Deposits from the Central Bank	\$	232,262	249,565
Due from the Central Bank		14,133,500	9,955,800
Deposits from banks		705,261	244,033
Call loans from banks		31,549,533	24,292,901
Overdrafts on banks		1,084,076	536,471
Deposits transferred from Chunghwa Post Co., Ltd.		147,261,545	67,261,545
Total	<u>\$</u>	194,966,177	102,540,315

# (o) Due to the Central Bank and banks

		December 31, 2022					
	Currency	Interest Rate	Maturity Date	Original Amount	NTD Amount		
Agricultural Bank of Taiwan	TWD	1.332%	2023.10.13	100,000	\$ 100,000		
First Commercial Bank	TWD	1.45%~1.575%	2023.2.16~2023.4.25	140,000	140,000		
Bank of Kaohsiung Co., Ltd. (OBU)	USD	5.50%	2023.6.10	10,000	307,250		
Sunny Commercial Bank (OBU)	USD	5.642%~5.887%	2023.8.4~2023.8.26	9,000	276,525		
KGI Commercial Bank Co., Ltd. (OBU)	USD	5.326%~6.261%	2023.1.10~2023.4.7	7,000	215,075		
Bank of Panshin	USD	6.60%	2023.5.10-2023.8.18	3,000	92,175		
Total					<u>\$ 1,131,025</u>		
Unused credit lines					\$ 1,447,949		

		December 31, 2021					
	Currency	Interest Rate	Maturity Date	Original Amount	NTD Amount		
Central Bank	TWD	0.10%	2022.6.30	49,713,800	\$ 49,713,800		
Agricultural Bank of Taiwan	TWD	0.827%	2021.10.19	50,000	50,000		
Sunny Commercial Bank (OBU)	USD	1.68%	2022.8.27	6,000	165,930		
Bank of Kaohsiung Co., Ltd. (OBU)	USD	1.62%	2023.6.10	12,000	331,860		
Total					<u>\$ 50,261,590</u>		
Unused credit lines					<u>\$ 1,598,755</u>		

VI

# (p) Financial liabilities at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial liabilities designated at fair value through profit or loss :		
Financial debentures	\$ 9,367,595	8,293,730
Financial liabilities held for trading :		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	10,932	4,404
Currency swap contracts	524,421	126,198
Foreign currency option-sell	17,864	3,714
Interest rate contract	4,713	7,991
Total	\$ 9,925,525	8,436,037

Please refer to 6(t) for the information of financial liabilities designated at fair value through profit and loss.

Please refer to 6(c) for the nominal amount of unsettled financial derivatives instrument contracts of December 31, 2022 and 2021.

# (q) Notes and bonds issued under repurchase agreement

	December 31, 2022						
Assets	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date			
Financial assets at fair value through other comprehensive income	\$ 2,616,634	2,462,991	2,472,765	Prior to July 1, 2024			
	December 31, 2021						
Assets	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date			
Assets Financial assets at fair value through other	Par value						

# (r) Payables

	December 31, 2022	December 31, 2021
Accrued interest	\$ 4,435,668	2,471,433
Accounts payable	11,042,992	12,819,963
Acceptances	802,824	1,039,557
Accrued expenses	3,277,743	2,835,553
Collection payable	676,888	783,316
Deposits received from securities borrowers	116,196	115,541
Guaranteed price deposits received from securities borrowers	108,289	149,272
Spot exchange payable, foreign currencies	13,625	9,204
Other payables	834,692	2,209,483
Prices payable of securities sold for customers	137,155	309,498
Settlement payable	40,444	-
Other	6,615	18,616
Total	<u>\$ 21,493,131</u>	22,761,436

# (s) Deposits and remittances

	December 31, 2022		December 31, 2021
Savings deposits	\$	737,659,280	707,880,781
Time deposits		436,771,576	451,747,040
Demand deposits		465,429,114	475,333,055
Checking account deposits		33,292,182	33,266,719
Remittances		428,111	429,227
Total	\$	1,673,580,263	1,668,656,822

# (t) Bank notes payable

			Terms of Transactions		Bond Issued	
Bonds	Issue date	Maturity date	Interest Rate & repayment	Туре	Amo	ount
					December 31, 2022	December 31, 2021
2015-2A	08/31/2015	08/31/2023	The debentures bear an annual interest rate of 2.05%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	\$ 4,700,000	4,700,000
2015-2B	08/31/2015	08/31/2025	The debentures bear an annual interest rate of 2.10%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	300,000	300,00
2016-2	12/20/2016	12/20/2023	The debentures bear an annual interest rate of 1.40%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	li	2,700,000	2,700,00
2017-1A	03/28/2017	03/28/2024	The debentures bear an annual interest rate of 1.50%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	IJ	390,000	390,00
2017-1B	03/28/2017	03/28/2025	The debentures bear an annual interest rate of 1.60%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	II	250,000	250,00
2017-1C	03/28/2017	03/28/2027	The debentures bear an annual interest rate of 1.85%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	<i>II</i>	3,360,000	3,360,00
2017-2	05/23/2017	05/23/2027	The debentures bear an annual interest rate of 1.85%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	II	1,300,000	1,300,00
2018-2	08/20/2018	08/20/2028	The debentures bear an annual interest rate of 1.45%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	II	5,450,000	5,450,00
2019-1A	03/21/2019	03/21/2026	The debentures bear an annual interest rate of 1.20%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	IJ	1,000,000	1,000,00
2019-1B	03/21/2019	03/21/2029	The debentures bear an annual interest rate of 1.30%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	IJ	4,800,000	4,800,00
2020-1	03/25/2020	03/25/2030	The debentures bear an annual interest rate of 0.80%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	II	10,000,000	10,000,00
2020-2	08/13/2020	None	The debentures bear an annual interest rate of 1.62%. Simple interest is accrued and paid annually. After calculating the early redeemable bond is in line with the capital adequacy ratio under the consent of the competent authority, the debentures are redeemable per face value plus accrued interest at the interest payment date after five years and a month from the issue date .	Perpetual non- accumulated subordinated financial debentures	10,000,000	10,000,00
2021-1	11/17/2021	None	The debentures bear an annual interest rate of 1.60%. Simple interest is accrued and paid annually. After calculating the early redeemable bond is in line with the capital adequacy ratio under the consent of the competent authority, the debentures are redeemable per face value plus accrued interest at the interest payment date after five years and a month from the issue date .	V	8,000,000	8,000,00
					\$ 52,250,000	52,250,00

VI

The Bank issued \$120,000 and \$180,000 dollar-denominated debentures with call option that can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity. In order to avoid interest risk, the Bank buys interest rate swap contracts that are classified as financial assets at fair value through profit or loss. To eliminate the measurement or recognition inconsistency between IRSs and debentures, the Bank classified the debentures into financial liabilities at fair value through profit or loss. In addition, the Bank considers that the designated economic relationship is evaluated by the SLMM model method, if the amount of changes in the fair value of the corporate bonds attributable to changes in credit risk is listed in other comprehensive gains and losses, it will trigger or aggravate the accounting ratio of gains and losses. Therefore, the amount is reported in the profit and loss. The debentures are as follows:

			Terms of Transactions		Bond Issued	
Bonds	Issue date	Maturity         Maturity           sue date         date         Interest Rate & repayment         Type		Туре	Amo	ount
					December 31, 2022	December 31, 2021
2017-3	10/27/2017	10/27/2047	The zero-coupon debentures with call options can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity.	Unsecured dollar- denominated senior financial debentures	\$ 3,687,000	3,318,600
2018-3	09/27/2018	09/27/2048	The zero-coupon debentures with call options can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity.	"	5,530,500	4,977,900
				Valuation adjustment	150,095	(2,770)
					<u>\$ 9,367,595</u>	8,293,730

The increase (decrease) in fair value of the financial liabilities that are attributable to changes in credit risk are as follows:

	December 31, 2022	December 31, 2021
Fair value of corporate bonds	\$ 9,367,595	8,293,730
Fair value increase (decrease) not attributable to changes in market conditions that give rise to market risk	170,133	90,645
Difference between the carrying value and the amount payable at the end of the contract term	150,095	(2,770)

#### (u) Other financial liabilities

	December 31, 2022	December 31, 2021
Cumulative earnings on appropriated loans fund	<u>\$ 2,910,581</u>	4,365,294

Cumulative earnings on appropriated loan fund is the project contract signed by National Development Fund, Executive Yuan, Small and Medium Enterprise Administration, Ministry of Economic Affairs, and the Bank. The Bank appropriates the fund to the companies which meet the conditions for loans. The fund is classified as principal account, interest yielding account, loaned account and un-loaned account. These accounts are used for transferring accounts and paying the deposit interests for each project contract.

#### (v) Provisions

	December 31, 2022	December 31, 2021
Provision for guarantee liabilities	\$ 237,076	258,065
Provision for loan commitments	100,236	71,423
Indeterminate indemnity provisions	74,619	73,181
Provision for employee benefits	2,264,171	3,017,541
Total	<u>\$ 2,676,102</u>	3,420,210

	January 1, 2022	Increase	Decrease	Use	Foreign exchange	December 31, 2022
Provision for guarantee liabilities	\$ 258,065	-	21,496	-	507	237,076
Provision for loan commitments	71,423	27,782	-	-	1,031	100,236
Indeterminate indemnity provisions	73,181	1,438	-	-	-	74,619
Provision for employee benefits	3,017,541	172,726	875,196	50,900		2,264,171
Total	<u>\$ 3,420,210</u>	201,946	896,692	50,900	1,538	2,676,102
	January 1, 2021	Increase	Decrease	Use	Foreign exchange	December 31, 2021
Provision for guarantee liabilities		Increase 39,802	Decrease	Use -	Ŭ	
Provision for guarantee liabilities Provision for loan commitments	2021		Decrease -	Use -	exchange	31, 2021
0	2021 \$ 218,351	39,802	Decrease - -	Use - -	exchange (88)	31, 2021 258,065
Provision for loan commitments	2021 \$ 218,351	39,802 18,896	Decrease - - - 327,408	Use _ _ 	exchange (88)	31, 2021 258,065 71,423

Please refer to Note 6(aa) for the information with regard to provision for employee benefits shown above.

#### (w) Lease liabilities

Lease liabilities as follows:

	December 31, 2022	December 31, 2021
Less than one year	\$ 387,320	334,838
More than one year	<u>\$ 852,599</u>	814,618

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,		
	2022	2021	
Interest on lease liabilities	<u>\$ 16,920</u>	17,864	
Expenses relating to short-term leases	<u>\$ 18,691</u>	14,471	
Expenses relating to leases of low-value assets, excluding short- term leases of low-value assets	<u>\$ 16,259</u>	16,631	

The amounts recognized in the statement of cash flows were as follows:

	For the years ended December 31,		
	2022 2021		
Total cash outflow for leases	\$ 455,378	449,743	

(i) Real estate leases

The Bank and subsidiaries leased buildings for its office space. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices. Some also require the Bank and subsidiaries to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined monthly.

(ii) Other leases

The Bank and subsidiaries leased machinery and transportation equipment with lease terms of one to four years. In some cases, the Bank and subsidiaries has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Bank and subsidiaries has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short term.

# (x) Other liabilities

	December 31, 2022	December 31, 2021
Advance interest receipts	\$ 6,396	2,019
Unearned revenue	315,153	267,493
Other advance receipts	62,411	59,965
Guarantee deposits received	3,372,775	1,268,228
Temporary receipts and suspense accounts	-	1,136,408
Others	6,347	6,260
Total	<u>\$ 3,763,082</u>	2,740,373

#### (y) Equity

#### (i) Common stock

As of December 31, 2022 and 2021, the Bank's authorized capital were \$100,000,000 and \$80,000,000, and the paid-in capital for common shares of the Bank were \$80,296,934 and \$77,431,952, the face value of each share is \$10. The outstanding shares were 8,029,693 and \$7,743,195 shares, respectively.

Pursuant to the resolution approved by the regular stockholders' meeting of the Bank on June 17, 2022, the Bank increased its capital from the retained earnings by \$2,864,982 and issued 286,498 shares. The capital increase has been approved by Financial Supervisory Commission and came into effect on July 12, 2022. The record date of the capital increase is set on August 8, 2022. The Bank has completed the alteration of the registered capital amount on August 26, 2022.

Pursuant to the resolution approved by the regular stockholders' meeting of the Bank on July 20, 2021, the Bank increased its capital from the retained earnings by \$2,546,118 and issued 254,611 shares. The capital increase has been approved by Financial Supervisory Commission and came into effect on August 24, 2021. The record date of the capital increase is set on September 14, 2021. The Bank has completed the alteration of the registered capital amount on October 6, 2021.

#### (ii) Capital surplus

Sources and statement of the Bank's capital surplus were as follows:

	December 31, 2022	December 31, 2021	
Additional paid-in capital	<u>\$ 815,900</u>	815,900	

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends based on the shareholder's initial number of shares. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Earnings distribution and dividend policy

Under the Bank's Articles of Incorporation, earnings are used initially to pay for income taxes and restore cumulative losses, and 30% of the remaining earnings is set aside as legal reserve. Special reserve is appropriated from or reversed to earnings per other regulations. The accumulated retained earnings from prior periods are added back as part of the distributable dividends, 30 to 100% of the aggregated retained earnings are available to be distributed and will be resolved by the annual stockholders' meeting according to the proposal submitted by the Board of Directors.

In order to continuously expand scale and increase profitability, the Bank based on the future capital budget plan, adopts residual dividend policy and primarily distributes stock dividend to ensure the capital is sufficient. When there is surplus of capital, the remaining capital can be distributed by cash dividend. Cash dividend shall not be lower than 10% of the total dividend distributed. If the cash dividend distributed per share is lower than NTD\$ 0.1, except for otherwise resolved by the shareholder's meeting, it is not

distributed. If there is any situation conforms to that is regulated in article 44 item 1 of the Banking Act of The Republic of China, the Bank is not allowed to distribute earnings by cash or purchase shares outstanding. The maximum cash earning distribution is not allowed to be over 15% of the total paid in capital unless the legal reserve reaches the total paid-in capital.

In compliance with the Company Act, if the Company incurs no loss, under the consent of the shareholder's meeting, the Company is allowed to distribute new shares or cash dividends from legal reserve to the extent that the legal reserve issued is the surplus exceeding 25% of the paid in capital.

Under the Ruling No. 1010012865 issued on April 6, 2012 by the FSC, special reserve is appropriated from retained earnings based on the equivalent amounts of the contra accounts in equity. This special reserve may not be distributed as dividends to stockholders until the balances of these contra accounts in equity are reversed.

The Bank resolved the earning distribution for the earnings of 2021 and 2020 in the shareholders'meeting on June 17, 2022 and July 20, 2021, respectively. The dividends distributed were as follows:

	For the years ended December 31,				
	2021		2020		
	Distribution rate (NT dollar)	Amount	Distribution rate (NT dollar)	Amount	
Dividends to common shareholders					
Stock dividends	\$ 0.37	2,864,982	0.34	2,546,118	
Cash dividends	0.10	774,320	0.10	748,858	
Total		<u>\$ 3,639,302</u>		3,294,976	

# (iv) Other equity interest

	Unrealized gains from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
January 1, 2022	\$ 4,113,485	(1,807,265)	2,306,220
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(4,729)	11,653	6,924
Investment in debt instruments measured at fair value through other comprehensive income			
-Unrealized amount	(8,545,652)	-	(8,545,652)
-Realized amount	(4,976)	-	(4,976)
Foreign currency translation difference – Exchange difference	-	1,197,779	1,197,779
Disposal of investments in equity instruments measured at fair value through other comprehensive income	1,270,030		1,270,030
December 31, 2022	<u>\$ (3,171,842</u> )	(597,833)	(3,769,675)
January 1, 2021	\$ 5,187,824	(1,476,771)	3,711,053
Share of other comprehensive income of associates and joint ventures accounted for using equity method	4,546	2,674	7,220
Investment in debt instruments measured at fair value through other comprehensive income			
-Unrealized amount	(740,789)	-	(740,789)
-Realized amount	(302,904)	-	(302,904)
Foreign currency translation difference – Exchange difference	-	(333,168)	(333,168)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	(35,192)		(35,192)
December 31, 2021	<u>\$ 4,113,485</u>	(1,807,265)	2,306,220

VI

# (z) Income taxes

(i) The income tax expenses were as follows:

	For the years ended December 31,		
	2022	2021	
Current tax expense			
Current period	\$ 2,129,073	726,360	
Adjustment for prior period	5,401	5,646	
	2,134,474	732,006	
Deferred tax expense (income)			
Origination and reversal of temporary differences	(216,534)	(30,072)	
Income tax expenses	<u>\$ 1,917,940</u>	701,934	

(ii) The income tax expenses (income) recognized under other comprehensive income were as follows:

	For the years ended December 31,		
	2022	2021	
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans	<u>\$ 111,419</u>	4,902	
	For the years ended December 31		
	2022	2021	
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign financial statements	\$ 302,357	(82,623)	
Losses on debt instruments at fair value through other comprehensive income	(30,000)	(15,291)	
	<u>\$ 272,357</u>	(97,914)	

The reconciliation between the income tax expense (income) and net income before tax of the Bank and subsidiaries for 2022 and 2021 is as follows:

	For the years end	led December 31,
	2022	2021
Income tax computed on net income before tax	\$ 2,406,771	1,175,280
Tax-free income	(669,128)	(562,252)
Overseas branch income tax expenses	152,074	48,932
Current-year losses for which no deferred tax asset was recognized	20,396	(6,378)
Change in unrecognized temporary differences	-	(223)
Underestimate (Overestimate) prior income tax expense	5,401	5,646
Surtax on unappropriated retained earnings	1,297	865
Income basic tax	-	1,416
Other	1,129	38,648
Income tax expense	<u>\$ 1,917,940</u>	701,934

			For the yea	ar ended Decemb	er 31, 2022	
		eginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Others	Ending balance
Temporary difference						
Deferred tax assets resulted from allowance for bad debts exceeding the limit regulated in Tax Law	\$	774,187	260,349	-	35	1,034,571
Loss on assets impairment		21,710	(2,338)	-	-	19,372
Reserve for employee benefit liabilities		374,995	(42,836)	-	-	332,159
Land value increment tax		(879,056)	-	-	-	(879,056)
Exchange differences from the translation of financial statements of foreign operations		451,814	-	(302,357)	-	149,457
Unrealized loss on valuation of financial assets measured at fair value through other comprehensive income		(7,234)	-	30,000	-	22,766
Actuarial gains and losses		311,474	-	(111,419)	-	200,055
Indeterminate indemnity provisions		14,636	287	-	-	14,923
Other		267	(6)		4	265
Subtotal		1,062,793	215,456	(383,776)	39	894,512
Losses carried forward		2,553	1,078			3,631
Net deferred tax assets (liabilities)	\$	1,065,346	216,534	(383,776)	39	898,143
The information stated on the balance sh	eet is	as follows:				
Deferred tax assets	\$	1,951,636				1,777,199
Deferred tax liabilities	\$	886,290				879,056

(iii) Changes in deferred tax assets and liabilities of the Bank and subsidiaries are as follows:

			For the year	ar ended Decemb	er 31, 2021	
		eginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Others	Ending balance
Temporary difference						
Deferred tax assets resulted from allowance for bad debts exceeding the limit regulated in Tax Law	\$	704,768	69,411	-	8	774,187
Loss on assets impairment		57,058	(35,348)	-	-	21,710
Reserve for employee benefit liabilities		393,422	(18,427)	-	-	374,995
Land value increment tax		(879,056)	-	-	-	(879,056)
Exchange differences from the translation of financial statements of foreign operations		369,191	-	82,623	-	451,814
Unrealized loss on valuation of financial assets measured at fair value through other comprehensive income		(22,525)	-	15,291	-	(7,234)
Actuarial gains and losses		316,376	-	(4,902)	-	311,474
Indeterminate indemnity provisions		-	14,636	-	-	14,636
Other		225	42			267
Subtotal		939,459	30,314	93,012	8	1,062,793
Losses carried forward		2,795	(242)			2,553
Net deferred tax assets (liabilities)	\$	942,254	30,072	93,012	8	1,065,346
The information stated on the balance sh	eet is	as follows:				
Deferred tax assets	\$	1,843,835				1,951,636
Deferred tax liabilities	\$	901,581				886,290

VI

151

(iv) Uncertainty over income tax treatments

For tax returns that have not yet been assessed, the Bank and subsidiaries has assessed relevant factors, including relevant IFRIC interpretations and historical experience, and believe that sufficient income tax liabilities have been estimated.

- (v) The Bank's income tax returns through 2017 and 2019 have been assessed by the Tax Authority.
- (vi) The income tax returns of the subsidiaries TBB Venture Capital Co., Ltd., and TBB International Leasing Co., Ltd. have been assessed until 2020 by the Tax Authority.

#### (aa) Provision for employee benefit

As of December 31, 2022 and 2021, the balance of provision for employee benefit of the Bank and subsidiaries was as follows:

	December 31, 2022	December 31, 2021
Defined benefit plan	\$ 1,211,918	1,966,215
Employee deposits with favorable rate	1,052,253	1,051,326
	<u>\$ 2,264,171</u>	3,017,541

#### (i) Defined benefit plan

Reconciliation of defined benefit obligation and plan assets at fair value of the Bank and subsidiaries as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ 6,156,019	6,870,061
Fair value of plan assets	(4,944,101)	(4,903,846)
Net defined benefit liabilities	<u>\$ 1,211,918</u>	1,966,215

The Bank and subsidiaries makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labour Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

Acording to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Bank of Taiwan labour pension reserve account balance for the Bank and subsidiaries amounted to \$4,944,101 and \$4,903,846 on December 31, 2022 and 2021. For information on the utilisation of the labour pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labour Fund, Ministry of Labor.

2) Movements in the present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations of the Bank and subsidiaries were as follows:

	For the years ended December 31,		
	2022	2021	
Defined benefit obligation on January 1	\$ 6,870,061	7,217,819	
Current service and interest cost	191,252	197,748	
Remeasurements of the net defined benefit liability			
<ul> <li>Actuarial loss on experience adjustment</li> </ul>	443,097	(21,266)	
-Actuarial loss on demographic assumptions changed	-	126,343	
-Actuarial loss on financial assumptions changed	(593,737	) (53,470)	
Benefits paid	(754,654	) (597,113)	
Defined benefit obligation at December 31	\$ 6,156,019	6,870,061	

3) Movements of defined benefit plan assets

The movements in the fair value of defined benefit plan assets of the Bank and subsidiaries were as follows:

		For the years ended December 31,		
		2022	2021	
Fair value of plan assets on Junuary 1	\$	4,903,846	5,027,251	
Interest income		19,453	14,921	
Remeasurements of the net defined benefit liability				
<ul> <li>plan assets revenue (excluded of current interest)</li> </ul>		406,458	76,119	
Contributions made		368,998	382,668	
Benefits paid	_	(754,654)	(597,113)	
Fair value of plan assets on December 31	\$	4,944,101	4,903,846	

#### 4) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Bank and subsidiaries were as follows :

	For the years ended December 31,			
		2022	2021	
Current service costs	\$	164,454	176,661	
Net interest of the net liability of define benefit obligations		7,345	6,166	
	\$	171,799	182,827	

5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

Remeasurements of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,			
		2022	2021	
Amount on January 1	\$	1,557,373	1,581,885	
Recognized during the period		(557,098)	(24,512)	
Amount on December 31	<u>\$</u>	1,000,275	1,557,373	

#### 6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follow :

	December 31, 2022	December 31, 2021
Discount rate	1.70%	0.40%
Future salary increase rate	1.50%	1.50%

The expected allocation payment made by the Bank and subsidiaries to the defined benefit plans for the one-year after the reporting date is \$245,000.

The weighted average lifetime of the defined benefit plans is 7 years.

7) Sensitivity analysis

The effects of changes in major actuarial assumptions adopted in defined benefit obligation on December 31, 2022 and 2021 were as follows :

	Influence of defined benefit plan obligation		
	Increase 0.25%	Decrease 0.25%	
December 31, 2022			
Discount rate(Change 0.25%)	(1.70)%	1.74 %	
Future salary increase rate(Change 0.25%)	1.67 %	(1.64)%	
December 31, 2021			
Discount rate(Change 0.25%)	(1.90)%	1.96 %	
Future salary increase rate(Change 0.25%)	1.87 %	(1.82)%	

FINANCIAL STATUS

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plan

The Bank and subsidiaries allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Bank and subsidiaries allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation. Employees based abroad are contributed in accordance with the local government's regulations.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance, oversea branches, and local authorities responsible for the Bank's subsidiaries amounted to \$170,382 and \$157,330 for the years ended December 31, 2022 and 2021, respectively.

#### (iii) Employee deposit with favorable rate

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ 1,052,253	1,051,326
Fair value of plan assets	<u> </u>	
Net defined benefit liability	<u>\$ 1,052,253</u>	1,051,326

The Bank and subsidiaries conducted the obligation of time deposit with favorable rate for retired and current employees based on the internal regulation "Saving Deposits for Employees".

#### 1) Movements in the present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations of the Bank and subsidiaries for the years ended December 31, 2022 and 2021, were as follows:

	For the years ended December 31,		
	2022		2021
Defined benefit obligation on January 1	\$	1,051,326	931,667
Interest cost		39,953	35,363
Remeasurements of the net defined benefit liability			
-current actuarial gains and losses		175,487	290,695
Benefits paid by the plan		(214,513)	(206,399)
Defined benefit obligation on December 31	\$	1,052,253	1,051,326

#### 2) Movements in fair value of the defined benefit plan assets

The movements in the present value of the defined plan assets of the Bank and subsidiaries were as follows:

	For the years ended December 31,		
	2022	2021	
Fair value of plan assets on January 1	\$-	-	
Contributions made	214,513	206,399	
Benefits paid by the plan	(214,513)	(206,399)	
Fair value of plan assets on December 31	<u>\$</u>		

#### 3) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Bank were as follows :

	For the years ended December 31,		
	2022	2021	
Net interest on the net defined benefit liability	<u>\$ 215,440</u>	326,058	

#### 4) Actuarial assumption

The material actuarial assumptions used to determine present value of a defined benefit obligation on the reporting date were as follow :

	December 31, 2022	December 31, 2021
Discount rate of employee deposit with favorable rate	4.00%	4.00%
Rate of return for capital deposited	2.00%	2.00%
Annual diminishing rate of account balance	1.00%	1.00%
Possibility that employee deposit with favorable rate be modified	50.00%	50.00%

#### (ab) Earnings per share

	For the years ended December 31,	
	2022	2021
Net income	\$ 10,121,852	5,100,112
Weighted average number of common stock shares outstanding (in thousands) (Note 1)	8,029,693	8,029,693
Basic earnings per shares (in dollars)	<u>\$ 1.26</u>	0.64
Dilutive potential common shares (in thousands) (Note 1,2)	34,862	38,869
Weighted average number of shares outstanding for diluted EPS (in thousands)	8,064,555	8,068,562
Diluted earnings per shares (in dollars)	<u>\$ 1.26</u>	0.63

Note 1: The earnings per share for the ysar ended December 31, 2021 has applied retrospective adjustments. Note 2: The shares were calculated based on the stock price on the balance sheet date.

#### (ac) Employees and directors' remuneration

In accordance with the articles of incorporation the Bank should contribute 1% to 6% of the profit as employee compensation and less than 0.6% as directors' remuneration when there is profit for the year. However, if the Bank has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2022 and 2021, the estimated employee remuneration were \$451,457 and \$371,068, and the estimated directors' remuneration were \$75,243 and \$37,107, the estimates are based on pre-tax net profit for the period, before deducting employees and directors' remuneration, multiplied by the elaboration of the Bank's Articles of Association of employees and the directors remuneration ratio, and recognized as operating cost. If the board's meeting decides to release stock dividends as employees' bonuses, the total number of employees bonus stocks to be issued shall be determined by the common stock closing price of the day before the meeting date.

There is no difference with actual distribution for 2021 remuneration. The information is available at the Market Observation Post System website.

# (ad) Net interest revenue

	For the years ended December 31,		
	2022	2021	
Interest income:			
Loans	\$ 8,053,024	4,963,356	
Secured loans	19,220,653	15,150,729	
Bills negotiated	4,181	2,025	
Bank overdrafts	14,266	12,544	
Discounts	17,116	9,007	
Time deposit from Central Bank	1,218,788	612,953	
Due from the Central Bank	201,563	90,494	
Call loans to banks	1,260,539	565,684	
Bonds	2,603,937	2,084,103	
International credit card	35,527	38,908	
Overdue loans	211,415	189,008	
Bills	28,950	26,134	
Due from Banks	111,158	179,706	
Others	318,985	246,096	
Subtotal	33,300,102	24,170,747	
Interest expense:			
Deposits	11,295,463	5,277,005	
Deposits from banks	1,489	13,220	
Call loans from banks	890,231	102,288	
Financial debentures	759,937	895,377	
Notes and bond issued under repurchase agreement	9,358	4,327	
Others	115,651	72,754	
Subtotal	13,072,129	6,364,971	
Total	\$ 20,227,973	17,805,776	

# (ae) Net service fee revenue

	F	For the years ended December 31,	
		2022	2021
Service fee income:			
Remittance service fee	\$	64,477	64,862
Import bills negotiated service fee		45,635	46,243
Export bills negotiated service fee		12,653	13,648
Letter of credit service fee		8,887	8,005
Certification service fee		1,482	1,431
Acceptance service fee		1,677	1,680
Trust service fee		595,144	1,084,528
Guarantee service fee		242,678	236,828
Agency service fee		34,481	35,662
Interbank service fee		108,774	93,684
Card service fee		113,297	118,074
Commission revenue of insurance premium		1,535,440	803,334
Custodian service fee		197,542	207,389
Foreign currency service fee		85,707	93,053

# 156

	For the years ended December 31,	
	2022	2021
Commission of futures	\$ 2,939	3,867
Loan service fee	852,045	729,484
Miscellaneous fees	429,965	142,322
Subtotal	4,332,823	3,684,094
Service fee expense:		
Foreign currency service fee	29,427	25,008
Interbank service fee	178,644	154,805
Trust service fee	857	813
Agency service fee	1,567	1,508
IC card service fee	66,106	62,665
Check clearing service fee	8,877	9,275
Remittance service fee	5,404	5,180
Custodian service fee	58,378	60,407
Call loans service fee	9,029	10,164
Futures option fee	43	10
Miscellaneous fees	22,599	20,060
Subtotal	380,931	349,895
Total	<u>\$ 3,951,892</u>	3,334,199

(af) Gain on financial assets or liabilities measured at fair value through profit or loss

	For the years	For the years ended December 31,		
	2022	2021		
Valuation gains (losses):				
Corporate bonds	\$ (5,63	6) 4,685		
Financial debentures	(546,92	7) (381,752)		
Listed stocks and emerging stocks	197,91	0 117,147		
Unlisted stocks	69,47	2 (29,807)		
Beneficiary certificates	(6,43	7) (11,477)		
Private fund	(3	9) 4,120		
Commercial paper	10,79	0 3,173		
Derivative financial instruments	193,96	6 (12,459)		
Subtotal	(86,90	1) (306,370)		
Disposal gains (losses):				
Corporate bonds	6,43	7 29,074		
Financial debentures	(4,09	8) (1,349)		
Listed stocks and emerging stocks	(40,24	1) (11,282)		
Unlisted stocks	(27	0) 4,678		
Beneficiary certificates	(21,73	4) 22,711		
Commercial paper	(2,57	(7,398)		
Derivative financial instruments	1,463,64	4 843,655		
Subtotal	1,401,16	4 880,089		
Dividend revenue	16,65	4 7,226		
Interest income	209,32	1 86,704		
Total	\$ 1,540,23	8667,649		

VI

# (ag) Realized gain on financial assets at fair value through other comprehensive income

		For the years ended December 31,		
		2022	2021	
Gain on disposal of government bonds	\$	4,480	247,087	
Gain on disposal of corporate bonds		666	25,167	
Gain (loss) on disposal of financial debentures		(170)	30,650	
Dividend revenue		1,457,705	885,010	
Total	\$	1,462,681	1,187,914	

# (ah) (Impairment losses on assets) reversal of impairment loss on assets

	For the years ended December 31,		
	2022	2021	
Investment in debt instrument measured at fair value through other comprehensive income	\$ (1,521)	(21,599)	
Investment in debt instrument measured at amortized cost	13,210	(11,661)	
Total	<u>\$ 11,689</u>	(33,260)	

# (ai) Share of profit of associates and joint ventures accounted for using equity method

	For the years ended December 31,	
	2022	2021
Investment income - Media Talk Consulting Co., Ltd.	<u>\$ (1,192</u> )	

# (aj) Net other revenue other than interest income

	For the years ended December 31,			
		2022	2021	
Rental revenue of operating assets	\$	9,360	7,557	
Rental expense of operating assets		(1,796)	(1,605)	
Loss on disposal and retirement of property and equipment		(925)	(1,193)	
Loss of account error		(163)	(350)	
Gold deposit book		2,536	2,630	
Other operating expense		(40,650)	(122,396)	
Other miscellaneous income		115,327	284,244	
Total	\$	83,689	168,887	

# (ak) Bad debts expenses, commitment and guarantee liability provision

		For the years ended <b>D</b>	December 31,
	2022		2021
Discounted and loans	\$	2,419,063	5,153,489
Call loans to banks		384	(2,938)
Due from banks, debit		904	1,466
Receivables and other financial assets		(40,575)	(23,212)
Subtotal		2,379,776	5,128,805
Provisions for guarantee liabilities		(21,496)	39,802
Provisions for loan commitments		27,782	18,896
Total	<u>\$</u>	2,386,062	5,187,503

# (al) Employee benefits expenses

	For the years ended December 31,		
		2022	2021
Salary expense	\$	7,285,860	6,775,909
Labor and health insurance		532,682	515,332
Pension expense		341,576	339,402
Directors' remuneration		92,949	51,411
Other employee benefits		622,625	739,581
Total	\$	8,875,692	8,421,635

# (am) Depreciation and amortization expense

		For the years end	ed December 31,
		2022	2021
Depreciation			
Property and equipment	\$	569,994	464,207
Right-of-use assets		410,789	405,789
Amortization			
Computer software		249,046	171,002
Other deferred charges		47	33
Total	<u>\$</u>	1,229,876	1,041,031

#### (an) Other general and administrative expense

	For the years ended December 31,		
	2022	2021	
Compensation loss	\$ 42	59	
Utilities fee	90,142	90,737	
Postage and telecommunication fee	249,164	244,180	
Transportation fee	32,015	22,700	
Printing and advertisement fee	215,431	201,971	
Repair and maintenance fee	261,268	249,470	
Insurance fee	378,827	331,254	
Professional service fee	264,061	249,997	
Materials and supplies	126,728	170,033	
Rental expenses	34,950	31,102	
Duties and levies	1,566,727	1,239,589	
Membership, donation and partaking	591,647	642,598	
Storage, packing and processing fee	45,955	49,429	
Cash transit fee	65,098	63,742	
Others	75,646	66,948	
Total	<u>\$ 3,997,701</u>	3,653,809	

# (ao) Financial Instruments

- (i) Fair value information
  - 1) General description

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The financial instruments are record as fair value when original recognizing, usually refer to the transaction price in many circumstances. Except some amortized cost financial instruments, the financial instruments are measured in fair value. A quoted market price in an active market provides

the most reliable evidence of fair value. If financial instruments are without active market, the Bank and subsidiaries adopted the value technique, refer to Bloomberg, Reuters or the price at which the asset could be bought or sold in a current transaction between willing parties.

- 2) The definition of fair value hierarchy
  - a) Level 1

The input of this level is quoted prices in active markets for identical financial instruments. The active market is a market in which transactions for the homogenous assets or liabilities take place with sufficient frequency and volume to provide pricing information. The stock of listed company and the beneficiary certificates, government bonds and the derivative financial instruments with public quote inactive market processed by the Bank and subsidiaries belong to Level 1.

b) Level 2

The input of this level is other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The investments with lower trade volume such as government bonds, corporate bonds, financial debentures, convertible corporate bonds and derivative instruments, including financial debentures the Bank and subsidiaries issued are belong to Level 2.

c) Level 3

The input is unobservable for the asset or liability in market or counterparty prices. Unobservable inputs like: Option pricing model using the historical volatility. Because the historical volatility cannot represent the future volatility expected value of whole market participants. The input parameter used to measure the fair value of this level is not based on data that can be obtained in the market but using a combination of complex market prices to estimate their values. The assets have been categorized as a Level 3, due to their fair market value cannot be directly calculated. The equity instruments with no active market which the Bank and subsidiaries invested are Level 3.

#### 3) Based on fair value measurement

a) The fair value hierarchy of information

The financial instruments which are record as fair value measure on an ongoing basis, the fair value hierarchy of information were as follows:

	December 31, 2022						
Assets and Liabilities	Total	Level 1	Level 2	Level 3			
Instruments measured at fair value on a recurring basis							
Non-derivative financial assets and liabilities:							
Financial assets at fair value through profit or loss							
Financial assets at fair value through profit or loss, mandatorily measure at fair value							
Security Investments	\$ 1,224,267	752,713	-	471,554			
Bond Investments	200,000	-	200,000	-			
Others	31,322,180	250,691	30,907,810	163,679			
Financial assets at fair value through other comprehensive income							
Security Investments	18,014,397	12,676,936	-	5,337,461			
Bond Investments	141,840,231	91,536,068	50,304,163	-			
Others	145,782	145,782	-	-			
Financial liabilities at fair value through profit or loss							
Financial liabilities designated at fair value through profit or loss	9,367,595	-	9,367,595	-			
Derivative financial assets and liabilities							
Assets:							
Financial assets at fair value through profit or loss	1,166,667	26,860	1,139,807	-			
Liabilities:							
Financial liabilities at fair value through profit or loss	557,930	-	557,930	-			

		Decembe	r 31, 2021	
Assets and Liabilities	Total	Level 1	Level 2	Level 3
Instruments measured at fair value on a recurring basis				
Non-derivative financial assets and liabilities:				
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss, mandatorily measure at fair value				
Security Investments	\$ 850,338	474,025	-	376,313
Bond Investments	556,140	276,910	279,230	-
Others	38,711,287	1,563,675	37,015,444	132,168
Financial assets at fair value through other comprehensive income				
Security Investments	21,388,935	16,414,356	-	4,974,579
Bond Investments	135,994,230	86,780,365	49,213,865	-
Others	149,897	149,897	-	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	8,293,730	-	8,293,730	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	552,636	28,745	523,891	-
Liabilities:				
Financial liabilities at fair value through profit or loss	142,307	-	142,307	-

b) Valuation techniques used in estimating the fair values of financial instruments

If the financial instruments have quoted price in an active market, the quoted price is regarded as its fair value.

If the financial instruments of quoted price, which are from the Stock Exchange, Brokers, Pricing service agencies or Government institutions, are timely and frequently, and reflects the actual price, then the financial instruments have a quoted price in an active market. If the above conditions are not fulfilled, the market is inactive.

Except for the above financial instruments of quoted price in an active market, there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique that refers to quoted prices considered the identical financial instrument with same characteristics and essential terms of transaction, Discounted-Cash-Flow model and other valuation techniques including the model using market information to be made of the calculation at the balance sheet date (e.g. Taipei Exchange reference yield curve, Reuters quoted the average commercial paper rate, the Taipei Financial industry call loan rate fixing TAIBOR).

The financial asset's fair value is estimated on the basis of the result of a valuation technique, the Bank and subsidiaries adopted that refers to quoted prices provided by financial institutions. Ask (bid) is used to evaluate the selling (buying) position by the Bank and subsidiaries if the quoted price include ask and bid price. If there is not a quoted price for the financial asset, transaction price close to the balance sheet date is the fair value.

Fair value of financial derivatives is the amount of cash to be paid or to be received by the Bank and subsidiaries, assuming that the contract will be terminated on the balance sheet date. The Bank and subsidiaries adopts mark-to-model prices which are usually adopted among the banking industry, such as Discounted-Cash-Flow model and Black-Scholes model. The Bank and subsidiaries adopts the price data from Reuters and Bloomberg to calculate the fair value of the holding position. The aforesaid price data is based upon the middle price and used consistently by the Bank. Furthermore, the fair value of the embedded financial derivatives is calculated based upon the quote from the counterparty, and separately calculated in accordance

VI

with the contracts.

- c) Adjustment for fair value
  - i) The restraint of evaluation model and uncertain inputs

The estimates of output-based value using the evaluation model, which may not reflect the Bank's all related factors. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to the extra parameters such as model risk or liquidity risk. Information and price parameters used in the evaluation process after careful assessment, and appropriately adjusted according to the current market situation.

ii) Credit risk value adjustment

The Bank and subsidiaries' credit risk value adjustment of OTC transaction derivative instruments can be divided to Credit value adjustments (CVA) and debit value adjustments (DVA). To reflect the fair value of the counterparty or the default, and the Bank and subsidiaries may not be received or paid full market value of trading possibilities.

The Bank and subsidiaries would calculate credit valuation adjustment (CVA) by assessing probability of default (PD) and loss given default (LGD) of the counterparty before multiplying exposure at default (EAD) of the counterparty. On the contrary, debit valuation adjustment (DVA).

The Bank and subsidiaries assesses the probability of default on the assumption of 60%, but at the risk of the nature and circumstances of available data, we may use other loss given default assumptions.

d) Transfers between Level 1 and Level 2

There were no transfers between Level 1 and 2 for the years ended December 31, 2022 and 2021.

e) Changes in financial assets which were classified to Level 3 based on fair value measurement

#### Changes of financial assets categorized in Level 3:

			For th	e year ended	December 31,	2022		
	Valuatio		Valuation profit and loss Increase		ease	Decr		
Name	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income		Transfer into Level 3	Sale Disposition or Settlement	Transfer out from Level 3 (Note)	Ending balance
Financial assets at fair value through profit or loss	\$ 508,48	69,433	-	245,059	-	94,256	93,484	635,233
Investments in equity instruments measured at fair value through other comprehensive income	4,974,579	-	362,882	-	-	-	-	5,337,461

			For th	ie year ended	December 31,	2021		
		Valuation p	profit and loss	Incr	ease	Decr	ease	
Name	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transfer into Level 3	Sale Disposition or Settlement	Transfer out from Level 3 (Note)	Ending balance
Financial assets at fair value through profit or loss	\$ 415,118	(23,356)	-	198,478	-	25,330	56,429	508,481
Investments in equity instruments measured at fair value through other comprehensive income	4,478,071	-	469,444	27,064	-	-	-	4,974,579

Note: The invested stock is registered in the energing market. Therefore, the measurement of fair value was transferred out from Level 3.

# FINANCIAL STATUS

# f) Profit and loss information of Level 3

Current gain (loss) and other comprehensive income of holding assets are as follow:

	For the years end	led Dec	cember 31,
	2022		2021
Recognized on profit and loss (reported as unrealized gain (loss) from investments instruments measured at fair value through profit and loss)	\$ 69,686	\$	(23,356)
Recognized on other comprehensive income (reported as unrealized gain (loss) from investments instruments measured at fair value through other comprehensive	362,882		469,444
income)			

g) Quantified information of the fair value measurement of significant unobservable inputs (Level 3)

The Bank and subsidiaries' financial instruments that use Level 3 inputs to measure fair value include financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. Without active market quotation, the Bank and subsidiaries takes professional financial information vendors and widely used by market participants for evaluation or counterparty quotation as reference. The unobservable inputs are as follows :

			December	31, 2022	
	fair value	valuation methods	significant unobservable inputs	range	inter-relationship between significant unobservable inputs and fair value measurement
Financial asset at fair value through profit or loss					
Private fund	\$ 163,679	assets approach	liquidity discount	0.00%~10.00%	The higher market liquidity discount, the lower fair value.
Unlisted stocks	471,554	market approach	liquidity discount	0.00%~36.67%	The higher market liquidity discount, the lower fair value.
Financial assets at fair value through other comprehensive income					
Unlisted stocks	5,337,461	market approach assets approach	liquidity discount	8.62%~29.95%	The higher market liquidity discount, the lower fair value.
		income approach	sustainable growth rate	0.00%~1.55%	The higher sustainable growth rate, the higher fair value.
		income approach	cost of equity	10.69%~12.68%	The higher rate of cost of equity, the lower fair value.
			December	31, 2021	
			significant		inter-relationship between significant unobservable inputs and fair value
Financial assets at fair value through profit or loss	fair value	valuation methods	unobservable inputs	range	measurement
Private fund	\$ 132,168	assets approach	liquidity discount	0.00%~10.00%	The higher market liquidity discount, the lower fair value.
Unlisted stocks	376,313	market approach	liquidity discount	0.00%~34.69%	The higher market liquidity discount, the lower fair value.
Unlisted stocks Financial assets at fair value through other comprehensive income	376,313	market approach	liquidity discount	0.00%~34.69%	
Financial assets at fair value through other comprehensive	376,313 4,974,579	market approach market approach assets approach	liquidity discount	0.00%~34.69% 8.71%~34.60%	
Financial assets at fair value through other comprehensive income		market approach			lower fair value. The higher market liquidity discount, the

h) Sensitivity analysis of reasonably possible alternative assumptions for fair value measurement in Level 3.

Valuation techniques used by the Bank and subsidiaries for fair value measurements of financial instruments are appropriate. However, the use of different valuation models or inputs could lead to different outcomes of fair value measurements. The following are the impact on the other comprehensive profit and loss if using different assumptions:

# i) Assets approach/ Market approach

The evaluation methods of Level 3 financial instruments of the Bank and subsidiaries are mainly based on the market approach or the assets approach. If the liquidity discount changes by 5% upwards or downwards, the impact on the other comprehensive profit and loss is as follows:

	the e	effects to the net comprehens	t income and other ive income
	Favorable changes (-5%)		Unfavorable changes (5%)
December 31, 2022			
Financial assets at fair value through profit or loss			
Unlisted stocks and private fund	\$	36,225	(36,225)
Financial assets at fair value through other comprehensive income			
Unlisted stocks		309,605	(309,605)
	the e	effects to the net comprehensi	t income and other ive income
	Fa		
December 31, 2021	Fa	comprehens avorable	ive income Unfavorable
December 31, 2021 Financial assets at fair value through profit or loss	Fa	comprehens avorable	ive income Unfavorable
	Fa	comprehens avorable	ive income Unfavorable
Financial assets at fair value through profit or loss	Fa	comprehens avorable nges (-5%)	ive income Unfavorable changes (5%)

# ii) Income approach

Adopting the income approach to evaluate Level 3 financial instruments of the Bank and subsidiaries. The evaluation parameters are divided into sustainable growth rate and cost of equity capital. The effects of the two evaluation parameters on the other comprehensive profit and loss are as follows:

	the effects to other comprehensive inc						
		vorable ges (0.3%)	Unfavorable changes (-0.3%)				
December 31, 2022							
Financial assets at fair value through other comprehensive income							
Unlisted stocks	\$	2,975	(2,781)				
		the effects to other comprehensive incon					
	the effe	cts to other co	mprehensive income				
	Fa	cts to other co vorable ges (0.3%)	mprehensive income Unfavorable changes (-0.3%)				
December 31, 2021	Fa	vorable	Unfavorable				
December 31, 2021 Financial assets at fair value through other comprehensive income	Fa	vorable	Unfavorable				

1. sustainable growth rate

# 2. cost of equity

	the effects to other o	comprehensive income				
	Favorable changes (-3%)	Unfavorable changes (3%)				
December 31, 2022						
Financial assets at fair value through other comprehensive income						
Unlisted stocks	\$ 61,250	(30,146)				
	the effects to other comprehensive incom					
	the effects to other o	omprehensive income				
	the effects to other of Favorable changes (-3%)	comprehensive income Unfavorable changes (3%)				
December 31, 2021	Favorable	Unfavorable				
December 31, 2021 Financial assets at fair value through other comprehensive income	Favorable	Unfavorable				

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

#### 4) Not based on fair value measurement

a) Fair value information

The following chart presents the financial instruments not based on fair value measurement of the Bank and subsidiaries. Except those items, others' fair value is reasonably approximate value, the Bank and subsidiaries does not disclosure their fair value.

	Decembe	r 31, 2022	
	Book value	Fair value	
Debt instruments measured at amortized cost	\$ 236,774,247	236,657,427	
	Decembe	r 31, 2021	
	Book value	Fair value	
Debt instruments measured at amortized cost	\$ 279.035.906	279.993.077	

#### b) The fair value hierarchy of information

	December 31, 2022								
Assets and Liabilities	Total	Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)					
Debt instruments measured at amortized cost	\$ 236,657,427	31,336,817	205,320,610						
		Decembe	r 31, 2021						
Assets and Liabilities	Total	Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)					
Debt instruments measured at amortized cost	\$ 279,993,077	33,068,000	246,925,077						

#### c) Valuation techniques

Methods and assumptions used by the Bank and subsidiaries for fair value evaluation of financial instruments were as follows:

- i) Cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under resell agreements, receivables, overdue receivables, exchange bills negotiated guarantee deposits paid, temporary payments and suspense accounts, proceeds of settlement and credit transaction, deposits from Central Bank and other banks, securities sold under repurchase agreements, payables, other financial liabilities, guarantee deposits received and temporary receipts and suspense accounts: since these instruments have short maturities, the book value is adopted as a reasonable basis in estimating the fair value.
- ii) Discounts and loans (including non-performing loans): the interest rate of bank loans, dependent on the benchmark interest rate which plus or minus the input value (i.e. motorized interest rate), said market rates, therefore, the book value of financial assets is equivalent to their fair value. Among the case of fixed interest rate, the estimated fair value of long-term loans using the discounted value of its expected cash flows, but this is minority, so the book value of financial assets is equivalent to their fair value.
- iii) Investment in debt instruments at amortized cost: the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique.
  - 1. Central Government Securities (NTD): using the comment of "Bonds a fair price for each of times" from Taipei Exchange.
  - 2. Corporate bonds and bank debentures (NTD): the present value or fair price of Taipei Exchange determined using the future cash flow of yield curve discounting evaluation.

- d) Deposits and remittance: to determine the fair value, considered Banking industry characteristics, the market interest rates (i.e. market price) is the fair value. And deposits are mostly due within one year, the carrying amounts is the fair value of reasonable basis. The fixed interest rate of long-term deposits should be estimated by the discounted value of its expected cash flows at fair value, and its maturity date no longer than three years, so its estimated fair value of the carrying amount is considered reasonable.
- e) Bank debentures payable: The bank debentures payable, issued by the Bank and subsidiaries, whose stated rate was equal the effective rate, using discounted cash flow projections to estimate the fair value, equivalent to its book value.

#### (ap) Financial Risk Information

#### (i) General description

The goal of the financial risk management of the Bank is to effectively diversify, transfer and avoid risks by taking customer service, financial business operating target, overall risk tolerance and external limitation of laws into consideration and provide benefit to customers, shareholders and employees.

The Bank's Financial Risk Management policy is to establish a risk management mechanism in terms of risk identification, risk measurement, risk monitoring, and risk control and to construct the overall risk management system. It is to facilitate the business model with appropriate risk management and to control the rationality between risks and rewards under the premise of legal capital ratio in order to achieve operating targets and increase the value of the Bank for the shareholders. The scope covers the management of credit risk, market risk, operation risk, banking book interest rate risk, capital liquidity risk, and capital adequacy.

- (ii) Risk management organization structure
  - 1) Risk Management Committee

The chairperson of the Risk Management Committee is appointed by the president. The chairpersons include general manager, deputy general manager of the non-regulatory compliance in head office and department directors of head office (excluding the director of audit department in the Board). This Committee is set up for the purpose of establishing a sound risk management system, strengthening risk management and the implementation of the Bank's risk management and monitoring. The meeting will be held once a month in principle. The meeting can be held by the chairman of the Committee when it necessary. The duties are as follows:

- a) Conduct Analysis and response project when significant domestic and foreign economic, financial and industrial risk management occur.
- b) Risk management report of various risk exposure and agenda processing.
- c) The processing of examination of the risk management relevant policy of the Bank and limitations, management indices and the response project when the risk exceeds the limitations.
- d) Supervise the Bank and subsidiaries' capital adequacy management.
- e) Conduct or supervise the issues that have to report to Risk Management Committee according to the regulations drawn by the competent authority at home and abroad.
- f) Conduct or supervise other risk management related issues.

Risk Management Department is the assistant unit of the Risk Management Committee. The responsibility of the Risk Management Department is to execute preparing sittings agenda, convening sittings, agenda processing, taking meeting minutes and tracking resolution and regularly report the important resolution and various risk exposure to the board of (executive) directors.

2) Assets and Liabilities Management Committee

The chairperson of the Assets and Liabilities Management Committee is the general manager, and the members are formed by the vice assistant general manager and the department heads of deposit, loan, financial transaction, capital deployment and risk management units. The responsibility of the Assets and Liabilities Management Committee is to monitor and manage the banking book interest rate risk

# 166

and capital liquidity risk and convenes meetings regularly, to approve the analyzing and measurement methods of the capital liquidity risk and banking book interest rate risk exposure, to examine the capital liquidity risk and banking book interest rate risk management policy as well as the relevant limitations and management indices, to receive interest rate risk and capital liquidity risk exposure reports and adjust the assets and liabilities interest rate duration structure and capital maturity structure.

3) Credit Examination Committee

The convener of the Credit Examination Committee is the assistant general manager supervising Risk Management Center. The Committee in principle convenes weekly to examine the modification and establishment of the regulations (including main points, measures and procedures) for significant loans, foreign exchange and guarantee cases.

4) Overdue Loans Clearing Committee

The convener of the Overdue Loans Clearing Committee is the supervising vice president. The convener holds meetings as needed to discuss measures on reducing non-performing loans and approaches to handle overdue loans.

5) Cyber Security Management Committee

The Cyber Security Management Committee is convened by the supervising vice president who oversees the implementation and coordination of the Bank's cyber security policies. The committee holds meetings as needed to examine matters related to cyber security.

- (iii) Credit risk
  - 1) Source and definition of credit risk

Credit risk refers to the default risk resulted from the inability to fulfill the contract obligations due to deteriorating financial status of trade counterparties, pessimistic external economic situation or other factors. The primary source of the credit risk of the Bank is the loan business, such as loans of various terms, guarantees and letters of credit, loan commitments, etc., in addition, other sources of credit risk include call loans from banks, securities investments, derivative financial instrument transactions, etc.

2) Credit risk management policy

In order to control the credit risk to a tolerable scope, the Bank continuously conduct below operations:

- Fully understand the credit status and ratings of loan customers and trade counterparties as well as the purposes and payments of loans.
- b) Prudently evaluates the credit risk status of loan customers and trade counterparties and consider the adequacy of collaterals and guarantees to assess risk and profit.
- c) Establish credit rating mechanism for loan customers or apply the ratings from outside credit rating institutions as the reference for undertaking credit cases or interest rate determination.
- d) Modify relevant regulations to control the credit risk to a tolerable extent for the Bank.

The credit risk management procedure and measurement methods of the Bank's major business are as follows:

a) Credit Business (Including loan commitments and guarantees)

The categorization and credit quality rating of credit assets are as follows:

i) Categorization of credit assets

The credit assets are classified into 5 categories. Except for normal credit assets which are classified as the first category, others are classified, based on the assurance status and the time overdue, as second category (need attention), third category (possible to recover), fourth category (difficult to retrieve) and the fifth category (unable to retrieve). In order to manage creditor's rights, the Bank established "Regulations Governing the Procedures to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", "Regulations Governing the Reconciliation of Non-performing/Non-accrual Loans" and its operating procedure "Operating procedure Governing the Collection of Non-performing/Non-accrual Loans" and "Code of

FINANCIAL STATUS

Conduct to Deal With Non-Performing Loans" to serve as the guidelines for dealing with nonperforming credit and overdue loans collection.

ii) Categorization of credit quality

Based on historical default data, the Bank established internal credit rating model and completed internal rating system to serve as a reference to credit risk control.

In order to develop an appropriate credit rating model for the Bank to evaluate the credit risk for corporate banking customers and private banking customers, it applied statistical methods, professional expert judgments and relevant customer information to fulfill the requirements. The Bank examined whether the internal credit rating model is in conformity with the actual scenario based on practical default data quarterly and adjusted all parameters to optimize the estimated results.

b) Due from other banks and call loans to banks

The Bank evaluates the credit status of counterparties before transaction and takes the rating information from domestic and foreign credit rating institutions into consideration to determine various credit risk facilities for the counterparties.

c) Debt instrument investments and derivative financial instruments

The Bank manages credit risk of debt instruments through credit rating data of external institutions, credit quality of bonds, geographic situations and counterparties' risk so as to identify credit risk.

The financial institutions which the Bank conducts derivative instruments are mostly investment quality and are controlled based on the trade amount (including loans at call). Counterparties which do not have credit rating or which are of low quality shall be examined individually. For counterparties which are general customers, the Bank controls the credit risk exposure based on the derivative instrument risk facilities and conditions approved by general credit procedures.

3) Determining the credit risk has increased significantly since initial recognition

At each reporting date, the Bank and subsidiaries shall assess the change in the risk of a default occurring over the expected life of the various credit assets and financial assets to determine whether the credit risk has increased significantly since initial recognition. To make that assessment, the Bank and subsidiaries considers reasonable and supportable information (including forward-looking information) that is indicative of significant increases in credit risk since initial recognition. The main considerations include:

- a) credit assets
  - i) The borrowers failed to pay the principal and interest overdue for more than 30 days, less than 90 days;
  - When the Bank and subsidiaries conduct review or follow-up review of the relevant management procedures after loan, it knows that the financial report of the borrowers have been issued by the accountant and it has issued opinions of the significant doubt on the ability to continue as a going concern;
  - iii) The deposits and assets of borrowers are compulsorily executed, besides, the deposits are compulsorily executed because of tax arrears. However, the borrowers that have enough deposit to bear the cost that assessed by the Bank and subsidiaries is except;
  - iv) The bank knows (if it has received the notice from court) that the collaterals are compulsory executed by other banks;
  - v) Borrowers were notified the refund by the Bank and did not conduct refund notice;
  - vi) The letter of credit insurance fund notice due to the related company's overdue debt in other bank, the creditor to stop the delivery;
  - vii) Because the borrowers have been involved in litigation and unfavorable judgments, their ability of credit performance is affected;

- viii) The customer is classified as an early warning account by the Bank or has bad credit that aware by others.
- b) Debt instrument investments
  - i) The latest credit rating on the report date was non-investment grade and fell more than two levels than the original rating, or;
  - ii) Investment target evaluation loss is up to 30% of investment cost.
- 4) The credit risk has not increased significantly or judged as low credit risk on the report date

On each report date, the Bank and subsidiaries assessed that there was no significant increase in the risk of default for any credit asset during the expected duration of existence or a low credit risk. The amount of expected credit losses was not taken as the change of credit risk, if the credit risk of the credit asset was low on the report date, it also assumes that the credit risk of the credit asset has not increased significantly since the initial recognition. The credit assets with low credit risk refer to the low default risk and the borrower's ability to perform its contractual cash flow obligations in the near term. No significant increase in risk relates to the borrower. The absence of economic, operational, and adverse changes in financial conditions and other bad debt conditions did not affect their ability to fulfill their contractual cash flow obligations. Financial assets on investment-grade or not on investment-grade but the ratings are not significantly reduced are also considered to be low-risk areas.

5) Definitions of default and credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired not only the borrower defaults the loan more than 90 days, it also includes observable data as follows:

- a) Credit assets
  - i) Significant financial difficulty of the issuer or the borrower;
  - ii) A breach of contract, such as a default or past due event ;
  - iii) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
  - iv) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
  - v) The disappearance of an active market for that financial asset because of financial difficulties;
  - vi) The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses;
- b) Debt instrument investments
  - i) Significant financial difficulty of the issuer;
  - ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - iii) The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses.
  - iv) Counterparty defaulting on agreement of other financial instruments (e.g. transactions settlement failure, a bank decide to execute early termination of transactions, or loans originated from derivatives settlement failure).
- 6) Write-off policy

The integral part or the portion of the credit assets that needs to be written-off should first be approved during the board of directors' meeting; particularly, the portion that is deemed uncollectible.

The following are indicators that the financial assets are uncollectible:

 a) The borrowers fail to recover all or part of the debt due to dissolution, escape, settlement, bankruptcy or other reasons. 169

- b) After the collateral and the assets of the principal and subordinate debtors have been priced low or deducted from the first-order mortgage, they cannot be repaid, the execution costs are close or may exceed the Bank's reimbursable amount, and the implementation is not beneficial.
- c) The collateral and the property of the principal and subordinate debtors were auctioned off at no cost and were not bought by anyone, and there was no one have substantial benefits.
- d) Overdue loan and non-accrual loan have exceeded the liquidation period for two years.

The Bank and subsidiaries, whose written-off claims may still have ongoing recourse, continues to follow laws and regulations to pursue the proceedings.

7) Modification of contractual cash flow of financial assets

The Bank and subsidiaries may revise the contractual cash flow of the credit asset due to the borrower's financial difficulties in negotiating, increasing the recovery rate of the borrowers that have problems, or maintaining the customer relationship. The modification of the contractual terms of the credit asset may include extending the contract period, modifying the payment time of interest, and modifying agreement rate and so on. If the contractual cash flow modification of the credit asset is due to the financial difficulty of the borrower, it is deemed as an impairment of the financial asset. If the contractual cash flow modification is not due to the financial difficulties of the borrower, the existing or projected unfavorable changes in the operating, financial or economic conditions under the borrower's performance or the borrower's ability to make the borrower's ability to perform its debt obligations vary significantly. The cause of anomalies or other bad debts is supplemented by an assessment of whether the credit risk of financial assets has increased significantly.

- 8) Measuring the expected credit losses
  - a) Adoption of methods and assumptions

After considering the attributes of financial assets and credit assets and the adequacy of default experience, internal historical data or the information from external credit rating agency is used to estimate the Probability of default (PD), Loss given default (LGD), Exposure at default (EAD) and other credit risk components.

In order to assess the expected credit losses of credit assets, the Bank and subsidiaries is divided into the following combinations depending on the credit risk characteristics such as the identity of borrowers, products, and type of collateral:

	Government and public institution					
	Financial institution (including banks, ticket companies, securities finance companies)					
		The guarantee of the credit guarantee mechanism				
Corporate banking	Large Enterprise	Secured				
		Non-secured				
		The guarantee of the credit guarantee mechanism				
	Medium and small enterprises	Secured				
		Non-secured				
	Mortgage					
Private banking	Microcredit					
Private Danking	Other-Secured					
	Other-Non-secured					
	The guarantee of the	credit guarantee mechanism				
Entrepreneurship	Secured					
	Non-secured					

If the credit risk on a credit asset has not increased significantly since initial recognition or the credit asset has low credit risk at the reporting date, the Bank and subsidiaries shall measure the

allowance for impairment using the 12-month expected credit losses; if the credit risk on a financial instrument has increased significantly or credit-impaired since initial recognition, the Bank and subsidiaries shall measure the allowance for impairment using the lifetime expected credit losses.

In order to measure expected credit losses, the Bank and subsidiaries considers the default probability (Probability of default, "PD") of borrowers, and loss given default rate ("LGD") multiplying the exposure at default ("EAD"), taking into account the time value of money as well evaluate 12-month and lifetime loss.

Default probability is the default probability of the borrower (default and credit impairment of financial assets), and the loss given default rate is the rate of loss caused by default by the borrower. The default probability and default loss rate used in the impairment assessment of the credit business are based on internal historical information of each group, and adjusted based on current observable information and forward-looking general economic information.

The Bank and subsidiaries measures the EAD based on the book value of loans at reporting date. When estimating the 12-month and lifetime expected credit losses of the loan commitments and financial guarantee contracts, the definition of the credit risk increasing significantly and the creditimpaired assets are based on the rules mentioned above. Additionally, in order to determine the EAD used to calculate expected credit loss of off-balance sheet items, the Bank and subsidiaries adopts the credit conversion factor (CCF) of standardized approach in credit risk which is legislated in the regulation of Proprietary Capital and Risk Capital of Banks.

b) Consideration of forward-looking information

The Bank and subsidiaries obtains forward-looking information which it takes into consideration when determining whether the credit risk of financial instruments has increased significantly since initial recognition and assessing the expected credit losses. The Bank and subsidiaries identified the relevant macroeconomic factors for credit risk of each portfolio by analyzing the historically data. These macroeconomic factors include Taiwan GDP (not seasonally adjusted), Taiwan's actual industrial production index, Taiwan's annual growth rate of retail sales, Taiwan's real sales price index, unemployment rate (seasonally adjusted), Cathay National Real Estate Index (national), Taiwan's real consumer price index (Not seasonally adjusted) and Taiwan's annual growth in retail sales or other factors. The various economic factors and their impacts on Probability of Default ( "PD" ) are different depending on the type of financial instruments.

In order to determine the credit risk of investment in debt instruments at amortized cost and at fair value through other comprehensive income has increased significantly, the Bank and subsidiaries uses the changes of external ratings published by international credit rating agencies as the quantitative indicators, while the assessment of expected credit losses are calculated by using the external ratings, as well as PD and Loss Given Default ( "LGD" ), published by Moody's. Since the international credit rating agencies have already considered the forward-looking information while evaluating the credit ratings, which the Bank and subsidiaries considered to be appropriate after its assessment, the credit ratings will be included in the Bank and subsidiaries' assessment of related expected credit losses.

- 9) Credit risk hedging or diminishing.
  - a) Collaterals

The Bank adopts a series of policies and procedures to mitigate credit risk and enhance credit risk tolerance. The method applied most is to request customers to provide collaterals. The Bank established collateral accreditation code of conduct in term of collateral management and total loan amount to regulate the scope of collaterals and the accreditation method and regularly inspects the collaterals. When the collaterals devaluate or the concern of devaluation occurs, the Bank shall increase collaterals or retrieve part of the loans to ensure the creditor's right is intact.

- b) Limit of credit risk and the control of credit risk concentration
  - i) In order to avoid the situation that the credit risk of single customer being too high, the credit limit of an individual, a related party or a related enterprise shall be in conformity with

"Authorization method for subsection 3 of Article 33 of the Banking Act of the Republic of China" and the credit limit authorization steps are regulated in the Key Points of Credit Engagement Authorization and the Key Points of Credit Engagement Authorization for Overseas Branches of the Bank.

- ii) To enhance the risk concentration management, the Bank established regulations in terms of countries, financial institutions, industries and group enterprises. The relevant limits are reviewed and approved annually and the usage of the credit is monitored on a daily basis. In addition, the results are reported regularly.
- c) General agreement of net amount settlement

The transactions of the Bank are mostly settled with gross amount. Part of the transactions agreed on net amount settlement. When a default occurs, the Bank terminates all the transactions with the counterparty and settles by net amount to further lower credit risk.

d) Enhancement of other credit

The assessment of credit business applies to credit 5P principles, credit risk is offset by dividing selfliquidating loan commitments as the main, and set the accounts to master the repayment of cash flow. Also, in terms of the credit agreement stipulates the offset. (i.e. all kinds of deposits, except prohibition of low or the party's agreement, the Bank can set off all the debts), thus to reduce the loan amount, shorter loan repayment period or are considered part or all of expiration of acceleration clauses. To strengthen the protection of creditor and reduce credit risk, using qualified and effective enhancement, such as the requirement of real property, personal property, demand deposits, time deposits, securities and the guarantee of financial institution or the credit guarantee mechanism approved by government. (e.g. R.O.C SMEG, Agricultural Credit Guarantee Fund, Overseas Credit Guarantee Fund)

10) Information on the financial assets of the Bank and subsidiaries that has been credit derogated and the collateral for mitigating potential losses are as follows:

December 31, 2022	Carrying amount	Allowance impairment	Exposure (measured at amortized cost)	Value of collateral
Impairment financial assets :				
Receivables				
Accounts receivables	\$ 75,222	10,034	65,188	73,243
Interest receivable	42,578	7,050	35,528	-
Discounts and loans	20,309,083	4,784,155	15,524,928	22,707,890
Overdue receivable	58,786	15,898	42,888	
Total impairment financial assets	<u>\$ 20,485,669</u>	4,817,137	15,668,532	22,781,133
December 31, 2021	Carrying amount	Allowance impairment	Exposure (measured at amortized cost)	Value of collateral
December 31, 2021 Impairment financial assets :			(measured at	
			(measured at	
Impairment financial assets :			(measured at	
Impairment financial assets : Receivables	amount	impairment	(measured at amortized cost)	collateral
Impairment financial assets : Receivables Acceptances receivables	amount \$ 58,910	impairment 23,735	(measured at amortized cost) 35,175	collateral
Impairment financial assets : Receivables Acceptances receivables Interest receivable	amount \$ 58,910 43,020	impairment 23,735 4,960	(measured at amortized cost) 35,175 38,060	collateral 56,910

Note: The value of collateral is the real estate appraisal information and credit guarantee agency guarantee amount levied by the Bank and subsidiaries' credit assets.

11) Credit risk concentration

The Bank and subsidiaries does not conduct significant transaction with single customer or single trade counterparty. The total amount of discounts and loans, overdue loans in terms of individual customer or

individual trade counterparty is not significant. The information of credit risk concentration of the Bank's discounts and loans and overdue loans are divided by industries, geographic areas and collaterals and listed as follows:

a) By industry

Distribution of discounts and loans, overdue loans based on industries.

	December 3	1, 2022	December 3	1, 2021	
Industry	Amount	%	Amount	%	
Private business	\$ 894,970,270	63.09%	852,346,402	64.66%	
Public business	6,415,252	0.45%	4,330,080	0.33%	
Government institution	70,682,095	4.98%	66,591,431	5.05%	
Nonprofit organization	2,919,516	0.21%	2,934,798	0.22%	
Individual	346,079,715	24.40%	314,527,333	23.86%	
Foreign financial institution	6,899,993	0.49%	3,634,002	0.28%	
Foreign non-financial institution	87,153,772	6.14%	70,945,795	5.38%	
Foreign individual	3,372,838	0.24%	2,914,507	0.22%	
Total	<u>\$ 1,418,493,451</u>	100.00%	1,318,224,348	100.00%	

#### b) By geographic area

Distribution of discounts and loans, overdue loans based on geographic area.

	December 3	1, 2022	December 3	1, 2021
Area	Amount	%	Amount	%
Domestic	\$ 1,321,066,848	93.13%	1,240,730,044	94.12%
Foreign	 97,426,603	6.87%	77,494,304	5.88%
Total	\$ 1,418,493,451	100.00%	1,318,224,348	100.00%

#### c) By collateral

Distribution of discounts and loans, overdue loans based on collateral.

	December 3	1, 2022	December 3	1, 2021	
Collateral	Amount	%	Amount	%	
Unsecured	\$ 271,796,900	19.16%	234,949,230	17.82%	
Stocks	8,846,336	0.63%	9,101,690	0.69%	
Bonds	23,134,859	1.63%	26,102,842	1.98%	
Real estate	878,535,410	61.93%	802,113,094	60.85%	
Chattel	15,849,874	1.12%	16,117,256	1.22%	
Notes receivable	2,414,280	0.17%	2,949,127	0.22%	
Guarantees	208,721,552	14.71%	216,270,546	16.41%	
Others	9,194,240	0.65%	10,620,563	0.81%	
Total	<u>\$ 1,418,493,451</u>	100.00%	1,318,224,348	100.00%	

Note: Secured credit are categorized in its respective item per the type of the collaterals. Non-secured credit (no collateral provided) is classified in unsecured. If the credit amount is higher than the accreditation value, the credit amount within the accreditation is classified in the respective item, the credit amount exceeds the accreditation value is classified in unsecured. The accreditation value is the value calculated per the accreditation regulations of the Bank and subsidiaries, not the discounted value of the signed contract.

12) Maximum credit risk exposure

a) The maximum credit exposure of the assets in the consolidated financial statement is approximately the book value when not considering collaterals or other credit enhancement instruments. The maximum

credit exposure off the consolidated balance sheet (when not considering collaterals or other credit enhancement instruments and not revocable) was as follows:

	Maximum credit risk exposure							
Off balance sheet items	December 31, 2022	December 31, 2021						
Issued and irrevocable loan commitments	\$ 64,987,007	36,415,736						
Irrevocable credit card loan commitments	18,839,955	19,380,151						
Letters of credit issued yet unused	8,129,149	11,058,128						
Various guarantee proceeds	22,056,496	24,336,413						
Total	<u>\$ 114,012,607</u>	91,190,428						

The Management of the Bank and subsidiaries evaluated the credit risk exposure and believed that it is able to continuously control and minimize the off-balance sheet credit risk exposure due to its strict appraisal process and regular subsequent examination.

- b) The credit quality analyses of the financial assets
  - i) Credit quality analysis of discounts and loans, receivables, guarantee and commitments

				12-month ECL					Lifetime ECL-not impaired								
December 31, 2022	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	High risk	Allowance impairment	Total
Receivable																	
Credit card	\$ 426,421	227,850	196,313	79	4,913	238,053	1,093,629	1,688	1,452	1,618		326	20	5,104		569	1,098,164
Acceptances receivable	375,279	232,317	119,969	25,670		38,049	791,284									7,913	783,371
Other receivables	401,011	1,898,488	493,641	35,741	24,719	3,526,312	6,379,912	408	945	1,952	897	2,387	149,816	156,405	117,800	95,560	6,558,557
Discounts and loans																	
Private banking	130,698,330	132,157,479	70,280,524	3,199,945	1,062,127	6,962,188	344,360,593	56,031	137,190	252,638	22,912	111,432	36,101	616,304	4,475,656	4,181,307	345,271,246
Corporate banking	245,799,786	365,067,368	272,870,989	26,218,577	15,363,104	125,044,694	1,050,364,518	288,453	355,127	556,056	930,623	562,350	150,344	2,842,953	15,833,427	13,897,309	1,055,143,589
Other financial assets																	
Overdue receivable															58,786	48,471	10,315
Total	\$ 377,700,827	499,583,502	343,961,436	29,480,012	16,454,863	135,809,296	1,402,989,936	346,580	494,714	812,264	954,432	676,495	336,281	3,620,766	20,485,669	18,231,129	1,408,865,242
Guarantee and commitments	\$ 26,669,887	15,125,762	5,916,207	174,424	45,746	65,833,294	113,765,320	43,098	11,091	421		98		54,708	192,579	337,312	113,675,295

	12-month ECL								Lifetime ECL-not impaired								
December 31, 2021	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	High risk	Allowance impairment	Total
Receivable																	
Credit card	\$ 368,690	246,002	192,898	325	4,924	216,176	1,029,015	129	1,550	1,993	13	655		4,340		1,693	1,031,662
Acceptances receivable	276,046	549,061	113,769	832	29,835	63,686	1,033,229									10,332	1,022,897
Other receivables	215,499	1,502,291	324,870	33,189	23,858	2,562,986	4,662,693	82	431	1,292	1,847	1,065	197,420	202,137	101,930	106,086	4,860,674
Discounts and loans																	
Private banking	113,609,203	116,551,170	66,928,175	4,268,868	1,700,024	9,170,592	312,228,032	21,412	53,655	207,948	21,550	81,566	10,059	396,190	4,817,619	3,662,551	313,779,290
Corporate banking	186,110,603	315,339,281	306,477,476	32,953,038	18,573,454	122,106,000	981,559,852	80,570	388,410	413,816	1,601,886	782,756	416,687	3,684,125	15,538,530	11,914,266	988,868,241
Other financial assets																	
Overdue receivable	-	-				-	-			-	-	-			80,334	51,392	28,942
Total	\$ 300,580,041	434,187,805	374,037,188	37,256,252	20,332,095	134,119,440	1,300,512,821	102,193	444,046	625,049	1,625,296	866,042	624,166	4,286,792	20,538,413	15,746,320	1,309,591,706
Guarantee and commitments	\$ 23,693,996	20,955,504	8,177,179	830,226	55,958	37,392,210	91,105,073	13,401	17,786	7,248	-	788		39,223	46,132	329,488	90,860,940

# ii) Debt instruments

	12-month ECL				Lifetime ECL-not impaired				Lifetime ECL– impaired				
December 31, 2022	Investment	Sub investment	High risk	No rating	Subtotal	Investment	Sub investment	High risk	No rating	Subtotal	High risk	Total	Accumulated impairment (Note)
Investment in debt instruments measured at fair value through other comprehensive income													
Overseas bonds	\$ 50,304,163				50,304,163	-	-	-	-	-	-	50,304,163	15,793
NT bonds	91,536,068				91,536,068	-	-	-	-	-	-	91,536,068	75,059
Investment in debt instruments at amortized cost													
Overseas bonds	10,420,185				10,420,185	-	-	-	-	-	-	10,420,185	3,247
NT bonds	30,769,411				30,769,411	-	-	-	-	-	-	30,769,411	13,846
Certificates of deposit with the Central Bank	195,595,000				195,595,000	-	-	-	-	-	-	195,595,000	57,763
Negotiable certificates of deposit	64,523				64,523	-	-	-	-	-	-	64,523	16
Total	\$ 378,689,350	-			378,689,350	-	-	-	-	-	-	378,689,350	165,724

			12-month ECL				Lifetime	ECL-not imp	aired		Lifetime ECL– impaired		
December 31, 2021	Investment	Sub investment	High risk	No rating	Subtotal	Investment	Sub investment	High risk	No rating	Subtotal	High risk	Total	Accumulated impairment (Note)
Investment in debt instruments measured at fair value through other comprehensive income													
Overseas bonds	\$ 49,213,865	-			49,213,865		-				-	49,213,865	15,600
NT bonds	86,780,365	-			86,780,365						-	86,780,365	72,192
Investment in debt instruments at amortized cost													
Overseas bonds	15,296,961				15,296,961		-		-	-	-	15,296,961	5,916
NT bonds	32,373,347				32,373,347		-		-	-	-	32,373,347	13,214
Certificates of deposit with the Central Bank	231,395,000				231,395,000		-				-	231,395,000	68,334
Negotiable certificates of deposit	58,076	-			58,076	-	-			-	-	58,076	14
Total	\$ 415,117,614	-			415,117,614	-	-	-	-	-	-	415,117,614	175,270

Note: The cumulative impairment of the bond which measured at fair value through other comprehensive profit or loss is recognized as other equity.

iii) The Maximum credit risk exposure for financial instruments are not subject to impairment regulations are as follows:

December 31, 2022	Maximum credit risk exposure	Collateral	Enhancement of other credit
Financial assets at fair value through profit or loss			
- Debt investments	\$ 200,000	-	-
- Commercial paper	30,907,810	-	-
-Listed stocks	752,713	-	-
-Unlisted stocks	471,554	-	-
-Beneficiary certificates	414,370	-	-
- Derivative instrument	1,166,667	2,527,996	727,720
December 31, 2021	Maximum credit risk exposure	Collateral	Enhancement of other credit
December 31, 2021 Financial assets at fair value through profit or loss		Collateral	
		Collateral _	
Financial assets at fair value through profit or loss	risk exposure	Collateral -	
Financial assets at fair value through profit or loss — Debit investments	risk exposure \$556,140	Collateral - -	
Financial assets at fair value through profit or loss — Debit investments — Commercial paper	risk exposure \$ 556,140 37,015,444	Collateral - - -	
Financial assets at fair value through profit or loss - Debit investments - Commercial paper - Listed stocks	risk exposure \$556,140 37,015,444 474,025	Collateral - - - -	

# 13) Changes in the expected credit losses of the Bank and subsidiaries

a) Receivables

	For the year ended December 31, 2022									
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL – impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total				
Beginning balance	\$ 31,774	6,068	28,695	66,537	51,574	118,111				
Changes in financial instruments that have been identified at the beginning of the period :										
- Transferred to 12-months ECL	108	(12)	(96)	-	-	-				
- Transferred to lifetime ECL	(5)	16	(11)	-	-	-				
<ul> <li>Transferred to the credit-impaired financial assets</li> </ul>	(28)	(10)	38	-	-	-				
<ul> <li>The financial assets that have been derecognized</li> </ul>	(21,801)	(108 )	(2,030 )	(23,939)	-	(23,939)				
New financial assets originated or purchased	17,877	168	5,617	23,662	-	23,662				
Other changes	1,705	4,590	(15,129)	(8,834)	-	(8,834)				
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-		(4,958 )	(4,958 )				
Ending balance	<u>\$ 29,630</u>	10,712	17,084	57,426	46,616	104,042				

	For the year ended December 31, 2021								
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL – impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total			
Beginning balance	\$ 38,014	3,567	32,573	74,154	64,410	138,564			
Changes in financial instruments that have been identified at the beginning of the period :									
- Transferred to 12-months ECL	1,123	(954 )	(169)	-	-				
- Transferred to lifetime ECL	(6)	13	(7)	-	-	-			
<ul> <li>Transferred to the credit-impaired financial assets</li> </ul>	(86)	(61 )	147	-	-				
<ul> <li>The financial assets that have been derecognized</li> </ul>	(19,220)	(129)	(3,350)	(22,699)	-	(22,699)			
New financial assets originated or purchased	23,057	25	3,113	26,195	-	26,195			
Write-off	-	-	(2,296)	(2,296 )	-	(2,296)			
Other changes	(11,108)	3,607	(1,316)	(8,817)	-	(8,817)			
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "		-	-		(12,836 )	(12,836)			
Ending balance	<u>\$ 31,774</u>	6,068	28,695	66,537	51,574	118,111			

# b) Discounts and loans

	For the year ended December 31, 2022								
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL- impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total			
Beginning balance	\$ 4,166,467	129,977	3,635,336	7,931,780	7,645,037	15,576,817			
Changes in financial instruments that have been identified at the beginning of the period :									
- Transferred to 12-months ECL	154,551	(29,664 )	(124,887)	-	-	-			
- Transferred to lifetime ECL	(8,551)	21,718	(13,167)	-	-	-			
<ul> <li>Transferred to the credit-impaired financial assets</li> </ul>	(25,545 )	(3,572)	29,117	-	-	-			
<ul> <li>The financial assets that have been derecognized</li> </ul>	(2,079,596)	(85,034)	(730,979)	(2,895,609)	-	(2,895,609)			
New financial assets originated or purchased	2,921,806	12,984	388,582	3,323,372	-	3,323,372			
Write-off	-	-	(2,223,252)	(2,223,252)	-	(2,223,252)			
Other changes	753,408	91,729	3,823,405	4,668,542	-	4,668,542			
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	- -	(371,254 )	(371,254 )			
Ending balance	<u>\$ 5,882,540</u>	138,138	4,784,155	10,804,833	7,273,783	18,078,616			

	For the year ended December 31, 2021								
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL – impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total			
Beginning balance	\$ 3,133,215	951,010	5,219,221	9,303,446	5,022,711	14,326,157			
Changes in financial instruments that have been identified at the beginning of the period :									
- Transferred to 12-months ECL	1,089,009	(770,235)	(318,774)	-	-	-			
- Transferred to lifetime ECL	(5,445)	9,047	(3,602)		-	-			
<ul> <li>Transferred to the credit-impaired financial assets</li> </ul>	(16,929)	(9,790 )	26,719	-	-	-			
<ul> <li>The financial assets that have been derecognized</li> </ul>	(1,587,449)	(71,342)	(1,105,361)	(2,764,152)	-	(2,764,152)			
New financial assets originated or purchased	1,861,459	4,752	292,035	2,158,246	-	2,158,246			
Write-off	-	-	(4,606,000)	(4,606,000)	-	(4,606,000)			
Other changes	(307,393)	16,535	4,131,098	3,840,240	-	3,840,240			
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	- 	-			2,622,326	2,622,326			
Ending balance	<u>\$ 4,166,467</u>	129,977	3,635,336	7,931,780	7,645,037	15,576,817			

VI

177

# c) Other financial assets

	For the year ended December 31, 2022								
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL – impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total			
Beginning balance	\$-	-	25,545	25,545	25,847	51,392			
Changes in financial instruments that have been identified at the beginning of the period :									
<ul> <li>The financial assets that have been derecognized</li> </ul>	-	-	(8)	(8)	-	(8)			
New financial assets originated or purchased	-	-	7,633	7,633	-	7,633			
Write-off	-	-	(16,567)	(16,567)	-	(16,567)			
Other changes	-	-	(705)	(705)	-	(705)			
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non- Accrual Loans "			-		6,726	6,726			
Ending balance	<u>\$</u>		15,898	15,898	32,573	48,471			

	For the year ended December 31, 2021								
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL – impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total			
Beginning balance	\$-	-	23,121	23,121	31,930	55,051			
Changes in financial instruments that have been identified at the beginning of the period :									
<ul> <li>The financial assets that have been derecognized</li> </ul>	-	-	(83)	(83)	-	(83)			
New financial assets originated or purchased	-	-	17,074	17,074	-	17,074			
Write-off	-	-	(15,308)	(15,308)	-	(15,308)			
Other changes	-	-	741	741	-	741			
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non- Accrual Loans "		-			(6,083)	(6,083)			
Ending balance	<u>\$</u>		25,545	25,545	25,847	<u> </u>			

## d) Guarantee and commitments

			For the year e	nded December 31	l, 2022	
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL – impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 149,354	69	6,786	156,209	173,279	329,488
Changes in financial instruments that have been identified at the beginning of the period :						
- Transferred to 12-months ECL	1,459	-	(1,459)	-	-	-
- Transferred to lifetime ECL	(86)	86	-	-	-	-
<ul> <li>Transfer to the credit-impaired financial assets</li> </ul>	(458)	-	458	-	-	-
<ul> <li>The financial assets that have been derecognized</li> </ul>	(74,692)	(89)	(4,543)	(79,324)	-	(79,324)
New financial assets originated or purchased	83,604	-	6,517	90,121	-	90,121
Other changes	19,631	(9)	53,866	73,488	-	73,488
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non- Accrual Loans "				-	(76,461)	(76,461)
Ending balance	<u>\$ 178,812</u>	57	61,625	240,494	96,818	337,312

		For the year ended December 31, 2021								
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL – impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total				
Beginning balance	\$ 106,670	880	6,699	114,249	156,933	271,182				
Changes in financial instruments that have been identified at the beginning of the period :										
<ul> <li>The financial assets that have been derecognized</li> </ul>	(51,707)	(179)	(5,520)	(57,406)	-	(57,406)				
New financial assets originated or purchased	73,511	10	4,439	77,960	-	77,960				
Other changes	20,880	(642)	1,168	21,406	-	21,406				
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non- Accrual Loans "	-		- 	<u> </u>	16,346	16,346				
Ending balance	<u>\$ 149,354</u>	69	6,786	156,209	173,279	329,488				

#### e) Debts investments

Debts investments					
			For the year ended	December 31, 2022	
	12-1	month ECL	Lifetime ECL - not impaired	Lifetime ECL — impaired	Total
Beginning balance	\$	175,270	-	-	175,270
Additions		68,255	-	-	68,255
Derecognition		(78,262)	-	-	(78,262)
Other changes		461		<u>-</u>	461
Ending balance	<u>\$</u>	165,724			165,724
			For the year ended	December 31, 2021	
	12-1	month ECL	Lifetime ECL – not impaired	Lifetime ECL — impaired	Total
Beginning balance	\$	142,418	-	-	142,418
Additions		97,018	-	-	97,018
Derecognition		(61,254)	-	-	(61,254)
Other changes		(2,912)		<u>-</u>	(2,912)

Ending balance 14) Collateral management policy

> a) Collaterals are recognized under the account of other assets per the rules of "Regulations Governing the Preparation of Financial Reports by Public Banks".

175.270

175,270

\$

b) Details were as follows:

Collaterals refer to the collaterals provided by clients as guarantee which are undertaken through public auction when the debtor is not able to fulfill its obligation. The collaterals assumed are recognized using the prices undertaken per the rules of "Regulations Governing the Preparation of Financial Reports by Public Banks" and measured by the book value or the fair value deducted by cost of sale, whichever is lower, at the end of the period. Collaterals will be sold when they are available to be sold and the proceeds received will be used to reduce the book amount of collaterals.

#### (iv) Liquidity risk

#### 1) The origin and definition of liquidity risk

Liquidity risk refers to the potential financial loss results from the inability to liquidate assets or obtain finance to fulfill the financial obligation which is going to mature with sufficient fund, such as early rescind of time deposits, the channels and terms to call loan from other bank are deteriorated due to the influence of specific markets and the default of loan customers worsen and it is harder for the Bank to receive payments and liquidate financial instruments. The abovementioned situations may diminish the source of cash for the Bank to undertake loan business, trades and investment activities. Under some extreme circumstances, the lack of liquidity may increase the potential possibility of reduction of the overall position of consolidated financial statement, sale of assets and inability to fulfill loan obligation. Liquidity risk is an inherent risk of bank operations and is influenced by specific or overall events in various markets. Those events include but not limited to: Credit event, merger or buyout, systematic strike and natural disaster.

- - FINANCIAL STATUS
- ii) Risk Management Department is in charge of the identification, measurement, supervision and control of capital liquidity risk to establish a firm operation process and structure.

i) Finance Department is in charge of daily capital deployment to ensure that the capital is

i) In accordance with the target and limit for liquidity risk management approved by the board of

ii) Established "Directions Governing the Capital Liquidity Risk Management of Taiwan Business Bank" and "Remarks Governing the Capital Liquidity Risk Management of Taiwan Business

iii) Overseas branches shall regulate the code of conduct for liquidity risk management based on business characteristics and the regulations of local authorities. After being approved by the general manager, the Risk Management Department will be in charge of monitoring liquidity

- iii) Risk Management Department reports the result of capital liquidity risk measurement to the Assets and Liabilities Management Committee on a monthly basis and reports the results of capital liquidity risk and pressure test to the board of directors quarterly.
- c) Measurement

risk.

b) Process

a) Policy

- Maturity gap: To place the inflows and outflows of capital into various time zones accordingly based on the remaining days to maturity and calculate the gap of capital of each time zone in order to measure the capital deficiency of each time zone.
- Loan-deposit ratio: To calculate the deposits the Bank received which are used to conduct loan business. In other words, the percentage of the total loan amount accounts for the total deposit amount.
- iii) Capital concentration and stability: In order to prevent the Bank from over-relying on single trade counterparty, product or market, the Bank observes several aspects such as the changes in large time deposit customers, the percentage of demand deposits and the continuity of deposits.
- iv) Pressure test: Except for monitoring the capital demand under normal circumstances, the Bank conducts pressure test regularly in order to evaluate the capital liquidity under abnormal circumstances and ensure that the Bank is equipped with sufficient capital.
- Financial assets possessed for managing liquidity risk and maturity analysis for non-derivative financial liability
  - a) Financial assets possessed for managing liquidity risk

2) The management policy, process and measurement of liquidity risk

directors and monitor all liquidity risk positions.

sufficient to cope with various demands for capital.

Bank" to serve as guidance to effectively control capital liquidity risk.

The Bank and subsidiaries possesses cash and other high liquidity interest yielding assets to cope with payment obligations and potential emergent capital demands in the market. The assets possessed for managing liquidity risk include cash and cash equivalent, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, discounts and loans, financial assets measured at fair value through other comprehensive income and investment in debt instruments at amortized cost.

b) Maturity analysis for non-derivative financial liabilities

The table below shows the cash outflows from the non-derivative financial liabilities which are possessed by the Bank and subsidiaries based on the remaining days from the consolidated financial statement date to the contract maturity date. The amount disclosed is based on the cash flows of the contracts.

		December 31, 2022							
	0-30 days	31-90 days	91days-1 year	1-5 years	Over 5 years	Total			
Major matured cash outflow	\$ 1,097,763,808	221,732,162	480,666,633	92,838,661	49,342,955	1,942,344,219			
Deposits from the Central Bank and banks	937,523	-	-	-	-	937,523			
Overdrafts on banks	1,084,076	-	-	-	-	1,084,076			
Call loans from the Central Bank and banks	27,012,375	18,670,658	-	-	-	45,683,033			
Due to the Central Bank and banks	92,175	111,450	927,400	-	-	1,131,025			
Financial liabilities designated at fair value through profit or loss	-	-	-	-	9,367,595	9,367,595			
Notes and bonds issued under repurchase agreement	458,662	157,550	1,292,066	554,713	-	2,462,991			
Interest payable	317,254	1,288,484	2,711,772	118,148	10	4,435,668			
Deposits transferred from Chunghwa Post Co., Ltd.	9,820,000	21,196,335	75,185,210	41,060,000	-	147,261,545			
Demand deposits	954,030,572	-	-	-	-	954,030,572			
Time deposits	103,528,154	180,237,487	392,763,469	42,587,346	5,124	719,121,580			
Remittance	428,111	-	-	-	-	428,111			
Bank notes payable	-	-	7,400,000	6,600,000	38,250,000	52,250,000			
Cumulative earnings on appropriated loan fund	2,250	3,750	118,500	1,198,580	1,587,501	2,910,581			
Lease liabilities	52,656	66,448	268,216	719,874	132,725	1,239,919			

		December 31, 2021							
	0-30 days	31-90 days	91days-1 year	1-5 years	Over 5 years	Total			
Major matured cash outflow	\$ 1,095,137,710	184,665,112	500,748,031	75,656,773	35,841,707	1,892,049,333			
Deposits from the Central Bank and banks	493,598	-	-	-	-	493,598			
Overdrafts on banks	536,471	-	-	-	-	536,471			
Call loans from the Central Bank and banks	25,155,291	9,093,410	-	-	-	34,248,701			
Due to the Central Bank and banks	-	-	49,929,730	331,860	-	50,261,590			
Financial liabilities designated at fair value through profit or loss	-	-	-	-	8,293,730	8,293,730			
Notes and bonds issued under repurchase agreement	44,197	144,716	604,836	1,266,944	-	2,060,693			
Interest payable	459,999	812,851	1,127,339	71,242	2	2,471,433			
Deposits transferred from Chunghwa Post Co., Ltd.	10,500,000	21,359,335	35,402,210	-	-	67,261,545			
Demand deposits	954,804,776	-	-	-	-	954,804,776			
Time deposits	102,670,190	153,191,825	413,340,264	44,219,865	675	713,422,819			
Remittance	429,227	-	-	-	-	429,227			
Bank notes payable	-	-	-	27,340,000	24,910,000	52,250,000			
Cumulative earnings on appropriated loan fund	1,750	2,250	111,750	1,779,330	2,470,214	4,365,294			
Lease liabilities	42,211	60,725	231,902	647,532	167,086	1,149,456			

4) Derivative financial liabilities maturity analysis

a) Derivative financial instruments settled by net amount

The derivative instruments of the Bank and subsidiaries whose possession are settled by net amount include foreign derivative instruments, such as non-delivery forward contracts and net-

delivery foreign exchange option. After evaluation the Bank concluded that the maturity date is the basic element to comprehend all the derivative financial instruments listed in the consolidated financial statement. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement. As of December 31, 2021, the Bank and subsidiaries had no derivative financial instruments settled by net amount. As of December 31, 2022, maturity analysis for the derivative financial liabilities settled by net amount is as follows:

,	 	 	 	 _

	December 31, 2022						
	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total	
Derivative financial liabilities at fair value through profit or loss							
<ul> <li>Foreign exchange derivative instrument</li> </ul>	<u>\$</u>	825	225			1,050	

b) Derivative financial instruments settled by gross amount

The derivative instruments of the Bank's possession settled by gross amount include the following:

- i) Foreign exchange derivative financial instrument: Foreign exchange options settled by gross amount, foreign exchange forward contracts and currency swap contracts.
- ii) Interest rate derivative financial instruments: interest rate swap contracts.

The table below shows the derivative financial instruments of the Bank and subsidiaries whose possession are settled by gross amount based on the remaining days from the consolidated financial statement date to the contract maturity date. The amount disclosed is based on the cash flow of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement. The maturity analysis for derivative financial liabilities settled by gross amount is as follows:

IIIai		, , , , , , , , , , , , , , , , , , , ,				
December 31, 2022	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
<ul> <li>Foreign exchange derivative instruments</li> </ul>						
Cash outflow	\$ 25,782,525	45,415,630	11,979,083	3,463,765	-	86,641,003
Cash inflow	27,862,886	48,002,551	12,577,650	3,500,326	-	91,943,413
-Interest rate derivative instrument						
Cash outflow	-	1,168	587	2,955	1,174	5,884
Cash inflow		2,021	724	3,742	1,568	8,055
Total cash outflow	25,782,525	45,416,798	11,979,670	3,466,720	1,174	86,646,887
Total cash inflow	27,862,886	48,004,572	12,578,374	3,504,068	1,568	91,951,468
Net cash flow	\$ (2,080,361)	(2,587,774)	(598,704)	(37,348)	(394)	(5,304,581)
	<u> </u>	/	/	/	/	/
December 31, 2021	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
December 31, 2021 Derivative financial instruments at fair value through profit or loss			,	· ·	· <u> </u>	·,
Derivative financial instruments at fair			,	· ·	· <u> </u>	
Derivative financial instruments at fair value through profit or loss — Foreign exchange derivative			,	· ·	· <u> </u>	
Derivative financial instruments at fair value through profit or loss — Foreign exchange derivative instruments	0-30 days	31-90 days	91-180 days	181 days to 1 year	· <u> </u>	Total
Derivative financial instruments at fair value through profit or loss - Foreign exchange derivative instruments Cash outflow	0-30 days \$ 4,498,580	31-90 days	91-180 days 6,071,884	181 days to 1 year 2,768,967	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss - Foreign exchange derivative instruments Cash outflow Cash inflow	0-30 days \$ 4,498,580	31-90 days	91-180 days 6,071,884	181 days to 1 year 2,768,967	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss - Foreign exchange derivative instruments Cash outflow Cash inflow - Interest rate derivative instrument	0-30 days \$ 4,498,580	31-90 days 6,093,790 6,113,200	91-180 days 6,071,884 6,105,833	2,768,967 2,777,705	Over 1 year	Total 19,433,221 19,444,176
Derivative financial instruments at fair value through profit or loss - Foreign exchange derivative instruments Cash outflow Cash inflow - Interest rate derivative instrument Cash outflow	0-30 days \$ 4,498,580	31-90 days 6,093,790 6,113,200 1,028	91-180 days 6,071,884 6,105,833 1,093	2,768,967 2,777,705 2,556	Over 1 year - - 8,791	Total 19,433,221 19,444,176 13,468
Derivative financial instruments at fair value through profit or loss - Foreign exchange derivative instruments Cash outflow Cash inflow - Interest rate derivative instrument Cash outflow Cash inflow	0-30 days \$ 4,498,580 4,447,438 - -	31-90 days 6,093,790 6,113,200 1,028 7,834	91-180 days 6,071,884 6,105,833 1,093 1,167	2,768,967 2,777,705 2,556 2,412	Over 1 year	Total 19,433,221 19,444,176 13,468 18,584

FINANCIAL STATUS

December 31, 2022	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Issued and irrevocable loan commitments	\$ 1,997,541	512,056	22,218,395	4,683,018	35,575,997	64,987,007
Irrevocable credit card loan commitments	1,117	34,225	55,553	316,313	18,432,747	18,839,955
Letters of credit issued yet unused	2,016,789	4,985,416	716,174	356,064	54,706	8,129,149
Other guarantees	2,667,240	1,001,432	656,793	2,337,749	15,393,282	22,056,496
Total	<u>\$ 6,682,687</u>	6,533,129	23,646,915	7,693,144	69,456,732	114,012,607

#### 5) Maturity analysis of off-balance sheet items

December 31, 2021	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Issued and irrevocable loan commitments	\$ 84,608	730,576	1,012,632	4,268,229	30,319,691	36,415,736
Irrevocable credit card loan commitments	2,747	31,254	70,784	215,130	19,060,236	19,380,151
Letters of credit issued yet unused	3,905,350	6,074,175	650,292	420,639	7,672	11,058,128
Other guarantees	3,419,240	3,485,929	2,138,876	2,597,286	12,695,082	24,336,413
Total	<u> </u>	10,321,934	3,872,584	7,501,284	62,082,681	91,190,428

6) Maturity analysis of lease contract commitments

The Bank and subsidiaries only has operating lease contract, operating lease commitment refers to, when the Bank and subsidiaries is the lessor or lessee and under the irrevocable operating lease conditions, the minimum total future rent payment. Below tables show the maturity analysis of the Bank and subsidiaries operating lease contract commitments:

December 31, 2022	Below 1 year	1-5 years	Over 5 years	Total
Operating lease income (lessor)	\$ 1,027	1,389	-	2,416

December 31, 2021	Below 1 year	1-5 years	Over 5 years	Total
Operating lease income (lessor)	\$ 3,325	2,414	-	5,739

The capital expenditure commitment of the Bank and subsidiaries refers to the contract signed to obtain buildings and equipment. The maturity analysis of the capital expenditure commitment of the Bank and subsidiaries is as follows:

December 31, 2022	B	elow 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	\$	1,496,409	-	-	1,496,409
Transportation equipment		2,098	-	-	2,098
Right-of-use assets		620	85	-	705
Miscellaneous equipment		1,024			1,024
Total	<u>\$</u>	1,500,151	85		1,500,236
December 31, 2021	B	elow 1 year	1-5 years	Over 5 years	Total
December 31, 2021 Machinery and equipment	B \$	elow 1 year 1,208,486	1-5 years -	Over 5 years -	Total 1,208,486
			1-5 years - -	Over 5 years - -	
Machinery and equipment		1,208,486	1-5 years - - 238	-	1,208,486
Machinery and equipment Transportation equipment		1,208,486 1,313	-	-	1,208,486 1,313

FINANCIAL STATUS

Market risk refers to the possible loss of the Bank's business in or off the balance sheet results from the disadvantageous fluctuation in market price in terms of interest rates, stock prices, foreign exchange rates and commodity prices.

- 2) Policies and procedures of market risk management
  - a) Strategy

1) Definition of market risk

(v) Market risk

- i) To carry out market risk management, achieve operation target and maintain healthy capital adequacy by following "Directions Governing the Market Risk Management of Taiwan Business Bank" and other relevant regulations.
- ii) Under the risk tolerance approved by the board of directors or board of executive directors, the Bank applies various risk control mechanism to effectively deploy and manage capital in order to maintain the market risk exposure within the tolerable extent and achieve earning target.
- b) Policies and procedures

In order to establish the market risk management mechanism and ensure that the market risk is within the tolerable extent, the Bank set up directions governing the market risk management, remarks governing the limit of market risk and financial product valuation procedures as the primary management guidance. Other than what is stated above, the Bank also establish limit control mechanism in terms of trade positions, stop-limit, suspensions and lines of alert based on the operation notices and procedures of different financial instruments, including fix income instruments, equity securities, foreign exchange transaction and derivative financial instruments.

- 3) Process for market risk management
  - a) Risk identification

In accordance with the rules of "Directions Governing the Market Risk Management of Taiwan Business Bank", the Bank shall conduct appropriate market risk evaluation and document the process for later review before financial instruments are promoted. The content of evaluation includes risk factors identification, evaluation methods, cost-benefit analysis, market liquidity, risk strategy, adequacy of risk management mechanism and the influence on the Bank for undertaking market risk.

- b) Risk measurement
  - i) Annually based on the business development of transaction units and submit to the board of directors or board of executive directors for approval. For the units which the positions and limits remain unchanged after evaluation, they can put the positions and limits into practice after receiving the approval from the general manager.
  - ii) The risk measurements (or evaluations) of the financial instruments of the Bank are conducted through different information systems. For the market data and parameters of the models applied for evaluation, they shall be random inspected regularly to determine the rationality.
- c) Risk monitoring
  - i) Valuation reports of various financial instruments are prepared regularly for executives to review and serve as the guidance for daily risk management operation.
  - ii) All financial transactions are equipped with different regulations in terms of limit of loss and stop-limit. Provided that the valuation loss amount is over the limit, a stop-limit, suspension and subsequent risk control will be executed.

d) Risk report

Risk management department report current market risk management status of the Bank to directors, executive directors and executives to facilitate them to control the risk exposure status and adjust management procedures properly.

- 4) Scope and method of market risk management
  - a) Foreign exchange risk management
    - i) Definition of foreign exchange risk management

Foreign exchange risk refers to the potential profit or loss of the foreign currency financial instruments which results from the transition among fluctuating currencies.

ii) Applicable scope

All the financial instruments which apply to trading book position and banking book position and involve in foreign currencies.

iii) Purpose for foreign exchange risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of foreign exchange and to increase capital deployment efficiency and business operation integrity.

- iv) Procedures of foreign exchange risk management
  - 1. In order to control foreign exchange transaction risk, the Bank established trade position authorization standard for financial transaction operations, trade units and traders in current regulations. In addition, for non-commercial business foreign exchange operation, all trade units submit the required amounts of position annually based on operation status. Risk management department will evaluated the requirement and submit to the board of directors' (executive directors) for approval. The demand will be executed after the board of directors approved. For the units which the positions remain unchanged after evaluation, they can put the positions into practice after receiving the approval from the general manager.
  - 2. The trade units conduct various foreign financial product business, they shall fully understand the content of commodities, the risk tolerance and trade purpose. Trade units shall establish financial products trading strategies based on market status in the meeting every morning and submit the risk-benefit evaluation in the meeting minutes for the department heads to review. The trading shall follow the relevant authorization rules of the Bank and the stop-limit of all trade positions shall be executed reliably.
- v) Process of foreign exchange risk management
  - 1. Identification and measurement
    - a. Risk Management department established risk factor chart based on different financial transactions to effectively identify risk factors and market risk resources. In addition, the financial transactions which the Bank and subsidiaries conducts deal with simple type financial products. For complex financial products, the Bank and subsidiaries conducts back-to-back hedge covering to effectively avoid market risk.
    - b. Risk Management department uses Greeks to measure the influence level of exchange rate for held-for-trading spot exchange and exchange rate derivative and setup Greek's sensitivity allowance, according to the yearly demand of trade units, the state of utilization, and monitor the load of fluctuation of exchange rate in each acceptable range.
    - c. Positions of the trading book shall be evaluated daily where the positions of the banking book shall be evaluated monthly. When there are public quotes for financial instruments,

the quotes shall be the prior evaluation prices. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

- 2. Monitoring and report
  - a. When the evaluation loss of non-commercial foreign exchange transactions is over the limit, the trade units shall execute a stop-limit per the regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management department shall report to the board of directors or executive directors.
  - Reports of operation results shall be prepared and submitted to the department heads for approval on a daily basis.
- b) Equity security risk management
  - i) Definition of equity security risk

The market risks of the equity securities possessed by the Bank include the individual risk results from the market price fluctuation of individual equity security and the general market risk results from overall market price fluctuation.

ii) Applicable scope

Financial instruments similar to equity security in all trading books.

iii) Purpose of equity security risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of equity securities and to increase capital deployment efficiency and business operation integrity.

- iv) Procedures of equity security risk management
  - All trade units submit the required amounts of position annually base on operation status. Risk management department will evaluate the requirement and submit to the board of directors or executive directors. The demand will be executed after approved by the board of directors.
  - 2. The trade units shall predict the possible trend of domestic stock market based on the information of foreign and domestic security markets so as to set up the operation strategies and directions. The traders shall pay close attention to the market trend when the market opens so as to conduct security transactions and the operations as well as the meeting minutes shall be submitted to the department heads to review.
- v) Process of equity security risk management
  - 1. Identification and measurement
    - a. The risk management department apply Value at Risk models to measure the market risk of equity security investment. Furthermore, based on the trade units' operation demand and the risk limit established by the Bank's risk tolerance, the risk management units effectively control the variation of risk factors under an acceptable extent.
    - b. Trading book position shall be evaluated daily. When there is a public quote in the market, the quote shall be adopted as the prior evaluation price. If the transaction is in secondary market and the liquidity is high, the closing price can be adopted as the evaluation price. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

- 2. Monitoring and report
  - a. When the evaluation loss of equity security investment is over the limit, the trade units shall execute a stop-limit per regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management department shall report to the board of directors or executive directors.
  - b. Transaction reports shall be prepared and submitted to the department heads for approval on a daily basis. And the investment gains or losses shall report to the board of directors or executive directors regularly for future reference.
- c) Interest rate risk management
  - i) Definition of interest rate risk

Interest rate risk refers to the price decline of the Bank's financial products which contain interest risk factors due to the disadvantageous changes in interest rate.

ii) Applicable scope

Financial instruments which contain interest rate factors in all trading books.

iii) Purpose of interest rate risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of interest rate and to increase capital deployment efficiency and business operation integrity.

- iv) Procedures of interest rate risk management
  - 1. In order to control interest rate risk, the Bank established trade position authorization standard for financial transaction operations, trade units and trade counterparties in current regulations. In addition, for the positions held for trading, all trade units submit the required amounts of position annually based on operation status. Risk management department will evaluate the requirement and submit to the board of directors or executive directors for approval. The demand will be executed after the board of directors approved.
  - The trade units shall consider safety, liquidity and profitability and gather market information to assess the potential risk and benefit. In additional, the trade units shall choose investment target prudently through analyzing the issuers' credit, financial status, country risks and interest rate trends.
- v) Process of interest rate risk management
  - 1. Identification and measurement
    - a. The risk management department establish risk factor charts base on different financial transaction to effectively identify risk factors and market risk resources. In addition, the financial transactions which the Bank conducts deal with simple type financial products. For complex financial products, the Bank conducts back-to-back hedge covering to effectively avoid market risk.
    - b. Position of the trading book shall be evaluated daily. When there are public quotes for financial instruments, the quotes shall be the prior evaluation prices. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.
  - 2. Monitoring and report
    - a. The risk management department apply DV01 to measure to what extent the trading book bond positions are influenced by the interest rate risk and set up interest rate

sensitivity limit base on the requirements of the trade units and the risk tolerance of the Bank annually.

- b. The trade units shall prepare the income assessment tables of trade positions and traders for the department heads to review. In addition, when the evaluation loss of the position is over the limit, the trade units shall execute a stop-limit per the regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management department shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management units shall report to the board of directors or executive directors.
- d) Concentration management
  - i) The trade counterparties of the Bank are mostly financial institutions. To avoid the risk being over concentrated and enhance credit risk management, the Bank established financial institution credit risk limit based on the world ranking of Level 1 capital and credit ratings from The Banker. The trade units shall also pay attention to the changes of the credit status of individual financial institution as well as the changes of the national credit rating to conduct the transaction prudently.
  - ii) For equity security investments, the Bank set up limits for single institution and single related party.
- 5) Interest rate risk management of the banking book
  - a) The definition and management purpose for the interest rate risk of the banking book
    - i) The interest rate risk of the banking book refers to the negative effect towards the future net interest income or economic value of equity results from the fluctuation of interest rate. Net Interest Income (hereafter NII) is the total amount of interest revenue deducted by the total amount of interest expense; Economic Value of Equity (hereafter EVE) is the total discounted future cash inflow from assets deducted by the total discounted future cash outflow from liabilities.
    - ii) The management purpose of the interest rate risk management of the banking book is to control the negative effect from the interest rate risk fluctuation towards NII or EVE within the approved limit extent.
  - b) The process for the interest rate risk management of the banking book
    - i) Identification and measurement

When the Bank conducts interest rate related products, it identifies the reprising risk, yield curve risk, basis risk and option characteristic risk and measures the possible influence on the earnings and economic value results from interest rate fluctuation.

ii) Monitoring and report

The Bank established limits of the ratio between interest-rate-sensitivity assets and interestrate-sensitivity liabilities, the effect to NII in 1 year when the market interest rate parallel changes 1 BP and the effect to EVE when the market interest rate parallel changes 200 BP to control the banking book interest rate risk. The results of interest rate risk measurement are reported to the Assets and Liabilities Management Committee monthly and to the board of directors or executive directors quarterly. When the measurement result is over the limit, relevant units shall be convened to establish responding plan and the plan shall be submitted to the Assets and Liabilities Management Committee for discussion. After the plan is approved by the general manager, it shall be executed by the relevant business units and report to the board of directors or executive directors.

- 6) Value at Risk
  - a) Description of Value at Risk

Value at Risk (VaR) is a statistical amount used to evaluate the maximum possible loss of portfolio results from the changes of market risk factors within a certain period of time and a fixed confidence interval.

b) Value at Risk models and assumptions

In order to enhance the market risk control operation, the Bank established quantified indices of market risk for the equity security position of the trading book. Based on the historical information of the last 1 year and applies Historical Simulation Method (with the confidence interval being 99% and the duration of possession being 1 day), the Bank calculates and monitors the trend of Value at Risk.

c) The limit of Value at Risk model

Value at Risk is a tool to measure market risk under normal circumstance. The limits of the model are listed below:

- i) Value at Risk cannot reflect the losses result from other type of risks, such as credit risk and liquidity risk.
- ii) Value at Risk measures the possible loss of the position on hand at the end of the transaction day, but it cannot reflect the distribution of the part which actual loss exceeds Value at Risk.
- iii) Value at Risk model is based on historical data to evaluate the amount, and therefore it may not be able to predict the future changes of risk factors, especially for those exceptions result from significant market fluctuation.
- 7) Foreign exchange risk disclosure and sensitivity analysis
  - a) Foreign exchange risk exposure
    - i) Significant net positions of foreign currencies (Market risk)

Significant net positions of foreign currencies (Market risk)									
December 31, 2022									
Currency	Foreign currency amount (in thousands)	NT\$ amount							
USD	\$ 504,348	15,496,092							
JPY	2,069,083	480,234							
AUD	14,865	308,895							
ZAR	46,223	83,617							
EUR	809	26,503							

Significant net positions of foreign currencies (Market risk)									
December 31, 2021									
Currency		ign currency t (in thousands)	NT\$ amount						
USD	\$	448,924	12,414,993						
JPY		2,103,814	505,967						
AUD		13,590	273,023						
EUR		2,113	66,306						
CNY		11,566	50,208						

Note 1: Main foreign currencies are the top five foreign currencies ranked in NTD value.

	December 31, 2022									
	Mone	etary financial ass	ets	Mone	Monetary financial liabilities					
Currency	Foreign currency amount (in thousands)	currency amount		Foreign currency amount NTD amount (in thousands)		NTD amount				
USD	\$ 15,838,292	30.7250	486,631,513	15,291,888	30.7250	469,843,260				
AUD	4,985,648	20.7800	103,601,765	4,890,551	20.7800	101,625,650				
CNY	11,948,387	4.4110	52,704,337	11,749,698	4.4110	51,827,917				
JPY	184,707,477	0.2321	42,870,605	183,141,677	0.2321	42,507,183				
HKD	5,771,939	3.9400	0 22,741,440 5,348,671		3.9400	21,073,764				
EUR	352,406	32.7600	11,544,821	352,361	32.7600	11,543,346				
ZAR	4,251,194	1.8090	7,690,410	4,249,572	1.8090	7,687,476				
GBP	45,244	37.0700	1,677,195	45,236	37.0700	1,676,899				
NZD	34,139	19.4500	664,004	34,124	19.4500	663,712				
CAD	14,564	22.6800	330,312	14,475	22.6800	328,293				
SGD	7,992	22.8700	182,777	7,969	22.8700	182,251				
SEK	34,420	2.9400	101,195	34,431	2.9400	101,227				
Others (Note)	-	-	114,540	-	-	119,278				
	Non-mo	onetary financial a	assets	Non-mo	Non-monetary financial liabilities					
USD	974	30.7250	29,926	-	-	-				

## ii) Assets and liabilities of foreign currency

Note: Consolidated disclosure is applied for other currencies not over \$100,000.

December 31, 2021									
	Mor	netary financial as	sets	Mone	etary financial liabilities				
Currency	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount			
USD	\$ 13,483,921	27.6550	372,897,835	12,888,760	27.6550	356,438,658			
AUD	4,679,690	20.0900	94,014,972	4,588,043	20.0900	92,173,784			
CNY	5,436,508	4.3410	23,599,881	5,215,483	4.3410	22,640,412			
JPY	83,411,891	0.2405	20,060,560	82,096,035	0.2405	19,744,096			
HKD	5,362,994	3.5460	19,017,177	4,989,090	3.5460	17,691,313			
EUR	436,915	31.3800	13,710,393	436,993	31.3800	13,712,840			
ZAR	3,151,732	1.7340	5,465,103	3,150,118	1.7340	5,462,305			
GBP	104,307	37.3600	3,896,910	104,411	37.3600	3,900,795			
NZD	53,010	18.9400	1,004,009	52,980	18.9400	1,003,441			
CAD	18,796	21.6600	407,121	18,927	21.6600	409,959			
SGD	10,842	20.4800	222,044	10,869	20.4800	222,597			
CHF	3,833	30.2150	115,814	3,913	30.2150	118,231			
Others (Note)	-	-	84,086	-	-	83,329			
	Non-m	onetary financial	assets	Non-mo	onetary financial lia	abilities			
USD	1,083	27.6550	29,950	-	-	-			

Note: Consolidated disclosure is applied for other currencies not over \$100,000.

## b) Foreign exchange risk sensitivity analysis (Change by 1%)

Foreign exchange risk sensitivity analysis is the analysis that given other conditions remain the same, the influence on profit or loss and equity when each respective currency depreciate or appreciate by 1%.

	December 31, 2022							
	Deprecia	te by 1%	Appreciate by					
Currency	Income	Equity	Income	Equity				
USD	\$ (44,000)	(63,299)	44,000	63,299				
AUD	4,060	(23,440)	(4,060)	23,440				
HKD	3,029	(19,240)	(3,029)	19,240				
JPY	(161)	(3,450)	161	3,450				
GBP	(15)	-	15	-				
SGD	(9)	-	9	-				
ZAR	(31)	-	31	-				
CHF	51	-	(51)	-				
CAD	(5)	-	5	-				
THB	(4)	-	4	-				
EUR	(37)	-	37	-				
NZD	(10)	-	10	-				
CNY	(55,663)		55,663					
Total	<u>\$ (92,795</u> )	(109,429)	92,795	109,429				

	December 31, 2021							
	Deprecia	te by 1%	Apprecia	ite by 1%				
Currency	Income	Equity	Income	Equity				
USD	\$ (54,235)	(55,511)	54,235	55,511				
AUD	4,053	(22,395)	(4,053)	22,395				
HKD	2,797	(15,842)	(2,797)	15,842				
JPY	(5)	(3,173)	5	3,173				
GBP	19	-	(19)	-				
SGD	6	-	(6)	-				
ZAR	(30)	-	30	-				
SEK	(4)	-	4	-				
CHF	24	-	(24)	-				
CAD	35	-	(35)	-				
THB	(4)	-	4	-				
EUR	16	-	(16)	-				
NZD	(13)	-	13	-				
CNY	(51,012)		51,012	<u>-</u>				
Total	<u>\$ (98,353</u> )	(96,921)	98,353	96,921				

- 8) Interest rate risk disclosure and sensitivity analysis
  - a) Interest rate sensitivity analysis

The assumption of interest rate sensitivity analysis is, under the circumstance that other conditions remain the same, the yield of the market increase or decrease by 1 basis point (1 bp).

			Decembe	December 31, 2022			
	Inte	erest rate inc	creases by 1 bp	Interest rate de	creases by 1 bp		
Currency	Ir	Income Equity		Income	Equity		
Trading book							
TWD	\$	(512)	(2,661)	512	2,661		
Banking book							
TWD		-	(46,200)	-	46,200		
USD		-	(3,993)	-	3,993		
AUD		-	(364)	-	364		
HKD		-	(70)	-	70		
CNY		-	(1,335)	-	1,335		
ZAR			(161)		161		
Total	<u>\$</u>	(512)	(54,784)	512	54,784		

	December 31, 2021							
	Interest rate inc	creases by 1 bp	Interest rate de	creases by 1 bp				
Currency	Income	Equity	Income	Equity				
Trading book								
TWD	\$ (230)	(3,462)	230	3,462				
Banking book								
TWD	-	(54,536)	-	54,536				
USD	-	(13,638)	-	13,638				
AUD	-	(606)	-	606				
HKD	-	(77)	-	77				
CNY	-	(1,956)	-	1,956				
ZAR		(204)	<del>_</del>	204				
Total	<u>\$ (230</u> )	(74,479)	230	74,479				

b) Sensitivity analysis of expected net revenue/Sensitivity of equity in terms of interest rate fluctuation

	December 31, 2022						
	Effect on N	ll in 1 year	Effect on EVE				
Scenario	TWD	USD	TWD	USD			
Interest rate increases by 100 bp	3,962,492	(24,074)	(5,148,928)	(58,960)			
Interest rate decreases by 100 bp	(4,598,328)	22,469	13,788,825	27,772			

	December 31, 2021					
	Effect on N	ll in 1 year	Effect on EVE			
Scenario	TWD	USD	TWD	USD		
Interest rate increases by 100 bp	4,272,836	(34,660)	(4,696,572)	(45,509)		
Interest rate decreases by 100 bp	(5,293,553)	3,502	8,616,664	63,806		

VI

#### 9) Managing interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank and subsidiaries has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Bank and subsidiaries considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform ,even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an `unreformed contract').

The Bank and subsidiaries' maining IBOR exposures at the reporting date are loans and corporate debt securities indexed to US dollar LIBOR. In March, 2021, the Financial Conduct Authority (FCA) announced that US dollar setting will either cease to be provided or no longer be representative after June 30, 2023. The Bank and subsidiaries had finished the process of implementing appropriate fallback clauses for all US dollar LIBOR-indexed exposures by the end of 2021.

The following tables show the total amounts of unreformed contracts and those with appropriate fallback language on December 31, 2022 and 2021. The amounts of financial assets and liabilities are shown at their carrying amounts, and derivatives are shown at their notional amounts.

		USD I	LIBOR	EUR LIBOR		GBP LIBOR		JPY	LIBOR	CHF LIBOR	
	ofu	tal amount inreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause						
December 31, 2022											
Financial assets											
Discounts and loans	\$	55,072,000	23,939,000	-	-	-	-	-	-	-	-
Bond Investments		17,391,000	1,259,000	-	-	-	-	-	-	-	-
Financial liabilities											
Due to the Central Bank and banks		891,000	-	-	-	-	-	-	-	-	-
Derivatives											
Interest rate swaps		5,531,000	5,531,000	-	-	-	-	-	-		-
December 31, 2021											
Financial assets											
Discounts and loans		70,757,000	22,182,000	402,000	293,000	-	-	1,830,000	1,242,000	-	-
Bond Investments		22,804,048	691,000	-	-	-	-	-	-	-	-
Receivable		14,000	14,000	-	-	-	-	-	-	-	-
Financial liabilities											
Due to the Central Bank and banks		1,161,000	-	-	-	-	-	-	-	-	-
Derivatives											
Interest rate swaps		9,402,700	9,402,700	-	-	-	-	-	-	-	-

10) Equity security risk disclosure and sensitivity analysis

a) Equity security sensitivity analysis (Changes by 1%)

The assumption of equity security sensitivity analysis is, under the circumstance that other conditions remain the same, the price of equity security increased or decreased by 1%.

		December 31, 2022		
Change	Currency	Income	Equity	
Equity security price increases by 1 %	TWD	3,359	-	
	USD	10	-	
Equity security price decreases by 1 %	TWD	(3,359)	-	
	USD	(10)	-	

		December 31, 2021		
Change	Currency	Income	Equity	
Equity security price increases by 1 %	TWD	16,018	-	
	USD	11	-	
Equity security price decreases by 1 %	TWD	(16,018)	-	
	USD	(11)	-	

#### b) Value at Risk of equity security

	From January 1, 2022 to December 31, 2022					
Value at Risk	Average	Maximum	Minimum			
Equity security risk	5,038	13,963	1,399			

	From January 1, 2021 to December 31, 2021					
Value at Risk	Average	Maximum	Minimum			
Equity security risk	6,959	14,786	3,827			

#### (vi) Transferred financial assets that are not fully derecognized

The transactions, relating to transferred financial assets not qualifying for full derecognition, the Bank and subsidiaries conducts during daily operation mostly involve securities lending in accordance to repurchase agreements. Since the right to receive contractual cash flow has been transferred to others and the Bank and subsidiaries' obligation to repurchase the transferred assets for a fixed price at a future date is recognized under liability, for these transactions, the Bank and subsidiaries cannot use, sell or pledge those transferred financial assets in availability period, the Bank and subsidiaries has interest rate risk and credit risk, the said transferred assets are not fully derecognized.

As of December 31, 2022 and 2021, there were not any financial assets of the Bank that are not fully derecognized.

#### (vii)Offsetting financial assets and financial liabilities

The Bank and subsidiaries has an exercisable master netting arrangement or similar agreement in place with counterparties. When both parties reach a consensus regarding net settlement, the aforesaid exercisable master netting arrangement or similar agreement can be net settled by offsetting financial assets and financial liabilities. If not, the transaction can be settled at total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The lo	The following tables present the alorementioned onsetting infancial assets and infancial fabilities.								
December 31, 2022									
Financial assets under offsetting or general agreement of net amount settlement or similar norm									
	Gross amounts	Gross amounts of financial liabilities	Net amount of financial assets	Amounts not balance	set off in the sheet (d)				
	of recognized financial assets	offset in the balance sheet	presented in the balance sheet	Financial instruments	Cash collateral	Net amount			
Item	(a)	(b)	(c)=(a)-(b)	(Note)	received	(e)=(c)-(d)			
Derivative financial instruments	<u>\$ 551,095</u>		551,095	727,720	2,527,996	(2,704,621)			

December 31, 2022 Financial liabilities under offsetting or general agreement of net amount settlement or similar norm								
	Gross amounts	Gross amounts of financial assets	Net amount of financial liabilities		set off in the sheet (d)			
ltem	of recognized financial liabilities (a)	offset in the balance sheet (b)	presented in the balance sheet (c)=(a)-(b)	Financial instruments (Note)	Cash collateral	Net amount (e)=(c)-(d)		
Derivative financial instruments	(a) <u>\$ 229,816</u>		(c)–(a)-(b) 229,816		2,422,569	(e)-(c)-(d) (2,192,753)		

December 31, 2021								
	Financial assets und	er offsetting or gene	ral agreement of net	amount settlemen	t or similar norm			
	Gross amounts	Gross amounts of financial liabilities			set off in the sheet (d)			
ltem	of recognized financial assets (a)	offset in the balance sheet (b)	presented in the balance sheet (c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)		
Derivative financial instruments	<u>\$ 230,137</u>		230,137	699,723	489,795	(959,381		

December 31, 2021 Financial liabilities under offsetting or general agreement of net amount settlement or similar norm								
Gross amounts of Net amount of Amounts not set off in the Gross amounts financial assets financial liabilities balance sheet (d)								
ltem	of recognized financial liabilities (a)	offset in the balance sheet (b)	presented in the balance sheet (c)=(a)-(b)	Financial instruments (Note)	Cash collateral pledged	Net amount (e)=(c)-(d)		
Derivative financial instruments	(a) <u>\$ 63,547</u>	(b) 	(C)-(a)-(b) 63,547		215,832	(e)-(c)-(d) (152,285)		

Note: Master netting arrangements and non-cash financial collaterals are included.

#### (aq) Capital Management

- (i) The Bank takes business development and risk control into consideration and calculates capital adequacy per "Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks" and "Calculation Methods and Forms of Proprietary Capital and Risk Capital of Banks". The ratio between proprietary capital and risk capital shall remain above the regulated minimum ratio.
- (ii) In order to maintain adequate capital and reach a balance between risk control and business development, the Bank established "Directions Governing Capital Adequacy" as the guidance for controlling capital adequacy. The scope of the directions includes, except for the least capital requirements for credit risk, market risk and operation risk, significant risk such as banking book interest rate risk, liquidity risk and concentration risk. In addition, in order to link business strategies, capital and risk management, the Bank sets up capital management plan annually for the president's approval and reports to Risk Management Committee and the board of directors quarterly about relevant risks and capital control status.
- (iii) The Bank identifies, measures, monitors and reports various risks based on the directions, notices and relevant rules of competent authority regarding credit risk, market risk, operation risk, interest rate risk of the banking book, and liquidity risk so as to be familiar with current business environment and monitors and adjusts capital adequacy effectively.

- (iv) To cope with the implementation of new Basel Accord, the Bank set up complete risk management system, risk management operation tracking procedures to provide the management with appropriate risk management information for making decisions. Therefore, the Bank is able to maintain adequate capital within the tolerable extent and to ensure the provision of proprietary capital of the Bank corresponds with the overall operating risk characteristics of the Bank.
  - 1) Tier 1 capital
    - a) Common stock equity: The item includes common stock deducted by treasury stock, goodwill and other intangible assets, deferred tax assets based on future profit status of the Bank, unrealized gain on financial assets measured at fair value through other comprehensive income, operating reserve and deficiency of allowance for bad debts, real estate retained earning increment arising from applying the fair value or the revaluation reserve as the deemed cost when first adopting IFRSs, and 25% of the major investment on financial related business.
    - b) Other Tier 1 capital: 25% of the perpetual non-accumulated subordinated financial debentures deducted by the major investment on financial related business.
  - 2) Tier 2 capital

The item includes perpetual accumulated subordinated financial debentures, long term subordinated debenture, real estate retained earning increment arising from applying the fair value or the revaluation reserve as the deemed cost when first adopting IFRSs, 45% of unrealized gain on financial assets measured at fair value through other comprehensive income, and 50% of the major investment on financial related business.

		Item	December 31, 2022	December 31, 2021
	Common stor	k equity	100,331,196	96,157,516
Eligible capital	Other tier 1 ca	apital	18,000,000	17,487,758
Eligible capital Tier 2 capital			40,103,704	41,159,410
	Eligible Capita	al	158,434,900	154,804,684
		Standardized approach	1,188,123,617	1,066,163,181
	Credit risk	Internal ratings-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
Risk-weighted assets		Standardized approach/selective standardized approach	43,118,270	38,884,436
		Advanced measurement approach	-	-
	Market risk	Standardized approach	38,716,513	50,859,425
	warket risk	Internal model approach	-	-
	Total risk-weig	hted assets	1,269,958,400	1,155,907,042
Capital adequacy ratio			12.48%	13.39%
Common stock equity/ Risk-weighted assets ratio			7.90%	8.32%
Tier 1 capital / Ri	sk-weighted as	sets ratio	9.32%	9.83%
Leverage ratio			5.47%	5.41%

The formulas of the table are listed as follows:

- a) The eligible capital, risk-weighted assets and exposure are calculated per "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "The Calculation and Forms of Eligible Capital and Risk Assets of Banks".
- b) The Bank shall fill out the capital adequacy of this period and last period. For the semi-annual report, the Bank shall disclose the capital adequacy of this period and last period and additionally disclose the capital adequacy of the previous period ended December 31.
- c) Note 1. Eligible Capital = Common stock equity + Other Tier 1 Capital + Tier 2 Capital
  - Note 2. Total risk-weighted assets = Credit risk weighted asset+(operational risk charge+market risk charge) × 12.5
  - Note 3. Capital adequacy ratio= Eligible Capital ÷ Risk weighted asset.
  - Note 4. Common stock equity / Risk-weighted assets ratio= Common stock equity / total risk weighted assets
  - Note 5. Tier 1 capital / Risk-weighted assets ratio = (Common stock equity+other tier 1 capital)/ Risk-weighted assets
  - Note 6. Leverage ratio = Net Tier 1 capital / Total risk exposure.
- d) Above table is not required to be disclosed when preparing the financial reports of the first quarter and third quarter.

## (ar) Investing and financing activities not affecting current cash flow

The Bank and subsidiaries' investing and financing activities which did not affect the current cash flow for the nine months ended December 31, 2022 and 2021 were carried out to acquire right-of-use assets under leases. Please refer to Note 6(I).

			N			
	January 1, 2022	cash flows	Foreign exchange rate movement	Fair value changes	Other changes	December 31, 2022
Financial liabilities at fair value through profit or loss	\$ 8,293,730	-	921,000	152,865	-	9,367,595
Bank notes payable	52,250,000	-	-	-	-	52,250,000
Lease liabilities	1,149,456	(420,428)	25,634		485,257	1,239,919
Total liabilities from financing activities	<u>\$ 61,693,186</u>	(420,428)	946,634	152,865	485,257	62,857,514

Reconciliation of liabilities arising from financing activities were as follows:

			N			
	January 1, 2021	cash flows	Foreign exchange rate movement	Fair value changes	Other changes	December 31, 2021
Financial liabilities at fair value through profit or loss	\$ 8,411,0200	-	(133,500)	16,210	-	8,293,730
Bank notes payable	53,250,000	(1,000,000)	-	-	-	52,250,000
Lease liabilities	1,062,021	(418,641)	256		505,820	1,149,456
Total liabilities from financing activities	<u>\$ 62,723,041</u>	(1,418,641)	(133,244)	16,210	505,820	61,693,186

#### (as) Structured entities that not included in consolidated financial reports

(i) The table below presents the types of structured entities that the Bank and subsidiaries does not include in consolidated financial reports but in which they hold an interest:

Types of structured entities	Nature and purpose	Interests held by the Bank and subsidiaries
Private fund	Investing in funds that cannot be freely traded on the open market	Investing in units or limited partnership interests issued by these funds.
Asset securitization product	Investing in commercial real estate assets securitization products	Investment in asset-backed securities issued by unconsolidated structured entities

(ii) The scales of structures entities not included in consolidated financial reports were as follow:

	December 31, 2022	December 31, 2021
Private fund	\$ 163,679	132,168
Asset securitization product	560,023	728,147
Total	\$ 723,702	860,315

(iii) The carrying amounts of interests held by the Bank and subsidiaries in these structured entities were as follows:

Assets held by the Bank and subsidiaries	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss	\$ 163,679	132,168
Financial assets at fair value through other comprehensive income	475,485	578,850
Investments in debt instruments at amortized cost	84,538	149,297
Total	<u>\$ 723,702</u>	860,315

The maximum amount of risk exposure to the Bank and subsidiaries endures to a loss incurred from special purpose entities that is not included in consolidated financial reports is the carrying amount of interests held by the Bank and subsidiaries.

(iv) As of December 31, 2022 and 2021, the Bank and subsidiaries has not provided any financial support to its special purpose entities that is not included in consolidated financial reports.

## (7) Related-party transactions

## (a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statementsconsolidated financial statements.

Name of related party	Relationship with the Bank and subsidiaries
Bank of Taiwan	Corporate director of the Bank
Ministry of Finance, R.O.C	Corporate director of the Bank
National Development Fund, Executive Yuan (Note 1)	Corporate director of the Bank
Land Bank of Taiwan (Note 2)	Corporate director of the Bank
Taiwan Business Bank Guild	Corporate director of the Bank
Small and Medium Enterprise Credit Guarantee Fund of Taiwan	Substantive related parties
TBB No. 1 Venture Capital Limited Partnership (Note 3)	Substantive related parties
Media Talk Consulting Co., Ltd. (Notes 3)	Associates
Others	Management and other related parties of the Bank

Note 1: Become a related party commencing from the third quarter of 2021.

Note 2: No longer a related party commencing from the third quarter of 2021.

Note 3: Become a related party commencing from the first quarter of 2022.

## (b) Significant transactions with related parties

(i) Due from banks

	Decemb	er 31, 2022
	Amount	%
Bank of Taiwan	<u>\$ 164,936</u>	0.71
	Decemb	er 31, 2021
	Amount	%
Bank of Taiwan	\$ 157,131	1.01

Interest rates are the same as those with regular clients.

#### (ii) Call loans to banks

For the year ended December 31, 2022	Highest balance		December 31, 2022	Interest income	Annual interest rate	
Bank of Taiwan	<u>\$</u>	1,098,264		1,358	0.13%~3.81%	
For the year ended December 31, 2021		Highest balance	December 31, 2021	Interest income	Annual interest rate	
Bank of Taiwan	\$	3,038,983	-	1,064	0.14%~3.80%	
Land Bank of Taiwan		1,507,961		1,069	0.09%~3.30%	
Total	\$	4,546,944		2,133		

Interest rates are the same as those with regular clients.

#### (iii) Call loans from banks

For the year ended December 31, 2022	Highest balance				Annual interest rate
Bank of Taiwan	<u>\$</u>	9,434,791	1,786,360	61,939	0.04%~5.18%
For the year ended December 31, 2021		Highest balance	December 31, 2021	Interest Expense	Annual
		Dalalice	2021	interest Expense	interest rate
Bank of Taiwan	\$	8,768,558	3,374,798	18,925	0.01%~2.80%
	\$				

Interest rates are the same as those with regular clients.

## (iv) Deposits

	December 31, 2022		
	Amount	%	
Others	<u>\$ 1,851,872</u>		
	December 31, 2021		
	Amount	%	
Others	<u>\$ 2,435,868</u>	0.15	

Interest rates are the same as those with regular clients.

## (v) Credit

December 31, 2022								
	Number of			Perform	ing situations		Transaction terms	
Category	clients or name of related party	Highest balance	Ending balance	Performing Ioan	Non-performing Loans Collatera		are different to regular clients	
Employee consumer loans	46	18,311	14,727	14,727	-	none	none	
Self-use home mortgages loans	127	557,503	511,280	511,280	-	real estate	none	
Others	Natural person	617,163	590,656	590,656	-	real estate	none	

December 31, 2021							
	Number of			Perform	ing situations		Transaction terms
Category	clients or name of related party	Highest balance	Ending balance	Performing Non-performing loan Loans		Collaterals	are different to regular clients
Employee consumer loans	40	17,353	13,480	13,480	-	none	none
Self-use home mortgages loans	130	517,303	490,456	490,456	-	real estate	none
Others	Natural person	499,016	463,274	463,274	-	real estate	none

## (vi) Donation:

	For the years ended December 31,			
		2022	2021	
Small and Medium Enterprise Credit Guarantee Fund of Taiwan	\$	318,530	377,867	
Taiwan Business Bank Guild		2,500	2,500	
Total	\$	321,030	380,367	

(vii) Guarantees: None.

(viii)Service fees: None.

(ix) Rental revenue: None.

(x) Derivatives financial instrument transactions: None.

(xi) Sales of Non–Performing Loans Transactions: None.

#### (xii)Other revenue:

		For the years end	led December 31,
		2022	2021
TBB No. 1 Venture Capital Limited Partnership	\$	16,954	-
Media Talk Consultants Co., Ltd.		50	
Total	<u>\$</u>	17,004	

## (c) Major management salary information

	For the years ended December 31,				
	2022	2021			
Salary and other short-term employee benefits	\$ 144,720	100,081			
Post-employment benefits	 2,478	2,669			
Total	\$ 147,198	102,750			

## (8) Pledged assets: Please refer to notes 6(h) for more details.

## (9) Commitments and contingencies:

#### (a) Significant commitments and contingencies were as follows:

	December 31, 2022	December 31, 2021
Marketable securities held for custody	\$ 8,659,768	9,417,776
Bills collected for others	43,238,126	48,911,218
Bills lent for others	49,785,210	40,504,652
Guarantees and letters of credit	30,185,645	35,394,541
Trust liabilities	218,150,077	212,285,576
Items held for custody	901,998	1,163,471
Registered government bonds for sale	66,327,700	65,741,100
Registered short-term bills for sale	4,290,113	3,080,457
Guarantee notes payable	54,054,530	53,651,900

#### (b) Unrecognized contractual commitments:

As of December 31, 2022 and 2021, major constructions in progress and purchases amounted to \$1,018,993 and \$583,601 respectively, of which \$911,848 and \$408,698 respectively, remained unpaid.

(c) The Bank's trust department plans, manages, and operates trust services in accordance with the Banking Law and Trust Law. Special purpose funds are used to invest in marketable securities and the Bank also manages trust funds. The trust information as of December 31, 2022 and 2021 is as follows: 

## **Trust Balance Sheet**

## December 31, 2022 and 2021

Trust Assets	December 31, 2022	December 31, 2021
Cash in Bank	\$ 6,303,284	6,885,022
Stocks	928,987	845,570
Funds	73,259,462	71,899,727
Bonds	2,935,786	1,356,856
Real estate	21,657,475	16,703,682
Securities custody	112,621,601	114,091,688
Other assets	443,482	503,031
Total trust assets	<u>\$ 218,150,077</u>	212,285,576

Trust Liabilities	December 31, 2022	December 31, 2021	
Payables	\$ 9	9	
Securities held for custody	112,621,601	114,091,688	
Trust capital	105,439,231	98,115,347	
Accumulated loss	(332,731)	(2,478,944)	
Net income	421,967	2,557,476	
Total trust liabilities	<u>\$ 218,150,077</u>	212,285,576	

## **Trust Property Accounts**

## December 31, 2022 and 2021

Investment in	December 31, 2022	December 31, 2021
Cash in bank	\$ 6,303,284	6,885,022
Stocks	928,987	845,570
Funds	73,259,462	71,899,727
Bonds	2,935,786	1,356,856
Real estate		
Land	14,422,800	13,642,172
Buildings	29,556	34,674
Construction in progress	7,205,119	3,026,836
Securities in custody	112,621,601	114,091,688
Other assets	443,482	503,031
Total	<u>\$ 218,150,077</u>	212,285,576

Note: As of December 31, 2022 and 2021, the amounts above included OBU transaction on "foreign currency designated trust funds investment in foreign negotiable securities business" amounting to \$1,580,471 and \$1,254,366, respectively.

## **Trust Income Statement**

#### For the years ended December 31, Investment items 2022 2021 Trust Revenue \$ 87,436 69,014 Interest income Realized capital gain-fund 338.547 1 700 677 Realized gain-stocks 3,147 1.112 5,059 24,585 Realized gain-bonds Dividend revenue 2,147,052 1,981,168 Other revenues 4,179 5,007 Sub-total 2,585,420 3,781,563 Trust Expense Administrative expenses 43,494 63,735 Postage and telecommunication expense 841 1,546 Duties 49 19 Realized loss-stocks 2,104,595 1,151,680 Realized loss-bonds 11,072 5,033 Loss on disposal of property 441 Capital fee 3,195 1,592 Sub-total 2,163,246 1,224,046 Income before income tax 422,174 2.557.517 Income tax expense (207)(41) Net income 421,967 \$ 2,557,476

For the years ended December 31, 2022 and 2021

(d) In 1996, the Bank's World Trade Center Branch was sued for handling a letter of credit export collection from Chin Seen Industrial Co., which allegedly used a forged export document and failed to ship the goods to the importer, the International Comagnie de Commercialization et d'Invertissement (I.C.C.I.) of the Republic of Zaire, suffered a loss thereon. In November 1998, I.C.C.I. initiated a case with the Court of Commerce of Brussels in Belgium, requested the L/C opening bank (Banque Bruxelles Lambert, or BBL) and the Bank to jointly pay compensation of USD\$7,830 plus interest, losses, and expenses for the L/C. On August 31, 2005, the Court of Commerce of Brussels rendered its judgment which the Bank has to make compensation of USD\$7,674 plus interest to I.C.C.I.. The Bank has engaged a local attorney in Belgium to formally file an appeal. In February 2011, Court of Appeal in Brussels had made an intermediate adjudication which I.C.C.I and the Bank are both responsible for the offense. Furthermore, on November 16, 2011, the judgment of the court indicated that the Bank should be responsible for 90% of the negligence proportion. In terms of the judgment of the court of the second instance, the Bank has filed an appeal on November 3, 2011. On February 6, 2013, the court overruled the Bank's appeal and the Bank lost the case. However, the Bank and I.C.C.I couldn't reach an agreement on the exchange rate and the calculation of the compensation. In October 2016, I.C.C.I initiated a case with the Court of Frankfurt in Germany, applied for seizing the Bank account in Germany, and the Bank lodged guaranty money of EUR \$13,200 to the court to rescind the order for attachment.

VI

In July 2017, I.C.C.I applied for compulsory execution to the guaranty money, the court has transferred the guaranty money to I.C.C.I. The Bank then filed a lawsuit objecting to the debt through the attorney. The case was dismissed by the Court of Frankfurt in November 2018, and remanded back to trial court in November 2019 after the Bank's appeal was granted by the High Court of Frankfurt. I.C.C.I. has filed a statement of grounds for objection to the Federal Supreme Court of Justice on March 16, 2019. And request to revoke the "Return of the Judgment of the Frankfurt High Court". The Bank has appointed a lawyer to act as an attorney in the Federal Supreme Court of Justice and filed a defense against I.C.C.I. of objections. The case is currently being tried by the Regional Court of Frankfurt. The Federal Supreme Court of Justice has denied the I.C.C.I interlocutory appeal on May 20, 2021. In October and November 2019, the Bank received subpoenas from the court of the Democratic Republic of Congo by a third person Star Marine, who demanded I.C.C.I to pay USD\$1,130 in compensation and held the Bank as jointly liable, and by I.C.C.I, which demanded the Bank to pay USD\$20,060 less its reimbursed amount to make a security deposit of EUR\$14,000. The Bank has engaged local attorneys to represent itself in court. The Court of Congo will merge the two cases for court. In April 2021, the translation of judgement from the Court of Congo, judgeing that the Bank should pay around EUR\$20,060 for I.C.C.I. Also, I.C.C.I must compensate Star Marine for USD\$1,130 as well as make a security deposit of EUR\$14,000 in the domestic bank in Congo. I.C.C.I has been paid around EUR\$14,860. According to the statement of plaintiff and considering that I.C.C.I has already received about EUR \$14,860, an addition of \$73,181 has been provision for lawsuit in 2021. Please refer to Note 6(v) for more details. As of December 31, 2022, the Bank has accrued the compensation of \$259,635 and EUR\$9,660.

## (10) Losses from disasters:None

## (11) Subsequent Events:None

## (12) Others:

# (a) Information on loan quality, concentration of credit extensions, interest rate-sensitivity, profitability and maturity analysis

		Month/Year		C	December 31, 202	2	
Items			Non-performing Ioans	Total loans	Non-performing Ioan ratio	Allowance for credit losses	Coverage ratio
Corporate	Secured		1,602,465	713,092,812	0.22%	8,945,106	558.21%
finance	Unsecured		691,641	372,391,080	0.19%	4,952,203	716.01%
	Residence mortgages(N	Residence mortgages(Note 4)		170,335,261	0.11%	2,130,940	1,134.69%
Consumer	Cash cards		-	-	-%	-	-%
finance	Microcredit(I	Microcredit(Note 5)		325,663	1.47%	7,370	153.48%
	Others (Note 6)	Secured	266,055	149,120,110	0.18%	1,868,990	702.48%
		(Note 6)	Unsecured	14,614	13,228,525	0.11%	174,007
Total loan bu	siness		2,767,377	1,418,493,451	0.20%	18,078,616	653.28%
		Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio	
Credit cards business		437	1,122,771	0.04%	14,292	3,270.48%	
Account re- recourse (No		oring-without	-	-	-%	-	-%

(i) Loan quality:

Month/Year			December 31, 2021					
Items		Non-performing Ioans	Total loans	Non-performing Ioan ratio	Allowance for credit losses	Coverage ratio		
Corporate	Secured		1,324,552	686,386,566	0.19%	7,855,442	593.06%	
finance	Unsecured		1,800,964	330,974,304	0.54%	4,246,313	235.78%	
	Residence mortgages(Note 4) Cash cards		228,806	141,504,543	0.16%	1,625,312	710.35%	
Consumer			-	2	-%	-	-%	
finance	Microcredit(Note 5)		6,085	417,829	1.46%	8,809	144.77%	
	Others (Note 6)	Secured	307,198	147,964,837	0.21%	1,702,136	554.08%	
		Unsecured	17,548	10,976,267	0.16%	138,805	791.00%	
Total loan bu	siness		3,685,153	1,318,224,348	0.28%	15,576,817	422.69%	
			Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio	
Credit cards business		720	1,062,097	0.07%	18,375	2,552.08%		
Account receivable factoring-without recourse (Note 7)		-	-	-%	-	-%		

Note 1 Non-performing loans represent the amount of overdue loans as reported in accordance with the "Regulations on the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans". The credit card overdue loans represent the amount of overdue loans as reported in accordance with Jin-Kuan-Yin-(4)-Zi No. 0944000378, dated July 6, 2005.

Note 3 Coverage ratio for loans = allowance for credit losses ÷ non-performing loans; Coverage ratio for credit card business = allowance for credit losses ÷ overdue receivables.

Note 4 For residential mortgage loans, a borrower provides his/her (or spouse's or minor child's) house as collateral in full and pledges it to the financial institution for the purpose of obtaining funds to purchase property and to construct or repair a house.

Overdue loans and receivables exempted from reporting

	Decembe	er 31, 2022	December 31, 2021		
	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables	
Pursuant to a contract under a debt negotiation plan (Note1)	\$ 258	1,112	372	1,486	
Pursuant to a contract under a debt liquidation plan and a debt relief plan (Note 2)	54,109	22,489	51,418	26,536	
Total	<u>\$ 54,367</u>	23,601	51,790	28,022	

Note 1: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09510001270, dated April 25, 2006, a bank is required to make supplemental disclosure of credit information which was approved under the debt coordination mechanism of unsecured consumer debts by the Bankers Association of the R.O.C.

Note 2: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09700318940, dated September 15, 2008 and Jin-Kuan-Yin-Fa-Zi No. 10500134790, dated September 20, 2016, a bank is required to make supplemental disclosure of credit information once debtors apply for pre-negotiation, pre-conciliation, relief and liquidation under the "Consumer Debt Clearance Act."

Note 2 Non-performing loan ratio = Non-performing loans ÷ total loans; Credit card delinquency ratio = Overdue receivables ÷ receivables

Note 5 Microcredit loans are defined by Jin-Kuan-Yin-(4)-Zi No. 09440010950, dated December 19, 2005, and do not include credit cards or cash cards.

Note 6 Others in consumer finance are secured and unsecured consumer loans other than residential mortgage loans, cash card loans, and microcredit loans, and do not include credit cards.

Note 7 In accordance with Jin-Kuan-Yin-(5)-Zi No. 0945000494, dated July 19, 2005, the amounts of without-recourse factoring will be classified as overdue receivables within three months from the date that suppliers or insurance companies resolve not to compensate the loss.

#### (ii) Concentration of credit extensions

December 31, 2022								
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)					
1	A company. (Railway transportation)	21,202,474	20.37%					
2	B group. (Real estate for sale and rental with own or leased property)	16,381,315	15.74%					
3	C group. (Other holding)	9,788,164	9.40%					
4	D group. (Real estate development)	8,982,725	8.63%					
5	E group. (Steel rolling and extruding)	8,715,755	8.37%					
6	F group. (Computers manufacturing)	6,523,340	6.27%					
7	G group. (Real estate development)	6,261,408	6.01%					
8	H group. (Real estate development)	6,027,170	5.79%					
9	I group. (Liquid crystal panel and components manufacturing)	5,531,674	5.31%					
10	J group. (Financial Leasing)	4,565,169	4.39%					

December 31, 2021								
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)					
1	A company. (Railway transportation)	23,637,474	23.26%					
2	B group. (Real estate for sale and rental with own or leased property)	11,438,878	11.25%					
3	E group. (Steel rolling and extruding)	9,135,146	8.99%					
4	D group. (Real estate development)	9,024,525	8.88%					
5	C group. (Other holding)	8,571,432	8.43%					
6	H group. (Real estate development)	6,383,825	6.28%					
7	F group. (Computers manufacturing)	5,977,657	5.88%					
8	G group. (Real estate development)	5,893,403	5.80%					
9	K group. (Air transportation)	4,393,761	4.32%					
10	J group. (Financial Leasing)	4,201,781	4.13%					

Note 1 The top ten enterprise groups other than government or stated-owned enterprises are ranked according to their total outstanding credit amount. If the borrowers belong to an enterprise group, the aggregate credit balance of the enterprise should be calculated and disclosed as a code number for each such borrower together with an indication of the borrowers' line of business. In addition, if the borrowers are enterprise groups, the enterprise group's industry sector with the maximum exposure to credit risk in its main industry sector should be disclosed, along with the "class" of the industry, in compliance with the Standard Industrial Classification System of the R.O.C. posted by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.

Note 2 Enterprise group is as defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings" .

Note 3 Consists of loans (import/export bills negotiated, bills and notes discounted, overdrafts, short-term loans, short-term secured loans, margin loans receivable, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, overdue loans), exchange bills negotiated, accounts receivable factoring without recourse, bankers' acceptance receivable, guarantees proceeds.

Note 4 In the calculation of Credit amount to equity ratio, the domestic bank should be calculated in the net value of head office. The Foreign bank should be calculated in the net value of Taiwan branch.

#### (iii) Interest rate-sensitivity information

#### 1) Analysis of interest rate-sensitive assets and liabilities (New Taiwan dollars)

Unit : %									
December 31, 2022									
Item	over 1 year	total							
Interest rate-sensitive assets	\$ 1,464,207,488	24,207,477	42,324,132	136,449,514	1,667,188,611				
Interest rate-sensitive liabilities	1,333,797,410	31,475,346	65,933,051	49,486,811	1,480,692,618				
Interest rate sensitivity gap	130,410,078	(7,267,869)	(23,608,919)	86,962,703	186,495,993				
Net worth					104,107,258				
Ratio of interest rate-sensitive assets to liabilities (%)									
Ratio of interest rate-sensitive gap	o to net worth (%)				179.14				
		December 31, 20	21						
ltem	1~90 days	91~180 days	181days~1year	over 1 year	total				
Interest rate-sensitive assets	\$ 1,390,843,739	26,502,324	66,351,438	138,336,920	1,622,034,421				
Interest rate-sensitive liabilities	1,260,163,540	78,136,810	107,263,390	57,890,778	1,503,454,518				
Interest rate sensitivity gap	130,680,199	(51,634,486)	(40,911,952)	80,446,142	118,579,903				
Net worth									
Ratio of interest rate-sensitive assets to liabilities (%)									
Ratio of interest rate-sensitive gap to net worth (%)									

Note 1 Listed amount refers to the Bank's amount of N.T. dollars and does not include contingent assets or liabilities.

Note 2 Interest rate-sensitive assets and liabilities refer to revenues or costs of interest-yielding assets and interest-bearing liabilities, which are affected by interest rate fluctuations.

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

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

#### 2) Analysis of the interest-sensitive assets and liabilities (US dollars)

#### Unit : In Thousands of US Dollars, %

December 31, 2022								
Item	1	~90 days	91~180 days	181days~1year	over 1 year	total		
Interest rate-sensitive assets	\$	5,161,097	219,595	116,768	993,718	6,491,178		
Interest rate-sensitive liabilities	11,094,277							
Interest rate sensitivity gap	rest rate sensitivity gap (2,141,544)			(2,285,284)	992,579	(4,603,099)		
Net worth								
Ratio of interest rate-sensitive assets to liabilities (%)								
Ratio of interest rate-sensitive gap	to net	worth (%)				(135.85)		

December 31, 2021										
Item	1	~90 days	91~180 days	181days~1year	over 1 year	total				
Interest rate-sensitive assets	\$	5,768,616	985,190	124,536	812,271	7,690,613				
Interest rate-sensitive liabilities		6,805,950	1,222,606	1,984,997	-	10,013,553				
Interest rate sensitivity gap		(1,037,334)	(237,416)	(1,860,461)	812,271	(2,322,940)				
Net worth						3,676,007				
Ratio of interest rate-sensitive ass	76.80									
Ratio of interest rate-sensitive gap	to net	worth (%)				(63.19)				

Note 1 Listed amount refers to the Bank's amount of US dollars and does not include contingent assets or liabilities.

Note 2 Interest rate-sensitive assets and interest rate-sensitive liabilities refer to the interest yielding assets and interest-bearing liabilities which the revenue and cost are affected by interest rate fluctuation.

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

Note 4 Ratio of interest rate-sensitive assets to liabilities=Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (US dollars interest-rate-sensitive assets and US dollars interest-rate-sensitive liabilities).

### (iv) Profitability

			Unit: %
lt	em	December 31, 2022	December 31, 2021
The ratio of return on assets	Before income tax	0.59	0.30
The fallo of felum on assets	After income tax	0.49	0.27
The rotic of roturn on aquity	Before income tax	11.70	5.79
The ratio of return on equity	After income tax	9.84	5.09
Net inc	ome ratio	35.48	21.16

Note 1 The ratio of return on assets = Income before (after) income tax expense  $\div$  average assets.

Note 2 The ratio of return on equity = Income before (after) income tax expense  $\div$  average equity.

Note 3 Net income ratio = Net income after income tax expense  $\div$  Net revenue.

Note 4 Income before (after) income tax expense refers to income accumulated from January of the current year to the current period end.

#### (v) Maturity analysis for assets and liabilities

## 1) Maturity analysis in New Taiwan dollars

	December 31, 2022														
		An	Amount during the maturity period from the balance sheet date to due date												
	Total	0-10days	0-10days 11-30days 31-90days 91-180days 181days-1year												
Major maturity capital inflow	\$ 1,798,278,148	171,214,261	167,605,412	186,953,929	204,957,223	152,184,634	915,362,689								
Major maturity capital outflow	2,201,577,109	79,002,934	115,025,374	262,893,103	184,927,959	384,673,313	1,175,054,426								
Gap	(403,298,961)	92,211,327	52,580,038	(75,939,174)	20,029,264	(232,488,679)	(259,691,737)								

Note: Listed amounts are denominated in New Taiwan dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow \$390,839,630.

	December 31, 2021														
		An	Amount during the maturity period from the balance sheet date to due date												
	Total	0-10days	11-30days	31-90days	91-180days	181days-1year	Over 1 year								
Major maturity capital inflow	\$ 1,750,694,486	161,102,012	173,091,966	160,017,985	191,111,216	183,481,924	881,889,383								
Major maturity capital outflow	2,080,919,419	58,109,342	96,378,346	197,106,878	230,402,505	383,878,329	1,115,044,019								
Gap	(330,224,933)	102,992,670	76,713,620	(37,088,893)	(39,291,289)	(200,396,405)	(233,154,636)								

Note: Listed amounts are denominated in New Taiwan dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow \$321,721,283.

#### 2) Maturity analysis in US dollars

#### Unit : In Thousands of US Dollars

	December 31, 2022												
		Amount during the maturity period from the balance sheet date to due date											
	Total	0-30days	31-90days	91-180days	181days-1year	Over 1 year							
Major maturity capital inflow	\$ 16,353,649	5,107,519	4,629,214	1,287,440	1,713,177	3,616,299							
Major maturity capital outflow	17,155,496	3,645,117	4,045,473	2,484,679	3,910,394	3,069,833							
Gap	(801,847)	1,462,402	583,741	(1,197,239)	(2,197,217)	546,466							

Note: Listed amounts are denominated in US dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow USD \$912,002.

V	

	December 31, 2021													
		Amount during the maturity period from the balance sheet date to due da												
	Total	0-30days	31-90days	91-180days	181days-1year	Over 1 year								
Major maturity capital inflow	\$ 13,916,218	2,980,694	3,107,058	1,979,387	2,382,222	3,466,857								
Major maturity capital outflow	14,541,102	2,963,483	2,492,268	1,795,298	2,996,995	4,293,058								
Gap	(624,884)	17,211	614,790	184,089	(614,773)	(826,201)								

Note: Listed amounts are denominated in US dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow USD \$824,028.

## (13) Other disclosures:

## (a) Information on significant transactions:

- (i) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 10% of the capital stock: None.
- (ii) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock: None.
- (iii) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock: None.
- (iv) Service charge discounts on transactions with related parties in an aggregate amount of NT\$5 million or more: None.
- (v) Receivables from related parties with amounts exceeding the lower of NT\$300 million or 10% of the capital stock: None.
- (vi) Information on NPL disposal transaction: None.
- (vii) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information: None.

(viii) Business relationships and significant intercompany transactions:

				Transaction	status for	the year ended Dceo	cember 31, 2022
No (Note1)			Relationship (Note 2)	Account	Amount	Terms	Percentage accounted for consolidated net revenue or total assets
0	Taiwan Business Bank, Ltd.	TBB International Leasing Co., Ltd.	1	Deposits and remittances	19,594	No difference with non-related parties	-%
1	TBB International Leasing Co., Ltd.	Taiwan Business Bank, Ltd.	2	Right-of-use assets	226	No difference with non-related parties	-%
1	TBB International Leasing Co., Ltd.	Taiwan Business Bank, Ltd.	2	Lease liabilities	230	No difference with non-related parties	-%
0	Taiwan Business Bank, Ltd.	TBB International Leasing Co., Ltd.	1	Net revenue other than interest	691	No difference with non-related parties	-%
0	Taiwan Business Bank, Ltd.	TBB Venture Capital Co., Ltd.	1	Deposits and remittances	102,534	No difference with non-related parties	0.01%
2	TBB Venture Capital Co., Ltd.	Taiwan Business Bank, Ltd.	2	Right-of-use assets	640	No difference with non-related parties	-%
2	TBB Venture Capital Co., Ltd.	Taiwan Business Bank, Ltd.	2	Lease liabilities	645	No difference with non-related parties	-%

				Transaction	status for	the year ended Dceo	ember 31, 2022
No (Note1)	Trader	Counterparty	Relationship (Note 2)	Account	Amount	Terms	Percentage accounted for consolidated net revenue or total assets
0	Taiwan Business Bank, Ltd.	TBB Venture Capital Co., Ltd.	1	Net revenue other than interest	172	No difference with non-related parties	-%
0	Taiwan Business Bank, Ltd.	Taiwan Business Bank International Leasing Co., Ltd.	1	Deposits and remittances	177,399	No difference with non-related parties	0.01%
0	Taiwan Business Bank, Ltd.	TBB Consulting Co., Ltd.	1	Deposits and remittances	56,279	No difference with non-related parties	-%
0	Taiwan Business Bank, Ltd.	TBB Consulting Co., Ltd.	1	Net revenue other than interest	716	No difference with non-related parties	-%
3	TBB Consulting Co., Ltd.	Taiwan Business Bank, Ltd.	2	Right-to-use assets	3,557	No difference with non-related parties	-%
3	TBB Consulting Co., Ltd.	Taiwan Business Bank, Ltd.	2	Lease liabilities	3,577	No difference with non-related parties	-%
2	TBB Venture Capital Co., Ltd.	TBB Consulting Co., Ltd.	3	Net revenue other than non-interest	86,993	No difference with non-related parties	-%
2	TBB Venture Capital Co., Ltd.	TBB Consulting Co., Ltd.	3	Accounts payable	64,737	No difference with non-related parties	-%

Note: 1. The meaning of the number is as follows.

(1) Zero stands for the parent company

(2) Subsidiaries are numbered in a sequence of Arabic numerals from 1 based on company category.

2. There are three kinds of relationships with counterparty

- (1) Parent company to subsidiary
- (2) Subsidiary to parent company
- (3) Between subsidiaries
- (ix) Other significant transactions that may have substantial influence upon the decisions made by financial report users: None.

## (b) Information on investees:

(i) The following is the information on investees (excluding information on investees in Mainland China):

(Unit : thousand shares)											
						The cross h	olding of th	e Bank and its	related parties		
							Number of	Тс	otal	Note	
Name ofinvestee	Location	Main business scope	Shareholding ratio	Book value	Investment gain (loss)	Number of shares	proforma shares	Number of shares	Shareholding ratio		
TBB International Leasing Co., Ltd.	Taiwan	Leasing business	100.00%	1,516,406	41,673	150,000	-	150,000	100.00%	Already written- off when preparing the consolidated financial statements	
TBB (Cambodia) Microfinance Institution PIc	Cambodia	SMEs and personal finance business	100.00%	624,591	26,911	20	-	20	100.00%	II.	
TBB Venture Capital Co., Ltd.	Taiwan	Investing business	100.00%	1,258,512	202,343	105,000	-	105,000	100.00%	"	
TBB Consulting Co., Ltd.	Taiwan	Consulting business	100.00%	97,947	49,356	5,000	-	5,000	100.00%	"	
Media Talk Consulting Co., Ltd.	Taiwan	Investing cultural and creative business	20.00%	808	(1,192)	200	-	200	20.00%		

#### (ii) Loans to others:

							Actual	Range of	Nature		The necessary reason for	Allowance	Guara	antee	Limited amount for	Total limited
NO.	Creditor	Debtor	Interaction Account	Related party	Highest Amount	Ending balance	drawdown amount	interest rate	of the Ioan	Dealing amount	short-term Ioans	forbad debts	Name	Value	individual object	amountfor Ioan
1	TBB International Leasing Co., Ltd.	Chao-Yang International Co., Ltd.	Financial receivables	No	28,442	11,781	20,000	2%~10%	2	-	To the lender for buying goods	120	None	•	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Hsin Chuan Construc- tion Co., Ltd.	Financial receivables	No	146,155	62,745	100,000	2%~10%	2	-	To the lender for buying goods	634	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Sian Shang Frozen Food Co., Ltd	Financial receivables	No	28,442	10,115	20,000	2%~10%	2	-	To the lender for buying goods	103	None	•	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Xi Quan Restaurant Co., Ltd	Financial receivables	No	104,957	53,000	106,000	2%~10%	2	-	To the lender for buying goods	550	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Acon-Holding INC.	Financial receivables	No	37,570	7,570	30,000	2%~10%	2	-	To the lender for buying goods	76	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Pei Xian Seafood Co., Ltd	Financial receivables	No	28,442	11,781	20,000	2%~10%	2	-	To the lender for buying goods	120	None	-	379,101	1,516,403
1		Maw Shing Top Co., Ltd.	Financial receivables	No	26,481	10,971	15,000	2%~10%	2	-	To the lender for buying goods	112	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Yu Ding Investment Co., Ltd	Financial receivables	No	77,555	50,000	50,000	2%~10%	2	-	To the lender for buying goods	518	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Chaishan Foods Co., Ltd.	Financial receivables	No	50,000	-	50,000	2%-10%	2	-	To the lender for buying goods	-	None	-	379,101	1,463,068
1	TBB International Leasing Co., Ltd.	Yu Shan Environmental Engineering Co., Ltd.	Financial receivables	No	15,000	-	15,000	2%-10%	2	-	To the lender for buying goods	-	None	-	379,101	1,463,068
1	TBB International Leasing Co., Ltd.	Chao-Chi Property Management Consulting Co.,Ltd	Financial receivables	No	15,000	10,078	15,000	2%~10%	2	-	To the lender for buying goods	103	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Tai Chang Fiber Co., Ltd	Financial receivables	No	15,000	10,092	15,000	2%~10%	2	-	To the lender for buying goods	103	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Risingsun Wide Food Corp.	Financial receivables	No	30,000	28,082	30,000	2%~10%	2	-	To the lender for buying goods	288	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Yu Cheng Precision Industry Co.,Ltd.	Financial receivables	No	12,000	9,045	12,000	2%~10%	2	-	To the lender for buying goods	92	None	-	379,101	1,516,403
1	TBB International Leasing Co.,Ltd.	Jiou Chang Motor Co., Ltd.	Financial receivables	No	10,000	10,000	10,000	2%~10%	2	-	To the lender for buying goods	103	None	-	379,101	1,516,403
1	TBB International Leasing Co.,Ltd.	Liang-wei Tobacco & Liquor Co., Ltd.	Financial receivables	No	10,000	10,000	10,000	2%~10%	2	-	To the lender for buying goods	103	None	-	379,101	1,516,403
1	TBB International Leasing Co.,Ltd.	Jia Ho Food Co., Ltd.	Financial receivables	No	20,000	20,000	20,000	2%~10%	2	-	To the lender for buying goods	206	None	-	379,101	1,516,403

Note1: The meaning of the number is as follows.

(1) Zero stands for issuer.

- (2) Investee companies are numbered in a sequence of Arabic numerals from 1 based on company category.
- Note2: The amount of loans is still valid up to now.
- Note3: The nature of the loan nature is as follows.
  - (1) 1 stands for business relation.
  - (2) 2 stands for the necessity for short-term loans.
- Note4: Limited amount for individual object:25% net worth of the latest TBB International Leasing Co.,Ltd's audited financial statements.
- Note5: Total limited amount for loan: 100% net worth of the latest TBB International Leasing Co.,Ltd.'s audited financial statements.
- (iii) Endorsements and guarantee for others: None

VI

(iv) Acquisition of securities:									
		Relationship with the			At the end o	f the period			
Company acquired	Type and name of the security	security issuer	Account	Number of shares	Carrying amount	Share proportion	Market price	Note	
TBB International Leasing Co., Ltd.	Taiwan Buisness International Leasing Co., Ltd.	Parent company	Investment under equity method	-	953,828	100.00%	953,828	The transaction has been written off when preparing the consolidated financial statements.	
TBB International Leasing Co., Ltd.		-	Financial assets at fair value through profit or loss	-	100,000	-%	100,000	Financial debentures	
TBB Venture Capital Co., Ltd.	G12245	-	Financial assets at fair value through profit or loss	-	100,000	-%	100,000	Financial debentures	
TBB Venture Capital Co., Ltd.	Powerchip Semiconductor Manufacturing Corporation	-	Financial assets at fair value through profit or loss	250	8,013	0.01%	8,013	Listed Stocks	
TBB Venture Capital Co., Ltd.	Eir Genix, Inc.	-	Financial assets at fair value through profit or loss	845	104,780	0.28%	104,780	OTC Stocks	
TBB Venture Capital Co., Ltd.	Chenfull Precision Co.,Ltd.	-	Financial assets at fair value through profit or loss	380	27,930	0.64%	27,930	OTC Stocks	
TBB Venture Capital Co., Ltd.	Lungteh Shipbuilding Co., Ltd.	-	Financial assets at fair value through profit or loss	1,702	113,163	1.74%	113,163	Emerging Stocks	
TBB Venture Capital Co., Ltd.	Ping Ho Environmental Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	150	8,730	0.51%	8,730	Emerging Stocks	
TBB Venture Capital Co., Ltd.	Handa Pharmaceuticals, Inc.	-	Financial assets at fair value through profit or loss	1,141	139,737	0.88%	139,737	Emerging Stocks	
TBB Venture Capital Co., Ltd.	Tigerair Taiwan Co.,Ltd.	-	Financial assets at fair value through profit or loss	1,973	61,360	0.49%	61,360	Emerging Stocks	
TBB Venture Capital Co., Ltd.	Energenesis Biomedical Co., Ltd.	-	Financial assets at fair value through profit or loss	340	14,399	0.51%	14,399	Emerging Stocks	
TBB Venture Capital Co., Ltd.	Evergreen Aviation Technologies Corporation	-	Financial assets at fair value through profit or loss	468	37,580	0.13%	37,580	Emerging Stocks	
TBB Venture Capital Co., Ltd.	Locus Cell Co., Ltd.	-	Financial assets at fair value through profit or loss	1,362	48,760	0.68%	48,760	Emerging Stocks	
TBB Venture Capital Co., Ltd.	Starlux Airlines Co., Ltd.	-	Financial assets at fair value through profit or loss	3,860	73,147	0.21%	73,147	Emerging Stocks	
TBB Venture Capital Co., Ltd.	Pinkoi Inc.	-	Financial assets at fair value through profit or loss	93	30,156	0.53%	30,156	Unlisted Stocks	
TBB Venture Capital Co., Ltd.	Song Chuan Precision Co., Ltd.	-	Financial assets at fair value through profit or loss	415	24,898	0.74%	24,898	Unlisted Stocks	

## (iv) Acquisition of securities:

		Relationship		At the end of the period				
Company acquired	Type and name of the security	with the security issuer	Account	Number of shares	Carrying amount	Share proportion	Market price	Note
TBB Venture Capital Co., Ltd.	Techplasma Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	821	54,267	2.87%	54,267	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Hephas Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	680	88,349	2.96%	88,349	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Ren Chin Electric Conductor Co., Ltd.	-	Financial assets at fair value through profit or loss	250	3,835	2.61%	3,835	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Manford Machinery Co.,Ltd.	-	Financial assets at fair value through profit or loss	1,195	20,315	2.99%	20,315	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Yuh Shan Enviromental Engineering Co., Ltd.	-	Financial assets at fair value through profit or loss	500	22,005	1.96%	22,005	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Huang Chieh MetalHoldings Co., Ltd.	-	Financial assets at fair value through profit or loss	286	2,940	0.48%	2,940	Unlisted Stocks
TBB Venture Capital Co., Ltd.	lovtec Co., Ltd.	-	Financial assets at fair value through profit or loss	424	21,857	2.93%	21,857	Unlisted Stocks
TBB Venture Capital Co., Ltd.	e-Formula Technologies, Inc.	-	Financial assets at fair value through profit or loss	600	8,952	2.76%	8,952	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Han-win Technology Co.,Ltd	-	Financial assets at fair value through profit or loss	453	6,272	2.20%	6,272	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Ina Energy Corporation	-	Financial assets at fair value through profit or loss	2,000	25,800	1.00%	25,800	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Amazing Cool Technology Corporation.	-	Financial assets at fair value through profit or loss	390	3,916	2.86%	3,916	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Long-Shun Green Energy Technology Ltd.	-	Financial assets at fair value through profit or loss	720	28,800	2.40%	28,800	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Gamamobi Taiwan Co.,Ltd.	-	Financial assets at fair value through other comprehensive income	200	1,690	1.00%	1,690	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Toyo Automation Co.,Ltd.	-	Financial assets at fair value through profit or loss	250	26,250	0.95%	26,250	Unlisted Stocks
TBB Venture Capital Co., Ltd.	aetherAl Co., Ltd.	-	Financial assets at fair value through profit or loss	400	10,000	0.72%	10,000	Unlisted stocks
TBB Venture Capital Co., Ltd.	GoodLinker Co., Ltd.	-	Financial assets at fair value through profit or loss	100	3,000	2.86%	3,000	Unlisted stocks

VI

213

		Relationship						
Company acquired	Type and name of the security	with the security issuer	Account	Number of shares	Carrying amount	Share proportion	Market price	Note
TBB Venture Capital Co., Ltd.	Yiyi Pictures Co Ltd.	-	Financial assets at fair value through profit or loss	9	2,992	1.10%	2,992	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Inbound Asia Co., Ltd.	-	Financial assets at fair value through profit or loss	83	3,000	0.41%	3,000	Unlisted stocks
TBB Venture Capital Co., Ltd.	TFBS Bioscience, Inc.	-	Financial assets at fair value through other comprehensive income	250	13,500	0.75%	13,500	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Asia Hydrogen Energy Corporation	-	Financial assets at fair value through profit or loss	132	5,000	1.98%	5,000	Unlisted Stocks
TBB Venture Capital Co., Ltd.	kuang shih Al Co., Ltd.	-	Financial assets at fair value through profit or loss	1,600	20,800	8.89%	20,800	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Longwalk social enterprise, Co., Ltd.	-	Financial assets at fair value through profit or loss	120	3,000	12.77%	3,000	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Carpost Co., Ltd.	-	Financial assets at fair value through profit or loss	330	3,960	2.92%	3,960	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Honley Auto. Parts Co., Ltd.	-	Financial assets at fair value through profit or loss	3,000	36,000	1.78%	36,000	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Taiwan Buffalo III Biotechnology VentureCapital LLP.	-	Financial assets at fair value through profit or loss	-	35,119	4.57%	35,119	Private fund
TBB Venture Capital Co., Ltd.	Ju He Venture CapitalLLP.	-	Financial assets at fair value through profit or loss	-	19,071	2.46%	19,071	Private fund
TBB Venture Capital Co., Ltd.	TBB No. 1 Venture Capital Limited Partnership	-	Financial assets at fair value through profit or loss	-	11,831	1.12%	11,831	Private fund
TBB Venture Capital Co., Ltd.	Jia Da International Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,919	29,807	8.52%	29,807	Unlisted Stocks
TBB Consulting Co., Ltd.	Media Talk Consulting Co., Ltd.	Associates	Investment under equity method	-	808	20.00%	808	
TBB Consulting Co., Ltd.	TBB No. 1 Venture Capital Limited Partnership	-	Financial assets at fair value through profit or loss	-	1,183	0.11%	1,183	Private fund

(v) Accumulative purchases or sales of the same investee companies amounting to over \$300,000 or 10% of paid-in capital: None.

(vi) Acquisition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.

(vii) Disposition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.

(viii) Discount of commissions and handling fees with related parties amounting to over \$5,000: None.

- (ix) Receivables from related parties amounting to over \$300,000 or 10% of paid-in capital: None.
- (x) Transactions of financial derivatives: None.
- (xi) Sale of non-performing loans information: None.
- (xii) Types of securitization instruments and related information approved by financial assets securitization rules or real estate securitization rules: None.
- (xiii) Other significant transactions that might have substantial influence over the decision making of the financial statement users: None.

#### (c) Information on investments in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of				Accumulated	Investment tran or recov	ered	Accumulated	The current		Investment		Accumulated inward
investee company in Mainland China	Major business	Paid-in capital	Investment method (Note 1)	amount transferred from Taiwan, beginning of the period			amount transferred from Taiwan,end of the period	loss of	Shares directly or indirectly possessed by the Bank	income for the period (Notes 2 and 4)	Ending carring value of investment	remittance of earnings as of the end of period
Taiwan Business Bank , Ltd. Shanghai branch	Banking business	3,910,537 (CNY800 million) (Operating capital)	(3)	3,910,537 (CNY800 million)	-	-	3,910,537 (CNY800 million)	-	Shanghai branch of the Bank, not an investee company	Note 4	4,325,735	None
Taiwan Business Bank , Ltd. Wuhan branch	Banking business	3,942,815 (CNY800 million) (Operating capital)	(3)	3,942,815 (CNY800 million)	-	-	3,942,815 (CNY800 million)	-	Wuhan branch of the Bank, not an investee company	Note 4	4,130,790	и
Taiwan Business Bank International Leasing Co., Ltd.	Leasing business	838,305 (CNY170 million) (Operating capital)	(1)	838,305 (CNY170 million)	-	-	838,305 (CNY170 million)	34,290 2(c)	100%	34,290 2(c)	953,828	ű

Note 1: Investment method is divided into three categories and are listed as follows:

(1) Directly invest in Mainland China.

- (2) Investment in Mainland China companies through a third region.
- (3) Others: establishment of oversea branches
- Note 2: The column of "Investment gains (losses)" :
  - (1) If the company is still in the preparation process, and does not have any investment gain or loss, please specify.
  - (2) The bases for recognition of investment income or loss have three methods, please specify.
    - a. The audited financial reports that are issued by an international accounting firm which is connected to an accounting firm in Taiwan.
    - b The audited financial reports that are issued by the Taiwan parent company's designated accounting firm.
    - c. Others
  - (3) Please specify if information regarding current gains or losses of an investee is not retrievable.

Note 3: The number is expressed in New Taiwan Dollars.

Note 4: The operating result of Shanghai and Wuhan branch have been included in the Bank.

#### (ii) Limitation on investment in Mainland China:

Name of Company	Accumulated outflow of investment from Taiwan to Mainland China, as of the end of period	Investment amount authorized by Investment Commission, MOEA	Upper limit on investment authorized by Investment Commission, MOEA
Taiwan Business Bank, Ltd.(Note)	8,691,657 (CNY 1,770 million)	8,691,657 (CNY 1,770 million)	62,464,355

Note: The investment amount in China of the subsidiary TBB International Leasing Co, Ltd is included.

## (d) Information of major shareholders:

Shareholder's Name	g Shares	Percentage
Bank of Taiwan	1,301,907,315	16.21%
National Development Fund, Executive Yuan	471,075,689	5.87%

## (14) Segment information:

#### (a) General information

The chief operating decision maker is the general manager of the Bank and subsidiaries who is in charge of all major projects' approval, budget review and performance measurement. In order to express operating activities legitimately, the reportable segments of the Bank are Bank segment, Securities segment, Trust segment, Insurance agency segment and Others. Securities segment, Trust segment, Insurance agency segment and Other segments don't meet the quantitative thresholds, therefore regarded as the same reporting segment. The main operations of the banking segment are engaged in the deposits, remittance and loans in New Taiwanese Dollars or foreign currencies, as well as securities investments. The major operating activities of securities segment are securities brokerage, financing, ancillary business of futures trading and providing clients a platform for securities investment. The trust segment mainly provides customers relevant financial services, including securities under writing, custodian bank service, new type trust business and specific trust funds investing in domestic or foreign securities. Insurance agency segment primarily provides life and property insurance products to clients. Other segments include all the business of subsidiaries, which main operations are leasing, financing, consulting, and venture capital. The profit or loss of the operating segments of the Bank and subsidiaries is measured by income from continuing operation before tax. The reported amount is consistent with the financial statements which were provided to the chief operating decision maker in order to use it as the base of resource allocation and performance measurement.

#### (b) Segment information

For the year ended December 31, 2022	Banking Segment	Securities, Trust, Insurance agent and Others	Adjustment and Elimination	Total
Net interest revenue	\$ 19,919,668	308,305	-	20,227,973
Net revenue other than interest	5,935,920	2,772,506	(407,276)	8,301,150
Net revenue	25,855,588	3,080,811	(407,276)	28,529,123
Bad debt expense, commitment and guarantee liability provision	(2,406,886)	20,824	-	(2,386,062)
Operating expenses	(13,414,504)	(775,758)	86,993	(14,103,269)
Income from continuing operation before tax	<u>\$ 10,034,198</u>	2,325,877	(320,283)	12,039,792
Total assets	<u>\$2,058,452,888</u>	17,970,922	(3,937,685)	2,072,486,125
Total liabilities	<u>\$ 1,957,766,486</u>	11,052,610	(440,229)	1,968,378,867

For the year ended December 31, 2021	Banking Segment	Securities, Trust, Insurance agent and Others	Adjustment and Elimination	Total
Net interest revenue	\$ 17,499,571	306,177	28	17,805,776
Net revenue other than interest	4,960,238	1,440,785	(100,775)	6,300,248
Net revenue	22,459,809	1,746,962	(100,747)	24,106,024
Bad debt expense, commitment and guarantee liability provision	(5,160,985)	(26,518)	-	(5,187,503)
Operating expenses	(12,479,903)	(637,647)	1,075	(13,116,475)
Income from continuing operation before tax	<u>\$ 4,818,921</u>	1,082,797	(99,672)	5,802,046
Total assets	<u>\$ 2,005,406,016</u>	19,351,477	(3,504,421)	2,021,253,072
Total liabilities	<u>\$ 1,906,967,800</u>	13,012,694	(387,394)	1,919,593,100

## (c) Geographic information:

The Bank and subsidiaries, based on the geographic location of foreign operating segments, to disclose the information as below:

Net income before tax:

	For the years ended December 31				
Area		2022	2021		
Taiwan	\$	10,788,450	4,918,965		
USA		630,934	255,588		
Hong Kong		255,099	(38,884)		
Australia		372,368	437,156		
China		(80,112)	231,546		
Cambodia		29,282	8,935		
Japan		43,771	(11,260)		
Total	<u>\$</u>	12,039,792	5,802,046		

Non-current assets:

Area	December 31, 2022	December 31, 2021		
Taiwan	\$ 31,472,080	25,970,907		
USA	152,549	41,374		
Hong Kong	60,067	69,524		
Australia	58,225	66,936		
China	72,102	85,587		
Cambodia	36,970	32,011		
Japan	22,597	26,181		
Total	<u>\$ 31,874,590</u>	26,292,520		

## (d) Significant client information:

No single customer represents 10% or more of the Bank and subsidiaries' operating revenue. Therefore, no disclosure of major customer information is required.

## 7. Independent Auditors' Report for 2022 Individual Financial Statements

## **Independent Auditors' Report**

To the Board of Directors of Taiwan Business Bank Ltd.:

#### Opinion

We have audited the financial statements of Taiwan Business Bank Ltd. ("the Bank"), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

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 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 Held Banks, and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

We conducted our audits of the current period in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Jin-Kuan-Yin-Zi No.1082731571 and the auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank and subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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.

#### 1. The assessment of loans impairment

Please refer to Note (4) (e) "Financial Instruments" for related accounting policy, Note 5 (a) for accounting assumptions and estimates, and Note 6 (f) "Discount and loans, net" and Note 6 (ap) "Financial Risk Information" for details of loans impairment, respectively.

The management of the Bank assess the impairment of loans by determining if there is any observable evidence indicating impairment, and dividing them into collective assessment and individual assessment based on the materiality levels to measure by different impairment method. For the individual assessment with objective evidence of impairment, the measurement is based on expected future cash flow. For the collective assessment with objective evidence of impairment, the Bank needs to calculate the recovery rate of each group to measure the impairment amount. For the collectively assessed loans without objective evidence of impairment, the impairment model using the pass loss experience on assets with similiar credit risk characteristic to form basic estimation. Besides the methods mentioned above, the management of the Bank should inspect weather the amount of impairment is in compliance with the minimum level made by the authority. Both the evaluation of impairment evidences and its methods, as well as the uses of assumptions, such as the expected recovery rates and default rates, which are applied to determine the future cash flow, involved significant judgements and estimations. Therefore, the assessment on the impairment of loans has been identified as a key audit matter in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the methodology and related control procedure about how the management assesse and measures the impairment amount of loans. For individual assessment, we used sampling test to evaluate the use of the original effective interest rate, the appropriateness of the estimation of future recoverable amounts and value of collateral. For collective assessment, we assessed the impairment model adopted by the management and reviewed the appropriated of the calculation of the impairment parameters and verified the completeness of the loans portfolio via sampling. Meanwhile, we assessed the impaired amounts recognized by the management were in compliance with the related regulations issued by authonity.

#### 2. Fair value assessment of financial investments

Please refer to Note 4 (e) "Financial Instruments" for related accounting policy, Note 5 (c) for accounting estimates, and Note 6 (ao) "Financial Instruments" for details of loans impairment, respectively.

#### Description of key audit matter:

The evaluation of several financial instruments of the Bank is measured using the valuation models, which involved the exercise of significant professional judgments and estimations. Therefore, the assessment on the financial instruments has been identified as a key audit matter in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: inspected the internal control procedures for fair value measurement performed by management, selected samples to evaluate whether the quoted prices in active markets for financial assets are appropriate, inspected the reasonableness of valuation techniques and to test the key parameters of financial assets without active market prices, wherein valuation models are used to ensure that the applied valuation techniques are in accordance with IFRS 13 "Fair Value Measurement" and verified whether the presentation and disclosure of financial instruments are in accordance with the International Financial Reporting Standards

#### 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 Held Banks, and the 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 auditor's 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 professional skepticism throughout the audit. We also:

- 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 the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 of the current period 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 audit resulting in this independent auditors' report are LEE, FENG HUI and CHUNG, TAN TAN.

KPMG

Taipei, Taiwan (Republic of China)

February 22, 2023

## Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

Taiwan Business Bank Annual Report 2022

# 8. 2022 Individual Financial Statements and Accompanying Notes

## (English Translation of Financial Statements and Report Originally Issued in Chinese)

# TAIWAN BUSINESS BANK LTD.

## **Balance Sheets**

## December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31,	2022	December 31,	2021
	Assets	Amount	%	Amount	%
11000	Cash and cash equivalents (Notes 6(a) and 7)	\$ 48,879,847	2	39,189,153	2
11500	Due from the central bank and call loans to banks (Notes 6(b) and 7)	148,557,154	7	158,109,903	8
12000	Financial assets at fair value through profit or loss (Note 6(c))	32,536,757	2	39,658,224	2
12100	Financial assets at fair value through other comprehensive income (Notes 6(g) and (q))	159,970,603	8	157,498,525	8
12200	Investment in debt instruments at amortized cost (Note 6(h))	236,774,247	11	279,035,906	14
12500	Securities purchased under resell agreements (Note 6(d))	797,893	-	7,831,274	-
13000	Receivables (Note 6(e))	6,469,268	-	5,609,809	-
13200	Current tax assets	348,724	-	347,649	-
13500	Discounts and loans, net (Notes 6(f) and 7)	1,400,112,365	68	1,302,388,363	65
15000	Investments measured by equity method (Note 6(i))	3,497,456	-	3,117,027	-
15500	Other financial assets (Note 6(j))	10,315	-	28,942	-
18500	Property and equipment, net (Note 6(k))	14,118,286	1	14,529,762	1
18600	Right-of-use assets, net (Note 6(I))	1,189,528	-	1,145,071	-
19000	Intangible assets, net	756,703	-	553,784	-
19300	Deferred tax assets (Note 6(z))	1,752,566	-	1,923,597	-
19500	Other assets, net (Note 6(m))	15,763,696	1	10,011,973	-
	Total assets	<u>\$ 2,071,535,408</u>	100	2,020,978,962	100

VI

221

		December 31,	2022	December 31, 2021		
	Liabilities and Equity	Amount	%	Amount	%	
	Liabilities					
21000	Deposits from the Central Bank and banks (Notes 6(n) and 7)	\$ 194,966,177	9	102,540,315	5	
21500	Due to the Central Bank and banks (Note 6(o))	-	-	49,713,800	3	
22000	Financial liabilities at fair value through profit or loss (Notes 6(p) and (t))	9,925,525	-	8,436,037	-	
22500	Notes and bonds issued under repurchase agreement (Note 6(q))	2,462,991	1	2,060,693	-	
23000	Payables (Note 6(r))	21,441,496	1	22,727,994	1	
23200	Current tax liabilities	1,086,481	-	59,567	-	
23500	Deposits and remittances (Notes 6(s) and 7)	1,673,936,069	81	1,669,039,989	83	
24000	Bank notes payable (Note 6(t))	52,250,000	3	52,250,000	3	
25500	Other financial liabilities (Note 6(u))	2,910,581	-	4,365,294	-	
25600	Provisions (Note 6(v))	2,676,102	-	3,420,210	-	
26000	Lease liabilities (Note 6(w))	1,216,510	-	1,145,072	-	
29300	Deferred tax liabilities (Note 6(z))	879,056	-	886,290	-	
29500	Other liabilities (Note 6(x))	3,677,162		2,673,729		
	Total liabilities	1,967,428,150	95	1,919,318,990	95	
	Equity:					
31101	Common stock (Note 6(y))	80,296,934	4	77,431,952	4	
31500	Capital surplus (Note 6(y))	815,900	-	815,900	-	
	Retained earnings:					
32001	Legal reserve (Note 6(y))	17,239,615	1	15,693,140	1	
32003	Special reserve (Note 6(y))	185,128	-	185,128	-	
32005	Unappropriated retained earnings (Note 6(y))	9,339,356	-	5,227,632	-	
32500	Other equity interest (Note 6(y))	(3,769,675)		2,306,220		
	Total equity	104,107,258	5	101,659,972	5	
	Total liabilities and equity	<u>\$ 2,071,535,408</u>	100	2,020,978,962	100	

# (English Translation of Financial Statements Originally Issued in Chinese) TAIWAN BUSINESS BANK LTD. Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		For the				
		2022		2021		Percent Change %
		Amount	%	Amount	%	70
41000	Interest income (Notes 6(ad) and 7)	\$ 33,136,301	117	24,037,857	100	38
51000	Less:Interest expenses (Notes 6(ad) and 7)	(13,046,962)	(46)	(6,357,367)	(26)	105
	Net interest revenue	20,089,339	71	17,680,490	74	14
	Net revenue other than interest					
49100	Net service fee revenue (losses) (Notes 6(ae) and 13)	3,934,425	14	3,317,550	14	19
49200	Gain on financial assets or liabilities measured at fair value through profit or loss (Note 6(af))	1,244,071	4	562,196	2	121
49310	Realized gain on financial assets at fair value through other comprehensive income (Note 6(ag))	1,462,569	5	1,187,700	5	23
49450	Gain arising from derecognition of financial assets measured at amortized cost (Note 6(h))	1,981	-	103,741	1	(98)
49600	Foreign exchange gain	925,170	3	310,634	1	198
49700	(Impairment loss on assets) reversal of impairment loss on assets (Note 6(ah))	11,689	-	(33,260)	-	(135)
49750	Share of profit of associates and joint ventures accounted for using equity method (Notes 6(h) and 6(ai))	320,283	1	99,659	-	221
49800	Net other revenue other than interest income (loss) (Note 6(aj))	63,071	-	168,888	1	(63)
49831	Net securities brokering revenue	326,877	2	561,639	2	(42)
	Net revenue	28,379,475	100	23,959,237	100	18
58200	Bad debts expense, commitment and guarantee liability provision (Note 6(ak))	(2,401,068)	<u>(8</u> )	(5,171,832)	(22)	(54)
	Operating expenses					
58500	Employee benefits expenses (Note 6(al))	(8,783,271)	(31)	(8,350,140)	(35)	5
59000	Depreciation and amortization expenses (Note 6(am))	(1,220,945)	(4)	(1,032,950)	(4)	18
59500	Other general and administrative expenses (Note 6(an))	(3,960,406)	(14)	(3,628,017)	(15)	9
	Total operating expense	(13,964,622)	(49)	(13,011,107)	(54)	7
61001	Income from continuing operation before tax	12,013,785	43	5,776,298	24	108
61003	Less: Income tax expenses (Note 6(z))	1,891,933	7	676,186	3	180

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		For the	For the year ended December 31,			
		2022		2021		Percent Change
		Amount	%	Amount	%	- %
	Net income	<u>\$ 10,121,852</u>	36	5,100,112	21	98
65000	Other comprehensive income:					
65200	Components of other comprehensive income that will not be reclassified to profit or loss					
65201	Remeasurements of defined benefit plans (Note 6(aa))	557,098	2	24,512	-	2,173
65204	Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	(2,342,393)	(8)	987,549	4	(337)
65207	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(4,729)	-	4,546	-	(204)
65220	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(z))	111,419		4,902		2,173
	Components of other comprehensive income that will not be reclassified to profit or loss	(1,901,443)	<u>(6</u> )	1,011,705	4	(288)
65300	Components of other comprehensive income that will be reclassified to profit or loss					
65301	Exchange difference on translation	1,497,223	5	(416,460)	(2)	460
65308	Losses from investments in debt instruments measured at fair value through other comprehensive income	(6,238,235)	(22)	(2,046,533)	(9)	(205)
65307	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	11,653	-	2,674	-	336
65320	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(z))	269,444	1	(98,583)		(373)
	Components of other comprehensive income that will be reclassified to profit or loss	(4,998,803)	<u>(18</u> )	(2,361,736)	(11)	112
65000	Other comprehensive income	(6,900,246)	(24)	(1,350,031)	(7)	(411)
	Total comprehensive income	<u>\$ 3,221,606</u>	<u>12</u>	3,750,081	14	(14)
	Earnings per share (in NT dollar) (Note 6(ab))					
	Basic earnings per share (in NT dollar)	<u>\$</u>	1.26		0.64	
	Diluted earnings per share (in NT dollar)	<u>\$</u>	1.26		0.63	

224

(English Translation of Financial Statements Originally Issued in Chinese)

# TAIWAN BUSINESS BANK LTD. Statements of Changes in Equity

For the years ended December 31, 2022 and 2021 (Expressed in Thousands of New Taiwan Dollars)

	Share Capital			Retained	earnings		Other equ	ity interest	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2021	\$ 74,885,834	815,900	14,332,452	185,128	4,728,382	19,245,962	(1,476,771)	5,187,824	98,658,749
Net income for the year ended December 31, 2021	-	-		-	5,100,112	5,100,112	-	-	5,100,112
Other comprehensive income for the year ended December 31, 2021					19,610	19,610	(330,494)	(1,039,147)	(1,350,031)
Total comprehensive income for the year ended December 31, 2021					5,119,722	5,119,722	(330,494)	(1,039,147)	3,750,081
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	1,360,688	-	(1,360,688)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(748,858)	(748,858)	-	-	(748,858)
Stock dividends of ordinary share	2,546,118	-	-	-	(2,546,118)	(2,546,118)	-	-	-
Disposal of investment in equity instruments designated at fair value through other comprehensive income		<u>-</u>			35,192	35,192		(35,192)	<u> </u>
Balance at December 31, 2021	77,431,952	815,900	15,693,140	185,128	5,227,632	21,105,900	(1,807,265)	4,113,485	101,659,972
Net income for the year ended December 31, 2022	-	-	-	-	10,121,852	10,121,852	-	-	10,121,852
Other comprehensive income for the year ended December 31, 2022			<u>-</u>		445,679	445,679	1,209,432	(8,555,357)	(6,900,246)
Total comprehensive income for the year ended December 31, 2022			<u> </u>		10,567,531	10,567,531	1,209,432	(8,555,357)	3,221,606
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	1,546,475	-	(1,546,475)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(774,320)	(774,320)	-	-	(774,320)
Stock dividends of ordinary share	2,864,982	-	-	-	(2,864,982)	(2,864,982)	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income					(1,270,030)	(1,270,030)		1,270,030	
Balance at December 31, 2022	<u>\$ 80,296,934</u>	815,900	17,239,615	185,128	9,339,356	26,764,099	(597,833)	(3,171,842)	104,107,258

VI

## (English Translation of Financial Statements Originally Issued in Chinese)

# TAIWAN BUSINESS BANK LTD. Statements of Cash Flows

For the years ended December 31, 2022 and 2021 (Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2022	2021
Cash flows from operating activities:		
Net income before tax	\$ 12,013,785	5,776,298
Adjustments:		
Income and expenses items:		
Depreciation expense	972,173	862,209
Amortization expense	248,772	170,741
Provision for bad debt expense	2,394,782	5,113,134
Net loss on financial assets or liabilities at fair value through profit or loss	370,320	388,853
Interest expenses	13,046,962	6,357,367
Net gain arising from derecognition of financial assets measured at amortised cost	(1,981)	(103,741)
Interest income	(33,136,301)	(24,037,857)
Dividend income	7,161	-
Net change in provisions for guarantee liabilities	(21,496)	39,802
Net change in other provisions	29,220	92,077
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(320,283)	(99,659)
Loss on disposal of property and equipment	944	852
Impairment loss on financial assets (reversal of impairment loss)	(11,689)	33,260
Other items	(3,817)	(1,369)
Total adjustments to reconcile profit (loss)	(16,425,233)	(11,184,331)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in due from the central bank and call loans to banks	9,550,686	(44,028,431)
Decrease (increase) in financial assets at fair value through profit or loss	7,315,066	(25,338,360)
Decrease (increase) in securities purchased under resell agreements	7,033,381	(1,784,087)
Decrease in receivables	479,288	36,367,071
Increase in discounts and loans	(100,231,972)	(97,792,108)
Decrease (income) in other financial assets	25,244	(5,770)
Increase in other assets	(2,091,463)	(3,568,328)
Total changes in operating assets	(77,919,770)	(136,150,013)
Changes in operating liabilities:		
Increase (decrease) in deposits from the central bank and banks	92,425,862	(15,660,724)
Increase in financial liabilities at fair value through profit or loss	925,569	91,891

	For the years ended December 31,	
	2022	2021
Increase in notes and bonds issued under repurchase agreement	\$ 402,298	4,702
Decrease in payable	(3,679,471)	(25,322,034)
Increase in deposits and remittances	4,896,080	250,336,507
Decrease in other financial liabilities	(1,454,713)	(1,127,072)
Decrease in provisions for employee benefits	(196,272)	(80,182)
Total changes in operating liabilities	93,319,353	208,243,088
Total changes in operating assets and liabilities	15,399,583	72,093,075
Total adjustments	(1,025,650)	60,908,744
Cash inflow generated from operations	10,988,135	66,685,042
Interest received	31,841,928	23,790,232
Interest paid	(11,071,317)	(6,241,095)
Income taxes paid	(649,535)	(506,777)
Net Cash flows from operating activities	31,109,211	83,727,402
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(11,055,765)	(41,225,923)
Acquisition of financial assets at amortised cost	(188,506,846)	(130,873,423)
Proceeds from repayments of financial assets at amortised cost	230,783,092	79,933,076
Acquisition of property and equipment	(317,194)	(532,051)
Proceeds from disposal of property and equipment	54	132
Increase in refundable deposits	(2,223,467)	-
Decrease in refundable deposits	-	1,358,420
Acquisition of intangible assets	(288,032)	(309,304)
Net cash flows (used in) from investing activities	28,391,842	(91,649,073)
Cash flows from financing activities:		
Increase in due to the central bank and banks	-	21,263,800
Decrease in due to the central bank and banks	(49,713,800)	-
Proceeds from issuing bank notes payable	-	8,000,000
Repayments of bank notes payable	-	(9,000,000)
Increase in guarantee deposits received	2,081,139	-
Decrease in guarantee deposits received	-	(347,219)
Payment of lease liabilities	(413,133)	(411,827)
Increase in other liabilities	(1,077,706)	(1,506,959)
Cash dividends paid	(774,320)	(748,858)
Acquisition of ownership interests in subsidiaries		(450,000)
Net cash flows (used in) from financing activities	(49,897,820)	16,798,937
Effect of exchange rate changes on cash and cash equivalents	87,461	(8,065)
Net increase in cash and cash equivalents	9,690,694	8,869,201
Cash and cash equivalents at beginning of period	39,189,153	
Cash and cash equivalents at end of period	\$ 48,879,847	39,189,153

(English Translation of Financial Statements Originally Issued in Chinese)

## TAIWAN BUSINESS BANK LTD. Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

## (1) Company history

TAIWAN BUSINESS BANK LTD. (the "Bank") was formerly a general savings union known as "Taiwan Mutual Financing Bank" or "Tai-Shio Mutual Financing Bank" when it was established in 1915. After several mergers and acquisitions, it was renamed as Taiwan Business Bank, Ltd. in order to finance and provide banking assistance to small and medium-size businesses on July 1, 1976. The Bank's major lines of business are the following:

- (a) As prescribed by the Banking Law, provides professional services tailored to the needs of small and mediumsize businesses;
- (b) Trust and securities brokerage businesses as approved by the relevant authority;
- (c) International banking business; and
- (d) Other relevant businesses as authorized by the relevant authority in-charge.

As of December 31, 2022, the Bank not only sets up the business dept., international dept., securities dept. and trust dept. under head office but also has 124 domestic branches, 1 offshore banking unit, 8 overseas branches, 1 oversea representative office and 16 securities brokerage locations.

The Bank became listed on the Taiwan Stock Exchange on January 3, 1998.

Under the "Statute for Privatization of State Enterprises" and upon the approval of Taiwan Province Government, the shares of the Bank owned by the provincial government were sold to the public. In line with privatization of the three other major Taiwan province government owned run commercial banks, the Bank had completed its own privatization on January 22, 1998.

As of December 31, 2022 and 2021, the Bank has 5,530 and 5,436 employees, respectively.

## (2) Approval date and procedures of the financial statements:

These financial statements were authorized for issuance by the board of directors on February 22, 2023.

#### (3) New standards, amendments and interpretations adopted:

# (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Bank has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment-Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts-Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- (b) The impact of IFRS issued by the FSC but not yet effective

The Bank assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

• Amendments to IAS 1 "Disclosure of Accounting Policies"

- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

#### (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Bank does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 Comparative Information "
- IFRS16 "Requirements for Sale and Leaseback Transactions"

## (4) Summary of significant accounting policies:

## (a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Held Banks (hereinafter referred to as the Regulation) and the Regulations Governing the Preparation of Financial Report by Securities Firms (hereinafter referred to as the Regulation).

#### (b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative instruments);
- 2) Financial instrument measured at fair value through other comprehensive income; and
- 3) The net defined benefit liability (asset) is recognized as fair value of plan assets, less present value of defined benefit obligation and the effect of the asset ceiling in Note 4(m).
- (ii) Consolidation of financial statement

The financial statements include the headquarter and all the domestic branches and foreign branches. The internal transactions within the headquarter, the domestic branches and the foreign branches are offset when preparing the financial statement.

(iii) Functional and presentation currency

The functional currency of the Bank is determined based on the primary economic environment in operating. The financial statements are presented in New Taiwan Dollar, which is the Bank's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

#### (c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the end of each subsequent reporting period (hereinafter referred to as the reporting date) are retranslated to the functional currency at the exchange rate of Bank of Taiwan at 10 AM. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to

FINANCIAL STATUS

the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Foreign currency differences arising on retranslation are recognized in profit or loss, except for the equity instruments measured at fair value through other comprehensive income which are recognized in other comprehensive income arising on the retranslation.

#### (ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Bank disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non controlling interests. When the the Bank disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

#### (d) Cash and cash equivalents

Cash and cash equivalent comprise cash on hand, petty cash, foreign currency on hand and cash in banks, but excludes those items which are designated for specific purposes or restricted by contracts and law.

#### (e) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Bank becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the next reporting period following the change in the business model.

1) Investment in debt instruments measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective

interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets at fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL.

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

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Bank's right to receive payment is established.

3) Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivate financial assets. On initial recognition, the Bank may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Discount and loans, net

Discount and loans are recorded as initial fair value including direct transaction cost, and the subsequent measurement recognizes interest income via effective interest rate method if there is not much difference then it can adopt straight line method and is booked as per amortized cost deducted by impairment loss. Interest accrual on discount and loans are suspended if either of the following occurs:

- Payment of principal or interest is very likely not to be redeemed as per contracts.
- Non-performing loans are categorized as overdue loans in six months after the settlement period ends.
- 5) Impairment of financial assets

The Bank recognizes loss allowances for expected credit losses on financial assets measured at amortized cost, debt investments measured at FVOCI and loan commitments and financial guarantee contracts. Equity instrument investment does not need to recognize expected credit losses.

The Bank measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities, receivables, loan commitments and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instruments is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

When determining whether the credit risk of financial asset has increased significantly since initial recognition and when estimating ECL, the Bank considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience, informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Bank expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Bank assesses whether financial assets carried at amortized cost, debt securities at FVOCI, loan commitments and contracts of financial guarantee are credit-impaired. A financial asset is "credit-impaired" when one or move events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due;
- the restructuring of a loan or advance by the borrowers on terms that the borrowers would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties; or
- to purchase or initiate financial assets at a substantial discount that reflects the credit losses that have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

In addition to estimate the allowance for bad debts and guarantee liability provisions as above, according to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans ", and considering the situation of their finance and the default of principal and interest payment, the credit assets are classified as below:

- 1% of the first class credit assets deducted by the amount of credit assets from the government.
- 2% of the second class credit assets.
- 10% of the third class credit assets.
- 50% of the fourth class credit assets.
- 100% of the fifth class credit assets.

The allowance for bad debts and guarantee liability provisions were assessed by the previously stated method shall not be less than the amount regulated by " Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans.

Unrecoverable overdue loans and bad debts of the Bank, which are not able to be recovered after the overdue collection process, are written-off after deducting the recoverable portion. Upon approval by the board of directors and notification to supervisors, the excess amount of written off loans over such allowance or reserve is reflected as a current loss.

(ii) Financial liabilities

Financial liability measured at fair value through profit or loss, if one of the following conditions is met

1) Financial liabilities held for trading

A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, is classified as instrument held for trading as well.

2) Financial liabilities designated at fair value through profit or loss

Financial liabilities falling under this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes are measured at fair value and recognized in profit or loss. While for financial liabilities designated at fair value through profit or loss, the changes in fair value generated from credit risk should be recognized under other comprehensive income, except for avoiding accounting mismatch that should be recognized in profit or loss.

(iii) Reclassification of financial instruments

The Bank only reclassified all affected financial assets in accordance with the regulations when changing the business model of managing financial assets. These changes are expected to be extremely infrequent. In addition, the Bank must not reclassify any financial assets and liabilities of equity instruments.

If the Bank reclassify financial assets in accordance with the aforesaid circumstances, the reclassification shall be postponed from the reclassification date, and any previously recognized gains, losses (including impairment losses or reversal of impairment loss) or interest shall not be restated.

(iv) Derecognition of financial assets and liabilities

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Bank enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Bank also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

(v) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(vi) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changes as a result of interest rate benchmark reform, the Bank updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis - i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to change to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank first updates the effective interest rate of the financial asset or financial liability to reflect the changes that is required by interest rate benchmark reform. Thereafter, the Bank will applied the policies on accounting for modifications to the additional changes.

#### (f) Impairment loss on non-financial assets

The Bank reviews the carrying amounts of its non-financial assets (other than contract assets and deferred tax assets) to determine whether there is any indication of impairment on the balance sheet date. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

#### (g) Property, plant and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Land is not depreciated.

The estimated useful lives of property and equipment for current and comparative periods are as follows:

- 1) Buildings 35~50 years
- 2) Equipment 3~8 years

The Bank reviews and adjusts the residual value and the useful lives of assets at the end of each fiscal year. Whenever there is evidence indicating that the carrying amount is unable to be recovered due to environmental activities or changes, the Bank evaluates the impairment loss of assets.

#### (h) Investment in associates

The Bank uses the equity method to evaluate an investee that it controls in preparing thefinancial statements. Under the equity method, the profit or loss and other comprehensive income are the same as the allocated amount of those attributable to owners of parent in the financial statements, and owners' equity are the same as the equity attributable to owners of parent in the consolidated financial statements. Changes in the Bank's ownership interest in a subsidiary that do not result in a loss of control of a subsidiary are equity transactions with owners.

#### (i) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a leasee

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The rightof-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Bank incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Bank estimates of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Bank accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a leasor

When the Bank acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

#### (j) Deferred assets

The costs of installation for utilities, including electricity and water, as well as security facilities, are capitalized and amortized equally over 5 years.

#### (k) Collaterals

The difference between the amount of claims and the Bank received when creditors cannot meet obligations and the collaterals are auctioned off is recognized as bad debts expense. The amount that net realized value lower than book value is recognized as impairment loss. The selling price deducts the original book value of collateral assumed is recognized as gain or loss on sale of collateral assumed.

#### (I) **Provisions**

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Amortization of the discount is recognized as interest expense.

#### (m) Employee benefits

(i) Short term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

#### (ii) Retirement benefit

The pension provision of the Bank includes defined contribution plan and defined benefit plan. For the personnel of foreign offices, the Bank provides pension fund per the regulations of the local authorities.

Defined contribution plan refers to the plan that the Bank annually provides certain amount of money to funds to fulfill the obligation. The Bank provides pension based on compulsory obligation, contracts or voluntary will to public or private managed pension funds. If certain pension fund fails to pay the employees the benefit which they deserve for the service they provided, the Bank does not hold legal or constructive obligation to pay additional provision. The Bank recognizes the pension fund provided as current pension cost on accrual basis.

The Bank's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Bank, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Bank. An economic benefit is available to the Bank if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increase benefit relating to past service by employees, is recognized immediately in profit or loss.

The remeasurements of defined benefit liability (asset) include:

- 1) Actuarial gains and losses;
- 2) Return on plan assets, excluding net interest on the net defined benefit liability (asset); and
- 3) The effect of the asset ceiling, excluding net interest on the net defined benefit liability (asset).

The remeasurements of defined benefit liability (asset) are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any changes in the fair value of plan assets, any changes in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

The pension cost in the consolidated interim financial statements was calculated and disclosed on a yearto-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, for the reporting period, the rate will be adjusted by material market volatility, material curtailment, reimbursement and settlement or other material one-time events.

(iii) Deposits with favorable rate

The Bank provides deposits with favorable rate to employees, which include current employee fix amount deposits with favorable rate and retired employee fix amount deposits with favorable rate. The rate difference between the favorable rate and the market rate belongs to the category of employee benefit.

According to article 28 of "Regulations Governing the Preparation of Financial Report by Public Banks", the additional interests result from the difference between deposit with favorable rate and the deposits with market interest rate shall be calculated by actuary per the regulations related to defined benefit plan in IAS 19. The parameters of actuarial assumptions shall follow the regulations of the competent authority.

In accordance with the regulation of "Discussion of the employee benefit actuarial assumption related matter for adopting IAS 19 with respect to the additional interest of employee deposits with favorable rate" issued by the Banking Bureau, the difference between the actual payment and the estimated retirement benefit obligation is deemed as changes in accounting estimate and is recognized in profit or loss.

(iv) Termination benefits

Termination benefits are recognized as an obligation when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Bank recognizes liabilities when a formal irrevocable termination project is undertaken or when benefit is provided for encouraging voluntary resignation. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

#### (n) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits(losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

#### (o) Revenue recognition

Interest is recognized according to interest method. Interest accrual is suspended from the date when the loan is reclassified to non-performing loan and only when the Bank receives cash, the revenue is recognized.

The revenue of handling fee is recognized when cash collected or when the process of the profit are mostly completed. In addition, for the individual loan which does not belong to labor service and the handling fee is over 1% of the principal, the interest rate shall be adjusted from the original agreed interest rate to the effective interest rate. For the individual loan which does not belong to the service and the handling fee is less than 1% of the principal, the recognition of the revenue should be deferred and be recognized as revenue during the loan period.

#### (p) Earnings per share (EPS)

The Bank discloses the basic and diluted earnings per share attributable to ordinary shareholders of the bank. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the bank divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Bank divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as stock that issued for employee bonuses.

#### (q) Operating segments

Operating segment is the component of the Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank). The segment's operating results are reviewed regularly by the Bank's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess the performance for which discrete financial information is available.

# (5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

#### (a) Impairment losses on loans

The impairment of loans of the Bank were evaluated by identifying the credit risk of those financial assets have significantly increased or not at the reporting date if the credit risk has not significant incurred, the

12-month expected credit loss should be adopted to evaluate, or the lifetime credit loss evaluation should be adopted.

To evaluate the expected credit losses for 12-month and lifetime, the Bank considers the unfavorable changes of payment status or the economic conditions of the countries or areas related to the default loans. When analyzing expected cash flows, the estimates by the management are based on the pass losses experience from assets with similar credit risk characteristics. In order to reduce losses from the difference between estimated and actual amount, the Bank has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the select inputs.

#### (b) Retirement benefit

The present value of the retirement benefit obligation is the actuarial result based on several assumptions. Any change of the assumptions may influence the carrying amount of the retirement benefit obligation.

The assumptions applied to determine net pension cost (revenue) include the discount rate. The Bank determines the appropriate discount rate at the end of each year and apply it to calculate the present value of the future cash outflows which are to be paid to the retirement benefit obligation. To determine the appropriate discount rate, the Bank should consider the interest rate of high-quality corporate bonds and government bonds. The currency of the retirement benefit shall be the same as that of the high-quality corporate bond or government bonds and the duration till maturity date shall comply with the duration of the related pension obligation. Other significant assumptions of retirement benefit obligation are based on the current market situation.

## (c) Fair value of financial instruments

Financial instruments without active market or quoted market prices are measured using the valuation models or counterparty prices. When using the valuation model, all the inputs data are using the observable factors as much as possible and the inputs cannot be adjusted manually. In principle, the models used the factors can be long-term stably accessed in the market. In order to avoid the data source changed causing the gap of the financial report between the difference financial years, the models need to be adjusted and verified repeatedly to ensure the output can be measured the value of financial instruments properly.

## (6) Explanation of significant accounts:

#### (a) Cash and cash equivalents

	December 31, 2022	December 31, 2021	
Petty cash and revolving funds	\$ 14,042,490	10,892,224	
Foreign currencies on hand	988,995	813,650	
Checks for clearing	11,029,785	12,197,958	
Due from other banks	22,818,577	15,285,321	
Total	<u>\$ 48,879,847</u>	39,189,153	

#### (b) Due from the Central Bank and call loans to banks

	December 31, 2022	December 31, 2021	
Due from the Central Bank	\$ 85,207,475	72,157,455	
Deposits transferred to Central Bank	39,664	52,275	
Call loans to banks	63,310,015	85,900,173	
Trust fund indemnity reserve deposited	110,000	90,000	
Securities serving as trust fund indemnity reserve deposited	(110,000)	(90,000)	
Total	<u>\$ 148,557,154</u>	158,109,903	

As of December 31, 2022 and 2021, in accordance with the Banking Law and the Central Bank Law, the required reserve deposited by the Bank with the Central Bank amounted to \$84,763,295 and \$71,836,985 of which \$47,637,794 and \$44,525,965 respectively, were restricted and such restriction may only be lifted when the required reserve is adjusted to a lower amount. The Bank cooperated with the Central Bank to undertake financing loans for small and medium enterprises that are affected by the severe and the special infectious pneumonia epidemic, as of December 31, 2022 and 2021 are guaranteed by the deposit reserve of the Central Bank as required, \$0 and \$39,000,000 respectively, please refer to 6(o) for the information of due to the Central Bank and banks.

As of December 31, 2022 and 2021, the Bank's overseas branches, in compliance with the Central Bank's reserve requirement set by local authorities, deposited \$134,219 and \$153,662 and in reserve, of which \$52,137 and \$64,758 were restricted.

Effective December 2000, in accordance with the amended "Regulations Governing the Audit and Adjustment of Deposit and Other Liability Reserves of Financial Institutions", the Bank provides the required additional reserve on foreign currency deposits. As of December 31, 2022 and 2021, the required reserve with the Central Bank amounted to \$309,961 and \$166,808 respectively, and its use was unrestricted.

As of December 31, 2022 and 2021, deposits transferred to the Central Bank collected from the armed forces, prisons, and other treasury deposits were restricted.

Effective January 20, 2001, in accordance with the requirement of the Central Bank of China, the Bank complies with Clause 34 of the Trust Law to treat the discretionary trust of investments in overseas marketable securities as a default loss reserve. As of December 31, 2022 and 2021, the Bank deposited marketable securities of 110,000 and \$90,000 as trust fund reserves.

# (c) Financial assets at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial assets designated at fair value through profit or loss:		
Derivative instruments not used for hedging:		
Foreign exchange forward contracts	\$ 27,271	18,120
Currency swap contracts	1,088,827	495,831
Foreign currency options-buy	17,813	3,714
Stock index futures	26,860	28,745
Interest rate swap	5,896	6,226
Non-derivative financial assets		
Commercial paper	30,907,810	37,015,444
Listed stocks	115,114	68,106
Beneficiary certificates	347,166	1,665,898
Convertible corporate bonds	-	79,230
Financial debentures	-	276,910
Total	<u>\$ 32,536,757</u>	39,658,224

Derivative financial instruments are used for hedging foreign exchange risk and interest rate risk arising from operating, financing and investing activities. The Bank held derivative financial instruments which did not apply to hedge accounting are as follows (reported as financial assets mandatorily measured at fair value through profit or loss and financial liabilities held for trading)

	December 31, 2022	December 31, 2021	
Currency swaps contract	\$ 260,470,257	153,249,108	
Interest rate swaps contract	12,665,622	11,916,735	
Option contract - buy	1,229,230	682,393	
Option contract - sell	1,229,230	682,393	
Forward foreign exchange contract	2,786,130	3,835,462	

## (d) Securities purchased under resell agreements

	December 31, 2022	December 31, 2021
Securities under resell agreements	<u>\$ 797,893</u>	7,831,274
Face amount	800,000	7,834,600
Resell period	112.01.05	111.01.03~111.01.19
Range of resell interest rate	1.24%	0.33%~0.34%
Resell price	798,576	7,832,994

## (e) Receivables, net

	December 31, 2022	December 31, 2021
Interest receivable	\$ 4,091,548	2,753,874
Acceptances recievables	791,284	1,033,229
Accrued income	140,805	138,537
Accounts receivable	376	9,094
Spot exchange receivable-foreign currencies	9,096	9,546
Refinacing guaranty deposits	1,505	33
Guaranteed proceeds receivable from refinacing	1,158	36
Credit cards accounts receivable	1,098,733	1,033,355
Receivable price of securities purchased for customers	179,159	177,964
Settlement price	-	141,261
Other receivables	225,605	383,953
Sub-total	6,539,269	5,680,882
Less: Allowance for bad debts	(70,001)	(71,073)
Total	<u>\$ 6,469,268</u>	5,609,809

The outstanding contract amount of financial assets that have been written off and still have recourse as of December 31, 2022 and 2021 were \$85,446,014 and \$85,326,562, respectively.

#### The change in allowance for bad debts was as follows:

	For the years ended December 31,		
		2022	2021
Beginning balance	\$	71,073	84,162
Reversal		(1,443)	(12,953)
Foreign exchange		371	(136)
Ending balance	\$	70,001	71,073

## (f) Discounts and loans, net

	December 31, 2022	December 31, 2021
Import/export bills negotiated	\$ 111,492	185,267
Bills and notes discounted	631,574	753,253
Overdrafts	30,781	35,359
Secured overdrafts	934,845	3,082,281
Short-term loans	175,758,201	158,526,680
Short-term secured loans	222,836,626	224,893,139
Margin loans receivable	2,672,159	3,245,824
Medium-term loans	182,824,935	158,957,105
Medium-term secured loans	293,811,922	283,220,193
Long-term loans	36,127,193	30,248,716
Long-term secured loans	500,599,070	453,214,205
Overdue loans	2,154,653	1,862,326
Sub-total	1,418,493,451	1,318,224,348
Less: Adjustment of discount and premium	(302,470)	(259,168)
Less: Allowance for bad debts	(18,078,616)	(15,576,817)
Total	<u>\$ 1,400,112,365</u>	1,302,388,363

#### The change in allowance for bad debts was as follows:

	For the years ended December 31,		
	2022		2021
Beginning balance	\$	15,576,817	14,326,157
Provision		2,419,063	5,153,489
Transfer out		(16,605)	(15,073)
Write-off		(2,300,641)	(5,081,394)
Write-off recovered		2,337,772	1,218,393
Foreign exchange		62,210	(24,755)
Ending balance	\$	18,078,616	15,576,817

#### (g) Financial asset at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Investment in debt instruments measured at fair value through other comprehensive income:		
Government bonds	\$ 48,754,854	46,011,743
Corporate bonds	60,445,796	57,107,224
Financial debentures	32,639,581	32,875,263
Sub-total	141,840,231	135,994,230
Investment in equity instruments measured at fair value through other comprehensive income:		
Listed stocks	12,676,936	16,414,356
Unlisted stocks	5,307,654	4,940,042
Real Estate Investment Trust	145,782	149,897
Sub-total	18,130,372	21,504,295
Total	\$ 159,970,603	157,498,525

#### (i) Investment in debt instruments measured at fair value through other comprehensive income

The Bank assessed that the above bond investments were held within a business model whose objective was achieved by both collecting contractual cash flows and selling financial assets. The bond investments have been classified as the financial asset measured at fair value through other comprehensive income. Some of the investment in debt instruments measured at fair value through other comprehensive income are used as resell condition. Please refer to Note 6 (q) for more details.

(ii) Investment in equity instruments measured at fair value through other comprehensive income

The Bank designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments intending to hold for long-term for strategic purpose.

The Bank designated the investments shown above as equity instrument as at fair value through other comprehensive income; therefore, the Bank recognized \$1,457,593 and \$884,796, respectively as dividend revenue for the years ended December 31, 2022 and 2021. In which, the disposal equity instruments were recognized \$688,220 and \$44,127 as dividend revenue for the years ended December 31, 2022 and 2021.

The Bank sold the investments which were measured as at fair value through other comprehensive income due to assets allocation. The fair value of disposed investments are \$11,601,994 and \$801,669. And (losses) gains on disposal are \$(1,270,030) and \$35,192 for the years ended December 31, 2022 and 2021. Therefore, accumulated gains on disposal were transferred from other equity to retained earnings.

(iii) Please refer to Note 6(ap) for the credit risk (including the impairment in debt instruments) and market risk information.

(iv) The Bank assessed the impairment of financial assets measured at fair value through other comprehensive income as of December 31, 2022 and 2021. The changes in allowance for credit losses attribute to the financial assets were as follows:

	For the years ended December 31,			
		2022	2021	
Beginning balance	\$		66,454	
Provision		1,521	21,599	
Foreign exchange		1,539	(261)	
Ending balance	\$	90,852	87,792	

#### (h) Investment in debt instruments at amortized cost

	December 31, 2022		December 31, 2021	
Certificates of deposit with the Central Bank	\$	195,595,000	231,395,000	
Government bonds		24,370,304	24,673,670	
Corporate bonds		7,481,434	8,689,856	
Financial debentures		9,337,858	14,306,782	
Negotiable certificates of deposit		64,523	58,076	
Sub-total		236,849,119	279,123,384	
Less:Accumulated impairment		(74,872)	(87,478)	
Total	<u>\$</u>	236,774,247	279,035,906	

The Bank assessed that these financial assets were held to collect the contractual cash flows, which consisted solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

- (i) Please refer to Note 6(ap) for credit risk.
- (ii) The pledged assets provided by the above investment in debt instruments at amortized cost were shown follows:

	December 31, 2022	December 31, 2021
Reserve for provisional seizure by the court, international card payment reserve, trust claim reserve and operating guaranty funds	\$ 854,500	901,900
Central Bank financing guarantee	-	11,300,000
Overseas branches required reserve of overdraft guarantee	64,523	58,076
Daylight overdraft guarantee	2,000,000	2,000,000
Guarantee for borrowing US dollars	29,000,000	23,000,000
Guarantee for borrowing JPY dollars	200,000	200,000
Sponsorship of Treasury Affairs	20,000,000	16,200,000
Total	\$ 52,119,023	53,659,976

(iii) The Bank assessed the impairment of investment in debt instruments at amortized cost as of December 31, 2022 and 2021. The changes in allowance for credit losses attribute to these financial assets were as follows:

	For the years ended December 31,			
		2022	2021	
Beginning balance	\$	87,478	75,964	
(Reversal) provision		(13,210)	11,661	
Foreign exchange		604	(147)	
Ending balance	<u>\$</u>	74,872	87,478	

#### (iv) Disposal gain (loss) on disposal investment in assets at amortized cost:

	For the year ended December 31, 2022			
	The carrying amount at the date of derecognition		Gain (Loss) on disposal	
Corporate bonds	\$	81,364	710	
Financial debentures		305,979	1,271	
Total	\$	387,343	1,981	

	For the year ended December 31, 2021			
	The carrying amount at the date of derecognition	Gain (Loss) on disposal		
Government bonds	\$ 791,559	78,951		
Corporate bonds	248,776	2,048		
Financial debentures	549,111	22,742		
Total	<u>\$ 1,589,446</u>	103,741		

For the years ended December 31, 2022 and 2021, the following reasons that caused the Bank dispose part of its financial assets measured at amortized cost for the mandatorily redemption of the bond issuers, and the purpose of fund management.

#### (i) Investments accounted for using equity method, net

	December 3	81, 2022	December 31, 2021		
Subsidiary	Amount	%	Amount	%	
Investment measured by equity method					
TBB International Leasing Co., Ltd. — initial investment \$400,000 thousand	\$ 1,516,406	100.00	1,463,080	100.00	
TBB (Cambodia) Microfinance Institution Plc. — initial investment USD \$10,000 thousand	624,591	100.00	537,297	100.00	
TBB Venture Capital Co., Ltd. — initial investment \$300,000 thousand	1,258,512	100.00	1,068,059	100.00	
TBB Consulting Co., Ltd. —initial investment \$50,000 thousand	97,947	100.00	48,591	100.00	
Total	<u>\$ 3,497,456</u>		3,117,027		

The Bank's share of profit of associates and joint ventures accounted for using equity method for the years ended December 31, 2022 and 2021 are \$320,283 and \$99,659 respectively.

On August 23, 2021, the Bank invested \$50,000 and held 100% of the equity in TBB Consulting Co., Ltd. The establishment registration was completed on August 30, 2021.

On December 22, 2021, the subsidiary TBB Consulting Co., Ltd. invested \$2,000 and expected to hold 20% of the equity in Manitok Management Consultants Co., Ltd. The establishment registration was completed on January 19, 2022.

The Bank has prepared consolidated financial statements for the years ended December 31, 2022 and 2021.

#### (j) Other financial assets, net

		ber 31, 2022	December 31, 2021
Overdue receivable	\$	58,786	80,334
Less: Allowance for bad debts, overdue receivable		(48,471)	(51,392)
Total	\$	10,315	28,942

The change in allowance for bad debts was as follows:

	For the years ended December 31,			
		2022	2021	
Beginning balance		51,392	55,051	
Reversal		(23,222)	(24,464)	
Transfer in		16,605	15,073	
Write-off		(16,567)	(15,308)	
Written-off recovered		20,263	21,040	
Ending balance	\$	48,471	51,392	

## (k) Property and equipment, net

December 31, 2022	Cost	Revaluation increment	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,743,535	2,986,161	-	14,031	9,715,665
Buildings	8,116,339	31,184	4,790,018	14,754	3,342,751
Machinery and equipment	2,692,413	-	2,008,693	-	683,720
Transportation equipment	272,058	-	230,153	-	41,905
Miscellaneous equipment	653,883	-	554,159	-	99,724
Leasehold improvements	194,023	-	110,184	-	83,839
Construction in progress	20,225	-	-	-	20,225
Prepayment for equipment	130,457				130,457
Total	<u>\$ 18,822,933</u>	3,017,345	7,693,207	28,785	14,118,286

December 31, 2021	Cost	Revaluation in-crement	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,743,535	2,986,161	-	14,031	9,715,665
Buildings	8,017,954	31,184	4,592,658	14,754	3,441,726
Machinery and equipment	2,389,844	-	1,862,830	-	527,014
Transportation equipment	272,245	-	224,946	-	47,299
Miscellaneous equipment	643,410	-	536,589	-	106,821
Leasehold improvements	152,399	-	75,680	-	76,719
Construction in progress	40,547	-	-	-	40,547
Prepayment for equipment	573,971				573,971
Total	<u>\$ 18,833,905</u>	3,017,345	7,292,703	28,785	14,529,762

## Change of cost

	January 1, 2022	Increase	Decrease	Foreign Exchange	December 31, 2022
Land	\$ 9,729,696	-	-	-	9,729,696
Buildings	8,049,138	98,385	-	-	8,147,523
Machinery and equipment	2,389,844	448,629	153,867	7,807	2,692,413
Transportation equipment	272,245	7,577	8,543	779	272,058
Miscellaneous equipment	643,410	22,072	14,859	3,260	653,883
Leasehold improvements	152,399	42,280	2,572	1,916	194,023
Construction in progress	40,547	32,248	52,570	-	20,225
Prepayment for equipment	573,971	49,995	493,808	299	130,457
Total	<u>\$ 21,851,250</u>	701,186	726,219	14,061	21,840,278

	January 1, 2021	Increase	Decrease	Foreign Exchange	December 31, 2021
Land	\$ 9,729,696	-	-	-	9,729,696
Buildings	7,961,424	87,714	-	-	8,049,138
Machinery and equipment	2,270,278	229,260	106,258	(3,436)	2,389,844
Transportation equipment	275,177	18,695	21,548	(79)	272,245
Miscellaneous equipment	605,359	63,178	24,177	(950)	643,410
Leasehold improvements	158,863	17,086	19,788	(3,762)	152,399
Construction in progress	12,246	62,045	33,744	-	40,547
Prepayment for equipment	514,215	158,678	98,853	(69)	573,971
Total	<u>\$ 21,527,258</u>	636,656	304,368	(8,296)	21,851,250

Change of depreciation

	January 1, 2022	Increase	Decrease	Foreign Exchange	December 31, 2022
Buildings	\$ 4,592,658	197,360	-	-	4,790,018
Machinery and equipment	1,862,830	292,951	153,101	6,013	2,008,693
Transportation equipment	224,946	13,171	8,480	516	230,153
Miscellaneous equipment	536,589	30,036	14,690	2,224	554,159
Leasehold improvements	75,680	36,185	2,572	891	110,184
Total	<u>\$ 7,292,703</u>	569,703	178,843	9,644	7,693,207
	January 1, 2021	Increase	Decrease	Foreign Exchange	December 31, 2021
Buildings	\$ 4,404,411	188,247	-	-	4,592,658

24	<b>ቅ 4,404,411</b>	100,247	-	-	4,392,030
Machinery and equipment	1,769,070	200,922	105,609	(1,553)	1,862,830
Transportation equipment	232,756	13,833	21,394	(249)	224,946
Miscellaneous equipment	518,100	43,890	23,996	(1,405)	536,589
Leasehold improvements	62,114	31,195	19,788	2,159	75,680
Total	<u>\$ 6,986,451</u>	478,087	170,787	(1,048)	7,292,703

## Accumulated impairment

	January 1, 2022	Increase	Decrease	Foreign Exchange	December 31, 2022
Land	\$ 14,031	-	-	-	14,031
Buildings	14,754				14,754
Total	<u>\$ 28,785</u>				28,785
	January 1, 2021	Increase	Decrease	Foreign Exchange	December 31, 2021
Land	January 1, 2021 \$14,031	Increase -	Decrease _		· · · · · · · · · · · · · · · · · · ·
Land Buildings			Decrease -		2021

When the Bank first adopted IFRSs, it elected to apply the revaluation amount calculated per the regulation of GAAP of R.O.C as the original cost on the transition date.

As of December 31, 2022 and 2021, the appreciation from revaluation of properties all amounted to \$3,017,345. Reserve for land incremental tax all amounted to \$879,056 (Recognized under deferred tax liabilities).

As of December 31, 2022 and 2021, land which was occupied all amounted to \$5,496. Except for a portion of the land that had been negotiated with the occupant to collect the rent; the Bank intends to participate in land auction, urban renewal or by other appropriate means in due course.

#### (I) Right-of-use assets

The Bank leases many assets including buildings, machinery and transportation equipment. Information about leases on costs, depreciation and impairment for which the Bank as a lessee is presented below:

December 31, 2022	Cost	Accumulated depreciation	Accumulated impairment	Total
Buildings	\$ 1,832,547	701,020	-	1,131,527
Machinery and equipment	26,497	26,408	-	89
Transportation equipment	72,592	21,877	-	50,715
Miscellaneous equipment	 12,403	5,206	<u>-</u>	7,197
Total	\$ 1,944,039	754,511		1,189,528
December 31, 2021	Cost	Accumulated depreciation	Accumulated impairment	Total
December 31, 2021 Buildings	\$ Cost 1,780,314			Total 1,108,707
· · ·	\$	depreciation		
Buildings	\$ 1,780,314	depreciation 671,607		1,108,707
Buildings Machinery and equipment	\$ 1,780,314 27,842	depreciation 671,607 27,272	impairment - -	1,108,707 570

#### Change of cost

	J	anuary 1, 2022	Increase	Decrease	Foreign Exchange	December 31, 2022
Buildings	\$	1,780,314	584,148	550,273	18,358	1,832,547
Machinery and equipment		27,842	-	1,345	-	26,497
Transportation equipment		71,244	50,368	49,099	79	72,592
Miscellaneous equipment		10,337	2,996	930		12,403
Total	\$	1,889,737	637,512	601,647	18,437	1,944,039

	J	anuary 1, 2021	Increase	Decrease	Foreign Exchange	December 31, 2021
Buildings	\$	1,522,533	535,271	271,377	(6,113)	1,780,314
Machinery and equipment		43,406	3	15,567	-	27,842
Transportation equipment		64,316	19,503	12,566	(9)	71,244
Miscellaneous equipment		7,603	4,960	2,226		10,337
Total	\$	1,637,858	559,737	301,736	(6,122)	1,889,737

#### Change of depreciation

	January 1, 2022		Increase	Decrease	Foreign Exchange	December 31, 2022
Buildings	\$	671,607	379,296	357,745	7,862	701,020
Machinery and equipment		27,272	481	1,345	-	26,408
Transportation equipment		42,434	21,372	41,952	23	21,877
Miscellaneous equipment		3,353	2,666	813		5,206
Total	\$	744,666	403,815	401,855	7,885	754,511

	Ja	nuary 1, 2021	Increase	Decrease	Foreign Exchange	December 31, 2021
Buildings	\$	493,055	374,946	195,749	(645)	671,607
Machinery and equip-ment		40,895	1,944	15,567	-	27,272
Transportation equip-ment		34,141	20,122	11,829	-	42,434
Miscellaneous equip-ment		3,035	2,416	2,098		3,353
Total	\$	571,126	399,428	225,243	(645)	744,666

## (m) Other assets, net

	December 31, 2022	December 31, 2021
Office supplies	\$ 29,019	28,953
Prepayments	8,167,434	8,154,098
Operating guarantee deposits and settlement fund	31,753	31,450
Guarantee deposits paid	2,607,864	384,397
Deferred assets	128	175
Temporary payments and suspense accounts	4,690,927	-
Proceeds of settlement and margin trading	60,139	1,307,041
Other assets	176,432	105,859
Total	<u>\$ 15,763,696</u>	10,011,973

## (n) Deposits from the Central Bank and banks

	December 31, 2022	December 31, 2021
Deposits from the Central Bank	\$ 232,262	249,565
Due from the Central Bank	14,133,500	9,955,800
Deposits from banks	705,261	244,033
Call loans from banks	31,549,533	24,292,901
Overdrafts on banks	1,084,076	536,471
Deposits transferred from Chunghwa Post Co., Ltd.	147,261,545	67,261,545
Total	<u>\$ 194,966,177</u>	102,540,315

## (o) Due to the Central Bank and banks

	December 31, 2021					
	Currency	Interest Rate	Maturity Date	Original Amount	NTD Amount	
Central Bank	TWD	0.1%	2022.6.30	49,713,800	<u>\$ 49,713,800</u>	
Unused credit lines					<u>\$ 586,200</u>	

## (p) Financial liabilities at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial liabilities designated at fair value through profit or loss :		
Financial debentures	\$ 9,367,595	8,293,730
Financial liabilities held for trading :		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	10,932	4,404
Currency swap contracts	524,421	126,198
Foreign currency option-sell	17,864	3,714
Interest rate contract	4,713	7,991
Total	<u>\$                                    </u>	8,436,037

Please refer to 6(t) for the information of financial liabilities designated at fair value through profit and loss.

Please refer to 6(c) for the nominal amount of unsettled financial derivatives instrument contracts of December 31, 2022 and 2021.

## (q) Notes and bonds issued under repurchase agreement

	December 31, 2022				
Assets		Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Financial assets at fair	\$	2,616,634	2,462,991	2,472,765	Prior to July 1, 2024
value through other comprehensive income					
<b>v</b>			December 31, 20	)21	
<b>v</b>		Par value	December 31, 20 Selling Price (Recognized in securities sold under repurchase agreements)	021 Designated repurchase amount	Designated repurchase date

## (r) Payables

	December 31, 2022	December 31, 2021
Accrued interest	\$ 4,428,933	2,469,585
Accounts payable	11,042,559	12,819,538
Acceptances	802,824	1,039,557
Accrued expenses	3,237,203	2,814,117
Collection payable	673,102	775,553
Deposits received from securities borrowers	116,196	115,541
Guaranteed price deposits received from securities borrowers	108,289	149,272
Spot exchange payable, foreign currencies	13,625	9,204
Other payables	834,692	2,209,159
Prices payable of securities sold for customers	137,155	309,498
Settlement payable	40,444	-
Others	6,474	16,970
Total	<u>\$ 21,441,496</u>	22,727,994

## (s) Deposits and remittances

	December 31, 2022	December 31, 2021	
Savings deposits	\$ 737,659,280	707,880,781	
Time deposits	437,048,016	451,921,417	
Demand deposits	465,508,480	475,541,845	
Checking account deposits	33,292,182	33,266,719	
Remittances	428,111	429,227	
Total	<u>\$ 1,673,936,069</u>	1,669,039,989	

VI

## (t) Bank notes payable

		Terms of Transactions			Bond Issued		
					Amount		
Bonds	Issue date	Maturity date	Interest Rate & repayment	Туре	December 31, 2022	December 31, 2021	
2015-2A	08/31/2015	08/31/2023	The debentures bear an annual interest rate of 2.05%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long- term financial debentures	\$ 4,700,000	4,700,000	
2015-2B	08/31/2015	08/31/2025	The debentures bear an annual interest rate of 2.10%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	li	300,000	300,000	
2016-2	12/20/2016	12/20/2023	The debentures bear an annual interest rate of 1.40%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	li	2,700,000	2,700,000	
2017-1A	03/28/2017	03/28/2024	The debentures bear an annual interest rate of 1.50%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	li	390,000	390,000	
2017-1B	03/28/2017	03/28/2025	The debentures bear an annual interest rate of 1.60%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	li	250,000	250,000	
2017-1C	03/28/2017	03/28/2027	The debentures bear an annual interest rate of 1.85%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	li	3,360,000	3,360,000	
2017-2	05/23/2017	05/03/2027	The debentures bear an annual interest rate of 1.85%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	li I	1,300,000	1,300,000	
2018-2	08/20/2018	08/20/2028	The debentures bear an annual interest rate of 1.45%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	5,450,000	5,450,000	
2019-1A	03/21/2019	03/21/2026	The debentures bear an annual interest rate of 1.20%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	1,000,000	1,000,000	
2019-1B	03/21/2019	03/21/2029	The debentures bear an annual interest rate of 1.30%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	li	4,800,000	4,800,000	
2020-1	03/25/2020	03/25/2030	The debentures bear an annual interest rate of 0.8%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	li	10,000,000	10,000,000	
2020-2	08/13/2020	None	The debentures bear an annual interest rate of 1.62%. Simple interest is accrued and paid annually. After calculating the early redeemable bond is in line with the capital adequacy ratio under the consent of the competent authority, the debentures are redeemable per face value plus accrued interest at the interest payment date after five years and a month from the issue date .	Perpetual non- accumulated subordinated financial debentures	10,000,000	10,000,000	
2021-1	11/17/2021	None	The debentures bear an annual interest rate of 1.60%. Simple interest is accrued and paid annually. After calculating the early redeemable bond is in line with the capital adequacy ratio under the consent of the competent authority, the debentures are redeemable per face value plus accrued interest at the interest payment date after five years and a month from the issue date.	<i>II</i>	8,000,000	8,000,000	
					\$ 52,250,000	52,250,000	

The Bank issued \$120,000 thousand and \$180,000 thousand dollar-denominated debentures with call option that can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity. In order to avoid interest risk, the Bank buys interest rate swap contracts that are classified as financial assets at fair value through profit or loss. To eliminate the measurement or recognition inconsistency between IRSs and debentures, the Bank classified the debentures into financial liabilities at fair value through profit or loss. In addition, the Bank considers that the designated economic relationship is evaluated by the SLMM model method, if the amount of changes in the fair value of the corporate bonds attributable to changes in credit risk is listed in other comprehensive gains and losses, it will trigger or aggravate the accounting ratio of gains and losses. Therefore, the amount is reported in the profit and loss. The debentures are as follows:

			Terms of Transactions	l i	Bond Issued		
						Amount	
Bonds	Issue date	Maturity date	Interest Rate & repayment	Туре	December 31, 2022	December 31, 2021	
2017-3	10/27/2017	10/27/2047	The zero-coupon debentures with call options can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity.	Unsecured dollar- denominated senior financial debentures	\$ 3,687,000	3,318,600	
2018-3	09/27/2018	09/27/2048	The zero-coupon debentures with call options can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity.	'I	5,530,500	4,977,900	
				Valuation adjustment	150,095	(2,770)	
					<u>\$ 9,367,595</u>	8,293,730	

The increase (decrease) in fair value of the financial liabilities that are attributable to changes in credit risk are as follows:

	December 31, 2022	December 31, 2021
Fair value of corporate bonds	\$ 9,367,595	8,293,730
Fair value increase (decrease) not attributable to changes in market conditions that give rise to market risk	170,133	90,645
Difference between the carrying value and the amount payable at the end of the contract term	150,095	(2,770)

# (u) Other financial liabilities

	December 31, 2022	December 31, 2021
Cumulative earnings on appropriated loans fund	<u>\$ 2,910,581</u>	4,365,294

Cumulative earnings on appropriated loan fund is the project contract signed by National Development Fund, Executive Yuan, Small and Medium Enterprise Administration, Ministry of Economic Affairs, and the Bank. The Bank appropriates the fund to the companies which meet the conditions for loans. The fund is classified as principal account, interest yielding account, loaned account and un-loaned account. These accounts are used for transferring accounts and paying the deposit interests for each project contract.

# (v) Provisions

		For the years ended December 31,		
		2022	2021	
Provision for guarantee liabilities	\$	237,076	258,065	
Provision for loan commitments		100,236	71,423	
Indeterminate indemnity provisions		74,619	73,181	
Provision for employee benefits		2,264,171	3,017,541	
Total	<u>\$</u>	2,676,102	3,420,210	

# Change of provision

	January 1, 2022	Increase	Decrease	Use	Foreign exchange	December 31, 2022
Provision for guarantee liabilities	\$ 258,065	-	21,496	-	507	237,076
Provision for loan commitments	71,423	27,782	-	-	1,031	100,236
Indeterminate indemnity provisions	73,181	1,438	-	-	-	74,619
Provision for employee benefits	3,017,541	172,726	875,196	50,900		2,264,171
Total	<u>\$ 3,420,210</u>	201,946	896,692	50,900	1,538	2,676,102
	January 1,				Foreign	December
	January 1, 2021	Increase	Decrease	Use	Foreign exchange	December 31, 2021
Provision for guarantee liabilities		Increase 39,802	Decrease -	Use -		
Provision for guarantee liabilities Provision for loan commitments	2021		Decrease -	Use -	exchange	31, 2021
0	<b>2021</b> \$ 218,351	39,802	Decrease - -	Use - -	exchange (88)	<b>31, 2021</b> 258,065
Provision for loan commitments Indeterminate indemnity	<b>2021</b> \$ 218,351	39,802 18,896	Decrease - - - 327,408	Use - - 55,260	exchange (88)	<b>31, 2021</b> 258,065 71,423

Please refer to Note 6(aa) for the information with regard to provision for employee benefits shown above.

# (w) Lease liabilities

Lease liabilities as follows:

	December 31, 2022	December 31, 2021
Less than one year	<u>\$ 381,387</u>	331,216
More than one year	<u>\$ 835,123</u>	813,856

The amounts recognized in profit or loss were as follows:

	For the years end	led December 31,
	2022	2021
Interest on lease liabilities	<u>\$ 16,297</u>	17,577
Expenses relating to short-term leases	<u>\$ 11,521</u>	8,253
Expenses relating to leases of low-value assets, excluding short- term leases of low-value assets	<u>\$ 16,106</u>	16,468

The amounts recognized in the statement of cash flows were as follows:

	For the years ended December 31,	
	2022	2021
Total cash outflow for leases	<u>\$ 440,760</u>	436,548

# (i) Real estate leases

The Bank leased buildings for its office space. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices. Some also require the Bank to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined monthly.

# (ii) Other leases

The Bank leased machinery and transportation equipment with lease terms of one to four years. In some cases, the Bank has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short term.

	December 31, 2022	December 31, 2021
Advance interest receipts	\$ 6,396	2,019
Unearned revenue	306,036	259,251
Other advance receipts	56,554	59,435
Guarantee deposits received	3,304,956	1,223,817
Temporary receipts and suspense accounts	-	1,126,269
Others	3,220	2,938
Total	<u>\$ 3,677,162</u>	2,673,729

# (y) Equity

# (i) Common stock

As of December 31, 2022 and 2021, the Bank's authorized capital were \$100,000,000 and \$80,000,000, and the paid-in capital for common shares of the Bank were \$80,296,934 and \$77,431,952, the face value of each share is \$10. The outstanding shares were 8,029,693 and 7,743,195 shares, respectively.

Pursuant to the resolution approved by the regular stockholders' meeting of the Bank on June 17, 2022, the Bank increased its capital from the retained earnings by \$2,864,982 and issued 286,498 shares. The capital increase has been approved by Financial Supervisory Commission and came into effect on July 12, 2022. The record date of the capital increase is set on August 8, 2022. The Bank has completed the alteration of the registered capital amount on August 26, 2022.

# (ii) Capital surplus

Sources and statement of the Bank's capital surplus were as follows:

	December 31, 2022	December 31, 2021
Additional paid-in capital	<u>\$ 815,900</u>	815,900

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends based on the shareholder's initial number of shares. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Earnings distribution and dividend policy

Under the Bank's Articles of Incorporation, earnings are used initially to pay for income taxes and restore cumulative losses, and 30% of the remaining earnings is set aside as legal reserve. Special reserve is appropriated from or reversed to earnings per other regulations. The accumulated retained earnings from prior periods are added back as part of the distributable dividends, 30 to 100% of the aggregated retained earnings are available to be distributed and will be resolved by the annual stockholders' meeting according to the proposal submitted by the Board of Directors.

In order to continuously expand scale and increase profitability, the Bank based on the future capital budget plan, adopts residual dividend policy and primarily distributes stock dividend to ensure the capital is sufficient. When there is surplus of capital, the remaining capital can be distributed by cash dividend. Cash dividend shall not be lower than 10% of the total dividend distributed. If the cash dividend distributed per share is lower than NTD\$ 0.1, except for otherwise resolved by the shareholder's meeting, it is not distributed. If there is any situation conforms to that is regulated in article 44 item 1 of the Banking Act of The Republic of China, the Bank is not allowed to distribute earnings by cash or purchase shares outstanding. The maximum cash earning distribution is not allowed to be over 15% of the total paid in capital unless the legal reserve reaches the total paid-in capital.

In compliance with the Company Act, if the Company incurs no loss, under the consent of the shareholder's meeting, the Company is allowed to distribute new shares or cash dividends from legal reserve to the extent that the legal reserve issued is the surplus exceeding 25% of the paid in capital.

Under the Ruling No. 1010012865 issued on April 6, 2012 by the FSC, special reserve is appropriated from retained earnings based on the equivalent amounts of the contra accounts in equity. This special reserve may not be distributed as dividends to stockholders until the balances of these contra accounts in equity are reversed.

The Bank resolved the earning distribution for the earnings of 2021 and 2020 in the shareholders'meeting on June 17, 2022 and July 20, 2021, respectively. The dividends distributed were as follows:

	202	:1	202	Amount	
	Distribution rate (NT dollar)	Amount	Distribution rate (NT dollar)	Amount	
Dividends to common shareholders					
Stock dividends	\$ 0.37	2,864,982	0.34	2,546,118	
Cash dividends	0.10	774,320	0.10	748,858	
Total		<u>\$ 3,639,302</u>		3,294,976	

# (iv) Other equity interest

	Unrealized gains from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
January 1, 2022	\$ 4,113,485	(1,807,265)	2,306,220
Share of other comprehensive income of subsidiaries associates and joint ventures accounted for using equity method	(4,729)	11,653	6,924
Investment in debt instruments measured at fair value through other comprehensive income			
-Unrealized amount	(8,545,652)	-	(8,545,652)
-Realized amount	(4,976)	-	(4,976)
Foreign currency translation difference – Exchange difference	-	1,197,779	1,197,779
Disposal of investments in equity instruments measured at fair value through other comprehensive income	1,270,030		1,270,030
December 31, 2022	<u>\$ (3,171,842</u> )	(597,833)	(3,769,675)
	Unrealized gains from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
January 1, 2021	from financial assets measured at fair value through other	differences on translation of foreign	Total 3,711,053
January 1, 2021 Share of other comprehensive income of subsidiaries associates and joint ventures accounted for using equity method	from financial assets measured at fair value through other comprehensive income \$ 5,187,824 4,546	differences on translation of foreign financial statements	
Share of other comprehensive income of subsidiaries associates and joint ventures accounted for using equity	from financial assets measured at fair value through other comprehensive income \$ 5,187,824 4,546	differences on translation of foreign financial statements (1,476,771)	3,711,053
Share of other comprehensive income of subsidiaries associates and joint ventures accounted for using equity method Investment in debt instruments measured at fair value	from financial assets measured at fair value through other comprehensive income \$ 5,187,824 4,546	differences on translation of foreign financial statements (1,476,771)	3,711,053
Share of other comprehensive income of subsidiaries associates and joint ventures accounted for using equity method Investment in debt instruments measured at fair value through other comprehensive income	from financial assets measured at fair value through other comprehensive income \$ 5,187,824 4,546	differences on translation of foreign financial statements (1,476,771)	3,711,053 7,220
Share of other comprehensive income of subsidiaries associates and joint ventures accounted for using equity method Investment in debt instruments measured at fair value through other comprehensive income -Unrealized amount	from financial assets measured at fair value through other comprehensive income \$ 5,187,824 4,546 (740,789)	differences on translation of foreign financial statements (1,476,771)	3,711,053 7,220 (740,789)
Share of other comprehensive income of subsidiaries associates and joint ventures accounted for using equity method Investment in debt instruments measured at fair value through other comprehensive income -Unrealized amount -Realized amount Foreign currency translation difference – Exchange	from financial assets measured at fair value through other comprehensive income \$ 5,187,824 4,546 (740,789)	differences on translation of foreign financial statements (1,476,771) 2,674	3,711,053 7,220 (740,789) (302,904)

# (z) Income taxes

(i) The income tax expenses were as follows:

	For the years ended December 31,		
	2022	2021	
Current tax expense			
Current period	\$ 2,095,680	707,610	
Adjustment for prior period	13,319	(1,995)	
	2,108,999	705,615	
Deferred tax expense (income)			
Origination and reversal of temporary differences	(217,066)	(29,429)	
Income tax expenses	<u>\$ 1,891,933</u>	676,186	

(ii) The income tax expenses (income) recognized under other comprehensive income were as follows:

	For the years ended December 31,		
	2022	2021	
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans	<u>\$ 111,419</u>	4,902	
	For the years en	ded December 31,	
	2022	2021	
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign financial statements	\$ 299,444	(83,292)	
Unrealized gains (losses) on valuation of financial assets measured at fair value through other comprehensive income	(30,000)	(15,291)	
	\$ 269,444	(98,583)	

The reconciliation between the income tax expense (income) and net income before tax of the Bank for 2022 and 2021 is as follows:

	For the years ended December 31,		
	20	22	2021
Income tax computed on net income before tax	\$	2,402,757	1,155,260
Tax-free income		(676,685)	(564,059)
Overseas branch income tax expenses		152,074	48,932
Overestimate prior income tax expense		13,319	(1,995)
Other		468	38,048
Income tax expense	\$	1,891,933	676,186

	(III) Changes in deterred tax assets and liabilities of the Bank are as follows: For the year ended December 31, 2022							
		For the yea	Recognized	er 31, 2022				
	Beginning balance	Recognized in profit or loss	in other comprehensive income	Others	Ending balance			
Temporary difference								
Deferred tax assets resulted from allowance for bad debts exceeding the limit regulated in Tax Law	\$ 770,707	261,944	-	-	1,032,651			
Loss on assets impairment	21,710	(2,338)	-	-	19,372			
Reserve for employee benefit liabilities	374,495	(42,827)	-	-	331,668			
Land value increment tax	(879,056)	-	-	-	(879,056)			
Exchange differences from the translation of financial statements of foreign operations	430,575	-	(299,444)	-	131,131			
Unrealized loss on valuation of financial assets measured at fair value through other comprehensive income	(7,234)	-	30,000	-	22,766			
Actuarial gains and losses	311,474	-	(111,419)	-	200,055			
Indeterminate indemnity provisions	14,636	287			14,923			
Net deferred tax assets (liabilities)	<u>\$ 1,037,307</u>	217,066	(380,863)		873,510			
The information stated on the balance sheet is as follows:								
Deferred tax assets	<u>\$ 1,923,597</u>				1,752,566			
Deferred tax liabilities	<u>\$ 886,290</u>				879,056			

# (iii) Changes in deferred tax assets and liabilities of the Bank are as follows:

		For the yea	ar ended Decemb	er 31, 2021	
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Others	Ending balance
Temporary difference					
Deferred tax assets resulted from allowance for bad debts exceeding the limit regulated in Tax Law	\$ 702,104	68,603	-	-	770,707
Loss on assets impairment	57,058	(35,348)	-	-	21,710
Reserve for employee benefit liabilities	392,957	(18,462)	-	-	374,495
Land value increment tax	(879,056)	-	-	-	(879,056)
Exchange differences from the translation of financial statements of foreign operations	347,283	-	83,292	-	430,575
Unrealized loss on valuation of financial assets measured at fair value through other comprehensive income	(22,525)	-	15,291	-	(7,234)
Actuarial gains and losses	316,376	-	(4,902)	-	311,474
Indeterminate indemnity provisions		14,636			14,636
Net deferred tax assets (liabilities)	<u>\$ 914,197</u>	29,429	93,681		1,037,307
The information stated on the balance sheet is as follows:					
Deferred tax assets	<u>\$ 1,815,778</u>				1,923,597
Deferred tax liabilities	<u>\$ 901,581</u>				886,290

(iv) Uncertainty over income tax treatments

For tax returns that have not yet been assessed, the Bank has assessed relevant factors, including relevant IFRIC interpretations and historical experience, and believe that sufficient income tax liabilities have been estimated.

(v) The Bank's income tax returns through 2017 and 2019 have been assessed by the Tax Authority.

# (aa) Provision for employee benefit

As of December 31, 2022 and 2021, the balance of provision for employee benefit of the Bank was as follows:

	December 31, 2022	December 31, 2021
Defined benefit plan	\$ 1,211,918	1,966,215
Employee deposits with favorable rate	1,052,253	1,051,326
	<u>\$ 2,264,171</u>	3,017,541

# (i) Defined benefit plan

As of December 31, 2022 and 2021, the balance of provision for employee benefit of the Bank were as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ 6,156,019	6,870,061
Fair value of plan assets	(4,944,101)	(4,903,846)
Net defined benefit liabilities	<u>\$ 1,211,918</u>	1,966,215

The Bank makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labour Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Bank of Taiwan labour pension reserve account balance for the Bank amounted to \$4,944,101 and \$4,903,846 on December 31, 2022 and 2021. For information on the utilisation of the labour pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labour Fund, Ministry of Labor.

2) Movements in the present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations of the Bank were as follows:

	For the years ended December 31,		
		2022	2021
Defined benefit obligation on January 1	\$	6,870,061	7,217,819
Current service and interest cost		191,252	197,748
Remeasurements of the net defined benefit liability			
- Actuarial loss on experience adjustment		443,097	(21,266)
-Actuarial loss on demographic assumptions changed		-	126,343
-Actuarial loss on financial assumptions changed		(593,737)	(53,470)
Benefits paid		(754,654)	(597,113)
Defined benefit obligation at December 31	\$	6,156,019	6,870,061

# 3) Movements of defined benefit plan assets

The movements in the fair value of defined benefit plan assets of the Bank were as follows:

	For the years ended December 31,		
		2022	2021
Fair value of plan assets on Junuary 1	\$	4,903,846	5,027,251
Interest income		19,453	14,921
Remeasurements of the net defined benefit liability			
-plan assets revenue (excluded of current interest)		406,458	76,119
Contributions made		368,998	382,668
Benefits paid by the plan		(754,654)	(597,113)
Fair value of plan assets on December 31	\$	4,944,101	4,903,846

# 4) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Bank were as follows :

	For the years ended December 31,		
		2022	2021
Current service costs	\$	164,454	176,661
Net interest of the net liability of define benefit obligations		7,345	6,166
	\$	171,799	182,827

5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

Remeasurements of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,		
		2022	2021
Amount on January 1	\$	1,557,373	1,581,885
Recognized during the period		(557,098)	(24,512)
Amount on December 31	<u>\$</u>	1,000,275	1,557,373

# 6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follow :

	December 31, 2022	December 31, 2021
Discount rate	1.70%	0.40%
Future salary increase rate	1.50%	1.50%

The expected allocation payment made by the Bank to the defined benefit plans for the one-year after the reporting date is \$245,000.

The weighted average lifetime of the defined benefit plans is 7 years.

7) Sensitivity analysis

The effects of changes in major actuarial assumptions adopted in defined benefit obligation on December 31, 2022 and 2021 were as follows :

	Influence of defined benefit plan obligation		
	Increase 0.25%	Decrease 0.25%	
December 31, 2022			
Discount rate(Change 0.25%)	(1.70)%	1.74%	
Future salary increase rate(Change 0.25%)	1.67%	(1.64)%	
December 31, 2021			
Discount rate(Change 0.25%)	(1.90)%	1.96%	
Future salary increase rate(Change 0.25%)	1.87%	(1.82)%	

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plan

The Bank allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Bank allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation. Employees based abroad are contributed in accordance with the local government's regulations.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance, oversea branches, and local authorities responsible for the Bank's subsidiaries amounted to \$168,570 and \$155,388 for the years ended December 31, 2022 and 2021, respectively.

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ 1,052,253	1,051,326
Fair value of plan assets	<u>-</u>	
Net defined benefit liability	\$ 1,052,253	1,051,326

The Bank conducted the obligation of time deposit with favorable rate for retired and current employees based on the internal regulation "Saving Deposits for Employees".

1) Movements in the present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations of the Bank for the years ended December 31, 2022 and 2021, were as follows:

	For the years ended December 31,		
	2022		2021
Defined benefit obligation on January 1	\$	1,051,326	931,667
Interest cost		39,953	35,363
Remeasurements of the net defined benefit liability			
-current actuarial gains and losses		175,487	290,695
Benefits paid by the plan		(214,513)	(206,399)
Defined benefit obligation on December 31	\$	1,052,253	1,051,326

# 2) Movements in fair value of the defined benefit plan assets

The movements in the present value of the defined plan assets of the Bank were as follows:

	For the years	For the years ended December 31,		
	2022	2021		
Fair value of plan assets on January 1	\$			
Contributions made	214,5	13 206,399		
Benefits paid by the plan	(214,5	(206,399)		
Fair value of plan assets on December 31	<u>\$</u>			

# 3) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Bank were as follows :

	For the years ended December 31,           2022         2021		
Net interest on the net defined benefit liability	<u>\$ 215,440</u>	326,058	

# 4) Actuarial assumption

The material actuarial assumptions used to determine present value of a defined benefit obligation on the reporting date were as follow :

	December 31, 2022	December 31, 2021
Discount rate of employee deposit with favorable rate	4.00%	4.00%
Rate of return for capital deposited	2.00%	2.00%
Annual diminishing rate of account balance	1.00%	1.00%
Possibility that employee deposit with favorable rate be modified	50.00%	50.00%

# (ab) Earnings per share

	For the years ended December 31,		
	2022	2021	
Net income	\$ 10,121,852	5,100,112	
Weighted average number of common stock shares outstanding (in thousands) (Note 1)	8,029,693	8,029,693	
Basic earnings per shares (in dollars)	<u>\$ 1.26</u>	0.64	
Dilutive potential common shares (in thousands) (Note 1,2)	34,862	38,869	
Weighted average number of shares outstanding for diluted EPS (in thousands) (Note 1)	8,064,555	8,068,562	
Diluted earnings per shares (in dollars)	<u>\$ 1.26</u>	0.63	

Note 1: The earnings per share for the year ended December 31, 2022 has applied retrospective adjustments. Note 2: The shares were calculated based on the stock price on the balance sheet date.

# (ac) Employees and directors' remuneration

In accordance with the articles of incorporation the Bank should contribute 1% to 6% of the profit as employee compensation and less than 0.6% as directors' remuneration when there is profit for the year. However, if the Bank has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2022 and 2021, the estimated employee remuneration were \$451,457 and \$371,068, and the estimated directors' remuneration were \$75,243 and \$37,107, the estimates are based on pre-tax net profit for the period, before deducting employees and directors' remuneration, multiplied by the elaboration of the Bank's Articles of Association of employees and the directors remuneration ratio, and recognized as operating cost. If the board's meeting decides to release stock dividends as employees' bonuses, the total number of employees bonus stocks to be issued shall be determined by the common stock closing price of the day before the meeting date.

There is no difference with actual distributions of 2021 remuneration. The information is available at the Market Observation Post System website.

	For the years ended December 31,		
	2022	2021	
Interest income:			
Loans	\$ 8,053,024	4,963,356	
Secured loans	19,220,653	15,150,729	
Bills negotiated	4,181	2,025	
Bank overdrafts	14,266	12,544	
Discounts	17,116	9,007	
Time deposit from Central Bank	1,218,788	612,953	
Due from the Central Bank	201,563	90,494	
Call loans to banks	1,260,539	565,684	
Bonds	2,603,937	2,084,103	
International credit card	35,527	38,908	
Overdue loans	211,415	189,009	

# (ad) Net interest revenue

	For the years ended December 31,		
	2022	2021	
Bills	\$ 28,950	26,131	
Due from Banks	99,990	172,981	
Others	166,352	119,933	
Subtotal	33,136,301	24,037,857	
Interest expense:			
Deposits	11,299,382	5,278,716	
Deposits from banks	1,489	13,220	
Call loans from banks	890,231	102,288	
Financial debentures	759,937	895,377	
Notes and bond issued under repurchase agreement	9,358	4,327	
Others	86,565	63,439	
Subtotal	13,046,962	6,357,367	
Total	<u>\$ 20,089,339</u>	17,680,490	

# (ae) Net service fee revenue

	For the years ended December 31,		
	2022	2021	
Service fee income:			
Remittance service fee	\$ 64,477	64,862	
Import bills negotiated service fee	45,635	46,243	
Export bills negotiated service fee	12,653	13,648	
Letter of credit service fee	8,887	8,005	
Certification service fee	1,482	1,431	
Acceptance service fee	1,677	1,680	
Trust service fee	595,144	1,084,528	
Guarantee service fee	242,678	236,828	
Agency service fee	34,481	35,662	
Interbank service fee	108,774	93,684	
Card service fee	113,297	118,074	
Commission revenue of insurance premium	1,535,440	803,334	
Custodian service fee	197,542	207,389	
Foreign currency service fee	85,707	93,053	
Commission of futures	2,939	3,867	
Loan service fee	852,045	729,484	
Miscellaneous fees	412,480	125,642	
Subtotal	4,315,338	3,667,414	
Service fee expense:			
Foreign currency service fee	29,427	25,008	
Interbank service fee	178,644	154,805	
Trust service fee	857	813	
Agency service fee	1,567	1,508	
IC card service fee	66,106	62,665	
Check clearing service fee	8,877	9,275	
Remittance service fee	5,386	5,180	
Custodian service fee	58,378	60,407	
Call loans service fee	9,029	10,164	
Futures option fee	43	10	
Miscellaneous fees	22,599	20,029	
Subtotal	380,913	349,864	
Total	\$ 3,934,425	3,317,550	

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	F	For the years ended December 31,		
		2022	2021	
Valuation gains (losses):				
Corporate bonds	\$	(5,636)	4,685	
Financial debentures		(546,927)	(381,752	
Listed stocks		(14,528)	4,052	
Beneficiary certificates		(6,437)	(11,477)	
Private fund		(1,548)	4,925	
Commercial paper		10,790	3,173	
Derivative financial instruments		193,966	(12,459)	
Subtotal		(370,320)	(388,853)	
Disposal gains (losses):				
Corporate bonds		6,437	29,074	
Financial debentures		(4,098)	(1,349)	
Listed stocks		(39,776)	(18,905	
Beneficiary certificates		(21,734)	22,711	
Commercial paper		(2,574)	(7,398	
Derivative financial instruments		1,463,644	843,655	
Subtotal		1,401,899	867,788	
Dividend revenue		11,314	4,397	
Interest income		201,178	78,864	
Total	\$	1,244,071	562,196	

# (af) (Loss) gain on financial assets or liabilities measured at fair value through profit or loss

# (ag) Realized gain on financial assets at fair value through other comprehensive income

		For the years ended December 31,		
		2022 202		
Gain on disposal of government bonds	\$	4,480	247,087	
Gain on disposal of corporate bonds		666	25,167	
Gain (loss) on disposal of financial debentures		(170)	30,650	
Dividend revenue		1,457,593	884,796	
Total	<u>\$</u>	1,462,569	1,187,700	

# (ah) (Impairment losses on assets) reversal of impairment loss on assets

	For the years ended December 31,		
	2022	2021	
Investment in debt instrument measured at fair value through other comprehensive income	\$ (1,521)	(21,599)	
Investment in debt instrument measured at amortized cost	13,210	(11,661)	
Total	<u>\$ 11,689</u>	(33,260)	

# (ai) Share of profit of associates and joint ventures accounted for using equity method

	For the years ended December 31,			
	2022	2021		
Investment income- TBB International Leasing Co., Ltd.	\$ 41,673	28,811		
Investment income- TBB (Cambodia) Microfinance Institution Plc	26,911	(6,173)		
Investment income- TBB Venture Capital Co., Ltd.	202,343	78,430		
Investment income- TBB Consulting Co., Ltd.	49,356	(1,409)		
Total	\$ 320,283	99,659		

## Net other revenue other than interest income (aj)

	For the years ended December 31,		
	2022	2021	
Rental revenue of operating assets	\$ 10,939	8,659	
Rental expense of operating assets	(1,796)	(1,605)	
Loss on disposal and retirement of property and equipment	(944)	(852)	
Loss of account error	(163)	(350)	
Gold deposit book	2,536	2,630	
Other operating expense	(40,597)	(122,396)	
Other miscellaneous income	93,096	282,802	
Total	<u>\$ 63,071</u>	168,888	

# (ak) Bad debts expenses, commitment and guarantee liability provision

		For the years ended December 31,		
		2022	2021	
Discounted and loans	\$	2,419,063	5,153,489	
Call loans to banks		384	(2,938)	
Receivables and other financial assets		(24,665)	(37,417)	
Subtotal		2,394,782	5,113,134	
Provisions for guarantee liabilities		(21,496)	39,802	
Provisions for loan commitments		27,782	18,896	
Total	<u>\$</u>	2,401,068	5,171,832	

# (al) Employee benefits expenses

	For the years ended December 31,				
	2022		2022		2021
Salary expense	\$	7,203,433	6,710,384		
Labor and health insurance		528,718	512,569		
Pension expense	339,764		337,460		
Directors' remuneration		89,213	50,302		
Other employee benefits		622,143	739,425		
Total	\$	8,783,271	8,350,140		

# (am) Depreciation and amortization expense

	For the years ended December 31,		
	2022	2021	
Depreciation			
Property and equipment	\$ 568,358	462,781	
Right-of-use assets	403,815	399,428	
Amortization			
Computer software	248,725	170,708	
Other deferred charges	47	33	
Total	<u>\$ 1,220,945</u>	1,032,950	

# (an) Other general and administrative expense

	For the years ended December 31,		
	2022	2021	
Compensation loss	\$ 42	59	
Utilities fee	89,402	90,119	
Postage and telecommunication fee	248,342	243,412	
Transportation fee	30,855	22,242	
Printing and advertisement fee	210,184	200,224	
Repair and maintenance fee	261,133	249,335	
Insurance fee	378,827	331,254	
Professional service fee	260,568	243,637	
Materials and supplies	119,396	168,332	
Rental expenses	27,627	24,721	
Duties and levies	1,559,256	1,234,932	
Membership, donation and partaking	590,970	641,967	
Storage, packing and processing fee	45,955	49,429	
Cash transit fee	65,098	63,742	
Others	72,751	64,612	
Total	<u>\$3,960,406</u>	3,628,017	

# (ao) Financial Instruments

- (i) Fair value information
  - 1) General description

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The financial instruments are record as fair value when original recognizing, usually refer to the transaction price in many circumstances. Except some amortized cost financial instruments, the financial instruments are measured in fair value. A quoted market price in an active market provides the most reliable evidence of fair value. If financial instruments are without active market, the Bank adopted the value technique, refer to Bloomberg, Reuters or the price at which the asset could be bought or sold in a current transaction between willing parties.

- 2) The definition of fair value hierarchy
  - a) Level 1

The input of this level is quoted prices in active markets for identical financial instruments. The active market is a market in which transactions for the homogenous assets or liabilities take place with sufficient frequency and volume to provide pricing information. The stock of listed company and the beneficiary certificates, government bonds and the derivative financial instruments with public quote inactive market processed by the Bank belong to Level 1.

b) Level 2

The input of this level is other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The investments with lower trade volume such as government bonds, corporate bonds, financial debentures, convertible corporate bonds and derivative instruments, including financial debentures the Bank issued are belong to Level 2.

c) Level 3

The input is unobservable for the asset or liability in market or counterparty prices. Unobservable inputs like: Option pricing model using the historical volatility. Because the historical volatility cannot represent the future volatility expected value of whole market participants. The input

parameter used to measure the fair value of this level is not based on data that can be obtained in the market but using a combination of complex market prices to estimate their values. The assets have been categorized as a Level 3, due to the fact that their fair market value cannot be directly calculated. The equity instruments with no active market which the Bank invested are Level 3.

- 3) Based on fair value measurement
  - a) The fair value hierarchy of information

The financial instruments which are record as fair value measure on an ongoing basis, the fair value hierarchy of information were as follows:

Assets and Liabilities	Total	Level 1	Level 2	Level 3
Instruments measured at fair value on a recurring basis				
Non-derivative financial assets and liabilities:				
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss, mandatorily measure at fair value				
Security Investments	\$ 115,114	115,114	-	-
Others	31,254,976	250,691	30,907,810	96,475
Financial assets at fair value through other comprehensive income				
Security Investments	17,984,590	12,676,936	-	5,307,654
Bond Investments	141,840,231	91,536,068	50,304,163	-
Others	145,782	145,782	-	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	9,367,595	-	9,367,595	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	1,166,667	26,860	1,139,807	
Liabilities:				
Financial liabilities at fair value through profit or loss	557,930	-	557,930	
		Decembe	r 31, 2021	
Assets and Liabilities	Total	Level 1	Level 2	Level 3
Assets and Liabilities Instruments measured at fair value on a recurring basis	Total	Level 1	Level 2	Level 3
	Total	Level 1	Level 2	Level 3
Instruments measured at fair value on a recurring basis	Total	Level 1	Level 2	Level 3
Instruments measured at fair value on a recurring basis Non-derivative financial assets and liabilities:	Total	Level 1	Level 2	Level 3
Instruments measured at fair value on a recurring basis Non-derivative financial assets and liabilities: Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss,	Total \$ 68,106	Level 1 68,106	Level 2	Level 3
Instruments measured at fair value on a recurring basis Non-derivative financial assets and liabilities: Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss, mandatorily measure at fair value			Level 2 - 79,230	Level 3 -
Instruments measured at fair value on a recurring basis Non-derivative financial assets and liabilities: Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss, mandatorily measure at fair value Security Investments	\$ 68,106	68,106	-	Level 3 - - 102,223
Instruments measured at fair value on a recurring basis Non-derivative financial assets and liabilities: Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss, mandatorily measure at fair value Security Investments Bonds Investments	\$ 68,106 356,140	68,106 276,910	- 79,230	-
Instruments measured at fair value on a recurring basis Non-derivative financial assets and liabilities: Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss, mandatorily measure at fair value Security Investments Bonds Investments Others Financial assets at fair value through other comprehensive	\$ 68,106 356,140	68,106 276,910	- 79,230	-
Instruments measured at fair value on a recurring basis Non-derivative financial assets and liabilities: Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss, mandatorily measure at fair value Security Investments Bonds Investments Others Financial assets at fair value through other comprehensive income	\$ 68,106 356,140 38,681,342	68,106 276,910 1,563,675	- 79,230	- - 102,223
Instruments measured at fair value on a recurring basis Non-derivative financial assets and liabilities: Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss, mandatorily measure at fair value Security Investments Bonds Investments Others Financial assets at fair value through other comprehensive income Security Investments	\$ 68,106 356,140 38,681,342 21,354,398	68,106 276,910 1,563,675 16,414,356	- 79,230 37,015,444 -	- - 102,223
Instruments measured at fair value on a recurring basis Non-derivative financial assets and liabilities: Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss, mandatorily measure at fair value Security Investments Bonds Investments Others Financial assets at fair value through other comprehensive income Security Investments Bonds Investments Bonds Investments Bonds Investments Bonds Investments	\$ 68,106 356,140 38,681,342 21,354,398 135,994,230	68,106 276,910 1,563,675 16,414,356 86,780,365	- 79,230 37,015,444 -	- - 102,223
Instruments measured at fair value on a recurring basis Non-derivative financial assets and liabilities: Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss, mandatorily measure at fair value Security Investments Bonds Investments Others Financial assets at fair value through other comprehensive income Security Investments Bonds Investments Bonds Investment Othesr	\$ 68,106 356,140 38,681,342 21,354,398 135,994,230	68,106 276,910 1,563,675 16,414,356 86,780,365	- 79,230 37,015,444 -	- - 102,223
Instruments measured at fair value on a recurring basis         Non-derivative financial assets and liabilities:         Financial assets at fair value through profit or loss         Financial assets at fair value through profit or loss,         mandatorily measure at fair value         Security Investments         Bonds Investments         Others         Financial assets at fair value through other comprehensive income         Security Investments         Bonds Investments         Others         Financial assets at fair value through other comprehensive income         Security Investments         Bonds Investments         Others         Financial assets at fair value through other comprehensive income         Security Investments         Bonds Investment         Othesr         Financial liabilities at fair value through profit or loss         Financial liabilities designated at fair value through profit	\$ 68,106 356,140 38,681,342 21,354,398 135,994,230 149,897	68,106 276,910 1,563,675 16,414,356 86,780,365	- 79,230 37,015,444 - 49,213,865 -	- - 102,223
Instruments measured at fair value on a recurring basis Non-derivative financial assets and liabilities: Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss, mandatorily measure at fair value Security Investments Bonds Investments Others Financial assets at fair value through other comprehensive income Security Investments Bonds Investment Othesr Financial liabilities at fair value through profit or loss Financial liabilities designated at fair value through profit or loss	\$ 68,106 356,140 38,681,342 21,354,398 135,994,230 149,897	68,106 276,910 1,563,675 16,414,356 86,780,365	- 79,230 37,015,444 - 49,213,865 -	- - 102,223
Instruments measured at fair value on a recurring basis         Non-derivative financial assets and liabilities:         Financial assets at fair value through profit or loss         Financial assets at fair value through profit or loss,         mandatorily measure at fair value         Security Investments         Bonds Investments         Others         Financial assets at fair value through other comprehensive income         Security Investments         Bonds Investments         Others         Financial assets at fair value through other comprehensive income         Security Investments         Bonds Investments         Bonds Investments         Bonds Investments         Bonds Investments         Bonds Investment         Othesr         Financial liabilities at fair value through profit or loss         Financial liabilities designated at fair value through profit or loss         Financial liabilities designated at fair value through profit or loss         Derivative financial assets and liabilities	\$ 68,106 356,140 38,681,342 21,354,398 135,994,230 149,897	68,106 276,910 1,563,675 16,414,356 86,780,365	- 79,230 37,015,444 - 49,213,865 -	- - 102,223
Instruments measured at fair value on a recurring basis         Non-derivative financial assets and liabilities:         Financial assets at fair value through profit or loss         Financial assets at fair value through profit or loss,         mandatorily measure at fair value         Security Investments         Bonds Investments         Others         Financial assets at fair value through other comprehensive income         Security Investments         Bonds Investments         Others         Financial assets at fair value through other comprehensive income         Security Investments         Bonds Investment         Othesr         Financial liabilities at fair value through profit or loss         Financial liabilities designated at fair value through profit or loss         Financial liabilities designated at fair value through profit or loss         Assets:	\$ 68,106 356,140 38,681,342 21,354,398 135,994,230 149,897 8,293,730	68,106 276,910 1,563,675 16,414,356 86,780,365 149,897 -	- 79,230 37,015,444 - 49,213,865 - 8,293,730	- - 102,223

b) Valuation techniques used in estimating the fair values of financial instruments

If the financial instruments have quoted price in an active market, the quoted price is regarded as its fair value.

If the financial instruments of quoted price, which are from the Stock Exchange, Brokers, Pricing service agencies or Government institutions, are timely and frequently, and reflects the actual price, then the financial instruments have a quoted price in an active market. If the above conditions are not fulfilled, the market is inactive.

Except for the above financial instruments of quoted price in an active market, there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique that refers to quoted prices considered the identical financial instrument with same characteristics and essential terms of transaction, Discounted-Cash-Flow model and other valuation techniques including the model using market information to be made of the calculation at the balance sheet date (e.g. Taipei Exchange reference yield curve, Reuters quoted the average commercial paper rate, the Taipei Financial industry call loan rate fixing TAIBOR).

The financial asset's fair value is estimated on the basis of the result of a valuation technique, the Bank adopted that refers to quoted prices provided by financial institutions. Ask (bid) is used to evaluate the selling (buying) position by the Bank if the quoted price include ask and bid price. If there is not a quoted price for the financial asset, transaction price close to the balance sheet date is the fair value.

Fair value of financial derivatives is the amount of cash to be paid or to be received by the Bank, assuming that the contract will be terminated on the balance sheet date. The Bank adopts mark-to-model prices which are usually adopted among the banking industry, such as Discounted-Cash-Flow model and Black-Scholes model. The Bank adopts the price data from Reuters and Bloomberg to calculate the fair value of the holding position. The aforesaid price data is based upon the middle price and used consistently by the Bank. Furthermore, the fair value of the embedded financial derivatives is calculated based upon the quote from the counterparty, and separately calculated in accordance with the contracts.

- c) Adjustment for fair value
  - i) The restraint of evaluation model and uncertain inputs

The estimates of output-based value using the evaluation model, which may not reflect the Bank's all related factors. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to the extra parameters such as model risk or liquidity risk. Information and price parameters used in the evaluation process are after careful assessment, and are appropriately adjusted according to the current market situation.

ii) Credit risk value adjustment

The Bank's credit risk value adjustment of OTC transaction derivative instruments can be divided to Credit value adjustments (CVA) and debit value adjustments (DVA) to reflect the fair value of the counterparty or the default, and the Bank may not be received or paid full market value of trading possibilities.

The Bank would calculate credit valuation adjustment (CVA) by assessing probability of default (PD) and loss given default (LGD) of the counterparty before multiplying exposure at default (EAD) of the counterparty. On the contrary, debit valuation adjustment (DVA).

The Bank assesses the probability of default on the assumption of 60%, but at the risk of the nature and circumstances of available data, we may use other loss given default assumptions.

d) Transfers between Level 1 and Level 2

There were no transfers between Level 1 and 2 for the years ended December 31, 2022 and 2021.

e) Changes in financial assets which were classified to Level 3 based on fair value measurement

		For the year ended December 31, 2022						
		Valuation	profit and loss	Incr	ease	Decr	ease	
Name	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue			Transfer out from Level 3	Ending balance
Financial assets at fair value through profit or loss	\$ 102,223	(1,548)	-	-	-	4,200	-	96,475
Investments in equity instruments measured at fair value through other comprehensive income	4,940,042	-	367,612	-	-	-	-	5,307,654

Changes of financial assets categorized in Level 3 :

income								
For the year ended December 31, 2021								
		Valuation	profit and loss	Incr	ease	Deci	ease	
Name	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transfer into Level 3		Transfer out from Level 3	
Financial assets at fair value through profit or loss	\$ 104,498	4,925	-	-	-	7,200	-	102,223
Investments in equity instruments measured at fair value through other comprehensive income	4,475,144	-	464,898	-	-	-	-	4,940,042

f) Profit and loss information of Level 3

Current gain (loss) and other comprehensive income of holding assets are as follow:					
	For the years ended December 3				
	2022	2021			
Recognized on profit and loss (reported as unrealized gain (loss) from investments instruments measured at fair value through profit and loss)	\$ (935)	4,925			
Recognized on other comprehensive income (reported as unrealized gain (loss) from investments instruments measured at fair value through other comprehensive income)	367,612	464,898			

# Current gain (loss) and other comprehensive income of holding assets are as follow:

a)	Quantified information of the fair	value measurement of significant	unobservable inputs (Level 3)

	December 31, 2022						
	fair value	valuation methods	significant unobservable inputs	range	inter-relationship between significant unobservable inputs and fair value measurement		
Financial asset at fair value through profit or loss							
Private fund	\$ 96,475	assets approach	liquidity discount	10.00%	The higher market liquidity discount, the lower fair value.		
Financial assets at fair value through other comprehensive income							
Unlisted stocks	5,307,654	market approach assets approach income approach income approach	liquidity discount sustainable growth rate cost of equity	8.62%~26.57%. 0.00%~1.55% 10.96%~12.68%	The higher market liquidity discount, the lower fair value. The higher sustainable growth rate, the higher fair value. The higher rate of cost of equity, the lower fair value.		

	December 31, 2021					
	fair value	valuation methods	significant unobservable inputs	range	inter-relationship between significant unobservable inputs and fair value measurement	
Financial assets at fair value through profit or loss						
Private fund	\$ 102,223	assets approach	liquidity discount	10.00%	The higher market liquidity discount, the lower fair value.	
Financial assets at fair value through other comprehensive income						
Unlisted stocks	4,940,042	market approach assets approach income approach income approach	liquidity discount sustainable growth rate cost of equity	8.71%~34.60% 0.00%~1.48% 10.60%~12.50%	The higher market liquidity discount, the lower fair value. The higher sustainable growth rate, the higher fair value. The higher rate of cost of equity, the lower fair value.	

 h) Sensitivity analysis of reasonably possible alternative assumptions for fair value measurement in Level 3.

Valuation techniques used by the Bank for fair value measurements of financial instruments are appropriate. However, the use of different valuation models or inputs could lead to different outcomes of fair value measurements. The following are the impact on the other comprehensive profit and loss if using different assumptions:

# i) Assets approach/ Market approach

The evaluation methods of Level 3 financial instruments of the Bank are mainly based on the market approach or the assets approach. If the liquidity discount changes by 5% upwards or downwards, the impact on the other comprehensive profit and loss is as follows:

	the effects to the net income and other comprehensive income				
		Favorable changes (-5%)	Unfavorable changes (5%)		
December 31, 2022					
Financial assets at fair value through profit or loss					
Private fund	\$	5,360	(5,360)		
Financial assets at fair value through other comprehensive income					
Unlisted stocks		307,477	(307,477)		
	the effects to the net income and o comprehensive income				
December 31, 2021		comprehen: Favorable	sive income Unfavorable		
December 31, 2021 Financial assets at fair value through profit or loss		comprehen: Favorable	sive income Unfavorable		
Financial assets at fair value through profit or	\$	comprehen: Favorable	sive income Unfavorable		
Financial assets at fair value through profit or loss	\$	comprehens Favorable changes (-5%)	sive income Unfavorable changes (5%)		

ii) Income approach

Adopting the income approach to evaluate Level 3 financial instruments of the Bank. The evaluation parameters are divided into sustainable growth rate and cost of equity capital. The

effects of the two evaluation parameters on the other comprehensive profit and loss are as follows:

1. sustainable growth rate

	the effects to other comprehensive income				
	Favorable changes (0.3%)	Unfavorable changes (-0.3%)			
December 31, 2022					
Financial assets at fair value through other comprehensive income					
Unlisted stocks	\$ 2,975	(2,781)			
	the effects to other c	omprehensive income			
	the effects to other co Favorable changes (0.3%)	omprehensive income Unfavorable changes (-0.3%)			
December 31, 2021	Favorable	Unfavorable			
December 31, 2021 Financial assets at fair value through other comprehensive income	Favorable	Unfavorable			

# 2. cost of equity

	the effects to other comprehensive income				
	Favorable changes (-3%)	Unfavorable changes (3%)			
December 31, 2022					
Financial assets at fair value through other comprehensive income					
Unlisted stocks	\$ 61,250	(30,146)			
	the effects to other co	omprehensive income			
	the effects to other co Favorable changes (-3%)	omprehensive income Unfavorable changes (3%)			
December 31, 2021	Favorable	Unfavorable			
December 31, 2021 Financial assets at fair value through other comprehensive income	Favorable	Unfavorable			

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

- 4) Not based on fair value measurement
  - a) Fair value information

The following chart presents the financial instruments not based on fair value measurement of the Bank. Except those items, others' fair value is reasonably approximate value, the Bank does not disclosure their fair value.

		r 31, 2022	
		Book value	Fair value
Debt instruments measured at amortized cost	\$	236,774,247	236,657,427
		Decembe	r 31, 2021
		Decembe Book value	r 31, 2021 Fair value

	December 31, 2022				
Assets and Liabilities		Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Debt instruments measured at amortized cost	\$	236,657,427	31,336,817	205,320,610	-
	December 31, 2021				
			Decembe	1 31, 2021	
Assets and Liabilities		Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)

# b) The fair value hierarchy of information

c) Valuation techniques

Methods and assumptions used by the Bank for fair value evaluation of financial instruments were as follows:

- i) Cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under resell agreements, receivables, overdue receivables, exchange bills negotiated guarantee deposits paid, temporary payments and suspense accounts, proceeds of settlement and credit transaction, deposits from Central Bank and other banks, securities sold under repurchase agreements, payables, other financial liabilities, guarantee deposits received and temporary receipts and suspense accounts: since these instruments have short maturities, the book value is adopted as a reasonable basis in estimating the fair value.
- ii) Discounts and loans (including non-performing loans): the interest rate of bank loans, dependent on the benchmark interest rate which plus or minus the input value (i.e. motorized interest rate), said market rates, therefore, the book value of financial assets is equivalent to their fair value. Among the case of fixed interest rate, the estimated fair value of long-term loans using the discounted value of its expected cash flows, but this is minority, so the book value of financial assets is equivalent to their fair value.
- iii) Investment in debt instruments at amortized cost: the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique.
  - 1. Central Government Securities (NTD): using the comment of "Bonds a fair price for each of times" from Taipei Exchange.
  - 2. Corporate bonds and bank debentures (NTD): the present value or fair price of Taipei Exchange determined using the future cash flow of yield curve discounting evaluation.
- d) Deposits and remittance: to determine the fair value, considered Banking industry characteristics, the market interest rates (i.e. market price) is the fair value. And deposits are mostly due within one year, the carrying amounts is the fair value of reasonable basis. The fixed interest rate of long-term deposits should be estimated by the discounted value of its expected cash flows at fair value, and its maturity date no longer than three years, so its estimated fair value of the carrying amount is considered reasonable.
- e) Bank debentures payable: The bank debentures payable, issued by the Bank, whose stated rate was equal the effective rate, using discounted cash flow projections to estimate the fair value, equivalent to its book value.

# (ap) Financial Risk Information

(i) General description

The goal of the financial risk management of the Bank is to effectively diversify, transfer and avoid risks by taking customer service, financial business operating target, overall risk tolerance and external limitation of laws into consideration and provide benefit to customers, shareholders and employees.

The Bank's Financial Risk Management policy is to establish a risk management mechanism in terms of risk identification, risk measurement, risk monitoring, and risk control and to construct the overall risk management system. It is to facilitate the business model with appropriate risk management and to control the rationality between risks and rewards under the premise of legal capital ratio in order to achieve operating targets and increase the value of the Bank for the shareholders. The scope covers the management of credit risk, market risk, operation risk, banking book interest rate risk, capital liquidity risk, and capital adequacy.

- (ii) Risk management organization structure
  - 1) Risk Management Committee

The chairperson of the Risk Management Committee is appointed by the president. The chairpersons include general manager, deputy general manager of the non-regulatory compliance in head office and department directors of head office (excluding the director of audit department in the Board). This Committee is set up for the purpose of establishing a sound risk management system, strengthening risk management and the implementation of the Bank's risk management and monitoring. The meeting will be held once a month in principle. The meeting can be held by the chairman of the Committee when it necessary. The duties are as follows:

- a) Conduct Analysis and response project when significant domestic and foreign economic, financial and industrial risk management occur.
- b) Risk management report of various risk exposure and agenda processing.
- c) The processing of examination of the risk management relevant policy of the Bank and limitations, management indices and the response project when the risk exceeds the limitations.
- d) Supervise the Bank's capital adequacy management.
- e) Conduct or supervise the issues that have to report to Risk Management Committee according to the regulations drawn by the competent authority at home and abroad.
- f) Conduct or supervise other risk management related issues.

Risk Management Department is the assistant unit of the Risk Management Committee. The responsibility of the Risk Management Department is to execute preparing sittings agenda, convening sittings, agenda processing, taking meeting minutes and tracking resolution and regularly report the important resolution and various risk exposure to the board of (executive) directors.

2) Assets and Liabilities Management Committee

The chairperson of the Assets and Liabilities Management Committee is the general manager, and the members are formed by the vice assistant general manager and the department heads of deposit, loan, financial transaction, capital deployment and risk management units. The responsibility of the Assets and Liabilities Management Committee is to monitor and manage the banking book interest rate risk and capital liquidity risk and convenes meetings regularly, to approve the analyzing and measurement methods of the capital liquidity risk and banking book interest rate risk exposure, to examine the capital liquidity risk and banking book interest rate risk management policy as well as the relevant limitations and management indices, to receive interest rate risk and capital liquidity risk exposure reports and adjust the assets and liabilities interest rate duration structure and capital maturity structure.

3) Credit Examination Committee

The convener of the Credit Examination Committee is the assistant general manager supervising Risk Management Center. The Committee in principle convenes weekly to examine the modification and establishment of the regulations (including main points, measures and procedures) for significant loans, foreign exchange and guarantee cases.

4) Overdue Loans Clearing Committee

The convener of the Overdue Loans Clearing Committee is the supervising vice president. The convener holds meetings as needed to discuss measures on reducing non-performing loans and approaches to handle overdue loans.

5) Cyber Security Management Committee

The Cyber Security Management Committee is convened by the supervising vice president who oversees the implementation and coordination of the Bank's cyber security policies. The committee holds meetings as needed to examine matters related to cyber security.

- (iii) Credit risk
  - 1) Source and definition of credit risk

Credit risk refers to the default risk resulted from the inability to fulfill the contract obligations due to deteriorating financial status of trade counterparties, pessimistic external economic situation or other factors. The primary source of the credit risk of the Bank is the loan business, such as loans of various terms, guarantees and letters of credit, loan commitments, etc., in addition, other sources of credit risk include call loans from banks, securities investments, derivative financial instrument transactions, etc.

2) Credit risk management policy

In order to control the credit risk to a tolerable scope, the Bank continuously conduct below operations:

- a) Fully understand the credit status and ratings of loan customers and trade counterparties as well as the purposes and payments of loans.
- b) Prudently evaluates the credit risk status of loan customers and trade counterparties and consider the adequacy of collaterals and guarantees to assess risk and profit.
- c) Establish credit rating mechanism for loan customers or apply the ratings from outside credit rating institutions as the reference for undertaking credit cases or interest rate determination.
- d) Modify relevant regulations to control the credit risk to a tolerable extent for the Bank.

The credit risk management procedure and measurement methods of the Bank's major business are as follows:

a) Credit Business (Including loan commitments and guarantees)

The categorization and credit quality rating of credit assets are as follows:

i) Categorization of credit assets

The credit assets are classified into 5 categories. Except for normal credit assets which are classified as the first category, others are classified, based on the assurance status and the time overdue, as second category (need attention), third category (possible to recover), fourth category (difficult to retrieve) and the fifth category (unable to retrieve). In order to manage creditor's rights, the Bank established "Regulations Governing the Procedures to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", "Regulations Governing the Reconciliation of Non-performing/Non-accrual Loans" and its operating procedure "Operating procedure Governing the Collection of Non-performing/Non-accrual Loans" and "Code of Conduct to Deal With Non-Performing Loans" to serve as the guidelines for dealing with non-performing credit and overdue loans collection.

ii) Categorization of credit quality

Based on historical default data, the Bank established internal credit rating model and completed internal rating system to serve as a reference to credit risk control.

In order to develop an appropriate credit rating model for the Bank to evaluate the credit risk for corporate banking customers and private banking customers, it applied statistical methods, professional expert judgments and relevant customer information to fulfill the requirements. The Bank examined whether the internal credit rating model is in conformity with the actual scenario based on practical default data quarterly and adjusted all parameters to optimize the estimated results.

b) Due from other banks and call loans to banks

The Bank evaluates the credit status of counterparties before transaction and takes the rating information from domestic and foreign credit rating institutions into consideration to determine various credit risk facilities for the counterparties.

c) Debt instrument investments and derivative financial instruments

The Bank manages credit risk of debt instruments through credit rating data of external institutions, credit quality of bonds, geographic situations and counterparties' risk so as to identify credit risk.

The financial institutions which the Bank conducts derivative instruments are mostly investment quality and are controlled based on the trade amount (including loans at call). Counterparties which do not have credit rating or which are of low quality shall be examined individually. For counterparties which are general customers, the Bank controls the credit risk exposure based on the derivative instrument risk facilities and conditions approved by general credit procedures.

3) Determining the credit risk has increased significantly since initial recognition

At each reporting date, the Bank shall assess the change in the risk of a default occurring over the expected life of the various credit assets and financial assets to determine whether the credit risk has increased significantly since initial recognition. To make that assessment, the Bank considers reasonable and supportable information (including forward-looking information) that is indicative of significant increases in credit risk since initial recognition. The main considerations include:

- a) credit assets
  - i) The borrowers failed to pay the principal and interest overdue for more than 30 days, less than 90 days;
  - When the Bank conducts review or follow-up review of the relevant management procedures after loan, it knows that the financial report of the borrowers have been issued by the accountant and it has issued opinions of the significant doubt on the ability to continue as a going concern;
  - iii) The deposits and assets of borrowers are compulsorily executed, besides, the deposits are compulsorily executed because of tax arrears. However, the borrowers that have enough deposit to bear the cost that assessed by the Bank is except;
  - iv) The bank knows (if it has received the notice from court) that the collaterals are compulsory executed by other banks;
  - v) Borrowers were notified the refund by the Bank and did not conduct refund notice;
  - vi) The letter of credit insurance fund notice due to the related company's overdue debt in other bank, the creditor to stop the delivery;
  - vii)Because the borrowers have been involved in litigation and unfavorable judgments, their ability of credit performance is affected;
  - viii) The customer is classified as an early warning account by the Bank or has bad credit that aware by others.
- b) Debt instrument investments
  - The latest credit rating on the report date was non-investment grade and fell more than two levels than the original rating, or;
  - ii) Investment target evaluation loss is up to 30% of investment cost.
- 4) The credit risk has not increased significantly or judged as low credit risk on the report date

On each report date, the Bank assessed that there was no significant increase in the risk of default for any credit asset during the expected duration of existence or a low credit risk. The amount of expected credit losses was not taken as the change of credit risk, if the credit risk of the credit asset was low on the report date, it also assumes that the credit risk of the credit asset has not increased significantly since the initial recognition. The credit assets with low credit risk refer to the low default risk and the borrower's ability to perform its contractual cash flow obligations in the near term. No significant increase in risk relates to the borrower. The absence of economic, operational, and adverse changes in financial conditions and other bad debt conditions did not affect their ability to fulfill their contractual cash flow obligations. Financial assets on investment-grade or not on investment-grade but the ratings are not significantly reduced are also considered to be low-risk areas.

5) Definitions of default and credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired not only the borrower defaults the loan more than 90 days, it also includes observable data as follows:

- a) Credit assets
  - i) Significant financial difficulty of the issuer or the borrower;
  - ii) A breach of contract, such as a default or past due event ;
  - iii) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
  - iv) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
  - v) The disappearance of an active market for that financial asset because of financial difficulties;
  - vi) The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses;
- b) Debt instrument investments
  - i) Significant financial difficulty of the issuer;
  - ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - iii) The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses.
  - iv) Counterparty defaulting on agreement of other financial instruments (e.g. transactions settlement failure, a bank decide to execute early termination of transactions, or loans originated from derivatives settlement failure).

## 6) Write-off policy

The integral part or the portion of the credit assets that needs to be written-off should first be approved during the board of directors' meeting; particularly, the portion that is deemed uncollectible.

The following are indicators that the financial assets are uncollectible:

- a) The borrowers fail to recover all or part of the debt due to dissolution, escape, settlement, bankruptcy or other reasons.
- b) After the collateral and the assets of the principal and subordinate debtors have been priced low or deducted from the first-order mortgage, they cannot be repaid, the execution costs are close or may exceed the Bank's reimbursable amount, and the implementation is not beneficial.
- c) The collateral and the property of the principal and subordinate debtors were auctioned off at no cost and were not bought by anyone, and there was no one have substantial benefits.
- d) Overdue loan and non-accrual loan have exceeded the liquidation period for two years.

The Bank, whose written-off claims may still have ongoing recourse, continues to follow laws and regulations to pursue the proceedings.

7) Modification of contractual cash flow of financial assets

The Bank may revise the contractual cash flow of the credit asset due to the borrower's financial difficulties in negotiating, increasing the recovery rate of the borrowers that have problems, or

maintaining the customer relationship. The modification of the contractual terms of the credit asset may include extending the contract period, modifying the payment time of interest, and modifying agreement rate and so on. If the contractual cash flow modification of the credit asset is due to the financial difficulty of the borrower, it is deemed as an impairment of the financial asset. If the contractual cash flow modification is not due to the financial difficulties of the borrower, the existing or projected unfavorable changes in the operating, financial or economic conditions under the borrower's performance or the borrower's ability to make the borrower's ability to perform its debt obligations vary significantly. The cause of anomalies or other bad debts is supplemented by an assessment of whether the credit risk of financial assets has increased significantly.

- 8) Measuring the expected credit losses
  - a) Adoption of methods and assumptions

After considering the attributes of financial assets and credit assets and the adequacy of default experience, internal historical data or the information from external credit rating agency is used to estimate the Probability of default (PD), Loss given default (LGD), Exposure at default (EAD) and other credit risk components.

In order to assess the expected credit losses of credit assets, the Bank is divided into the following combinations depending on the credit risk characteristics such as the identity of borrowers, products, and type of collateral:

	Government and p	ublic institution		
	Financial institution	n (including banks, ticket companies, securities finance companies)		
	Corporate banking Large Enterprise Medium and small	The guarantee of the credit guarantee mechanism		
Corporate banking		Secured		
Corporate banking		Non-secured		
		The guarantee of the credit guarantee mechanism		
		Secured		
	enterprises	Non-secured		
	Mortgage			
Drivete benking	Microcredit			
Private banking	Other-Secured			
	Other-Non-secured	t		
	The guarantee of t	he credit guarantee mechanism		
Entrepreneurship	Secured			
	Non-secured			

If the credit risk on a credit asset has not increased significantly since initial recognition or the credit asset has low credit risk at the reporting date, the Bank shall measure the allowance for impairment using the 12-month expected credit losses; if the credit risk on a financial instrument has increased significantly or credit-impaired since initial recognition, the Bank shall measure the allowance for impairment using the lifetime expected credit losses.

In order to measure expected credit losses, the Bank considers the default probability (Probability of default, "PD") of borrowers, and loss given default rate ("LGD") multiplying the exposure at default ("EAD"), taking into account the time value of money as well evaluate 12-month and lifetime loss.

Default probability is the default probability of the borrower (default and credit impairment of financial assets), and the loss given default rate is the rate of loss caused by default by the borrower. The default probability and default loss rate used in the impairment assessment of the credit business are based on internal historical information of each group, and adjusted based on current observable information and forward-looking general economic information.

The Bank measures the EAD based on the book value of loans at reporting date. When estimating the 12-month and lifetime expected credit losses of the loan commitments and financial guarantee

contracts, the definition of the credit risk increasing significantly and the credit-impaired assets are based on the rules mentioned above. Additionally, in order to determine the EAD used to calculate expected credit loss of off-balance sheet items, the Bank adopts the credit conversion factor (CCF) of standardized approach in credit risk which is legislated in the regulation of Proprietary Capital and Risk Capital of Banks.

b) Consideration of forward-looking information

The Bank obtains forward-looking information which it takes into consideration when determining whether the credit risk of financial instruments has increased significantly since initial recognition and assessing the expected credit losses. The Bank identified the relevant macroeconomic factors for credit risk of each portfolio by analyzing the historically data. These macroeconomic factors include Taiwan GDP (not seasonally adjusted), Taiwan's actual industrial production index, Taiwan's annual growth rate of retail sales, Taiwan's real sales price index, unemployment rate (seasonally adjusted), Cathay National Real Estate Index (national), Taiwan's real consumer price index (Not seasonally adjusted) and Taiwan's annual growth in retail sales or other factors. The various economic factors and their impacts on Probability of Default ("PD") are different depending on the type of financial instruments.

In order to determine the credit risk of investment in debt instruments at amortized cost and at fair value through other comprehensive income has increased significantly, the Bank uses the changes of external ratings published by international credit rating agencies as the quantitative indicators, while the assessment of expected credit losses are calculated by using the external ratings, as well as PD and Loss Given Default ("LGD"), published by Moody's. Since the international credit rating agencies have already considered the forward-looking information while evaluating the credit ratings, which the Bank considered to be appropriate after its assessment, the credit ratings will be included in the Bank's assessment of related expected credit losses.

- 9) Credit risk hedging or diminishing.
  - a) Collaterals

The Bank adopts a series of policies and procedures to mitigate credit risk and enhance credit risk tolerance. The method applied most is to request customers to provide collaterals. The Bank established collateral accreditation code of conduct in term of collateral management and total loan amount to regulate the scope of collaterals and the accreditation method and regularly inspects the collaterals. When the collaterals devaluate or the concern of devaluation occurs, the Bank shall increase collaterals or retrieve part of the loans to ensure the creditor's right is intact.

- b) Limit of credit risk and the control of credit risk concentration
  - i) In order to avoid the situation that the credit risk of single customer being too high, the credit limit of an individual, a related party or a related enterprise shall be in conformity with "Authorization method for subsection 3 of Article 33 of the Banking Act of the Republic of China" and the credit limit authorization steps are regulated in the Key Points of Credit Engagement Authorization and the Key Points of Credit Engagement Authorization for Overseas Branches of the Bank.
  - ii) To enhance the risk concentration management, the Bank established regulations in terms of countries, financial institutions, industries and group enterprises. The relevant limits are reviewed and approved annually and the usage of the credit is monitored on a daily basis. In addition, the results are reported regularly.
- c) General agreement of net amount settlement

The transactions of the Bank are mostly settled with gross amount. Part of the transactions agreed on net amount settlement. When a default occurs, the Bank terminates all the transactions with the counterparty and settles by net amount to further lower credit risk.

d) Enhancement of other credit

The assessment of credit business applies to credit 5P principles, credit risk is offset by dividing self-liquidating loan commitments as the main, and set the accounts to master the repayment of

cash flow. Also, in terms of the credit agreement stipulates the offset. (i.e. all kinds of deposits, except prohibition of low or the party's agreement, the Bank can set off all the debts), thus to reduce the loan amount, shorter loan repayment period or are considered part or all of expiration of acceleration clauses. To strengthen the protection of creditor and reduce credit risk, using qualified and effective enhancement, such as the requirement of real property, personal property, demand deposits, time deposits, securities and the guarantee of financial institution or the credit guarantee mechanism approved by government. (e.g. R.O.C SMEG, Agricultural Credit Guarantee Fund, Overseas Credit Guarantee Fund)

10) Information on the financial assets of the Bank that has been credit derogated and the collateral for mitigating potential losses are as follows:

December 31, 2022	Carrying amount	Allowance impairment	Exposure (measured at amortized cost)	Value of collateral
Impairment financial assets :				
Receivables				
Interest receivable	\$ 42,578	7,050	35,528	-
Discounts and loans	20,309,083	4,784,155	15,524,928	22,707,890
Overdue receivable	58,786	15,898	42,888	
Total impairment financial assets	<u>\$ 20,410,447</u>	4,807,103	15,603,344	22,707,890

December 31, 2021	Carrying amount	Allowance impairment	Exposure (measured at amortized cost)	Value of collateral
Impairment financial assets :				
Receivables				
Accounts receivables	\$ 2,000	681	1,319	-
Interest receivable	43,020	4,960	38,060	-
Discounts and loans	20,356,149	3,635,336	16,720,813	21,352,293
Overdue receivable	80,334	25,545	54,789	<u>-</u>
Total impairment financial assets	<u>\$ 20,481,503</u>	3,666,522	16,814,981	21,352,293

Note: The value of collateral is the real estate appraisal information and credit guarantee agency guarantee amount levied by the Bank's credit assets.

11) Credit risk concentration

The Bank does not conduct significant transaction with single customer or single trade counterparty. The total amount of discounts and loans, overdue loans in terms of individual customer or individual trade counterparty is not significant. The information of credit risk concentration of the Bank's discounts and loans and overdue loans are divided by industries, geographic areas and collaterals and listed as follows:

a) By industry

Distribution of discounts and loans, overdue loans based on industries.

	Decembe	r 31, 2022	Decembe	r 31, 2021
Industry	Amount	%	Amount	%
Private business	\$ 894,970,270	63.09%	852,346,402	64.66%
Public business	6,415,252	0.45%	4,330,080	0.33%
Government institution	70,682,095	4.98%	66,591,431	5.05%
Nonprofit organization	2,919,516	0.21%	2,934,798	0.22%
Individual	346,079,715	24.40%	314,527,333	23.86%
Foreign financial institution	6,899,993	0.49%	3,634,002	0.28%
Foreign non-financial institution	87,153,772	6.14%	70,945,795	5.38%
Foreign individual	3,372,838	0.24%	2,914,507	0.22%
Total	<u>\$ 1,418,493,451</u>	100.00%	1,318,224,348	100.00%

# b) By geographic area

Distribution of discounts and loans, overdue loans based on geographic area.

	Decembe	r 31, 2022	Decembe	r 31, 2021
Area	Amount	%	Amount	%
Domestic	\$ 1,321,066,848	93.13%	1,240,730,044	94.12%
Foreign	97,426,603	6.87%	77,494,304	5.88%
Total	<u>\$ 1,418,493,451</u>	100.00%	1,318,224,348	100.00%

# c) By collateral

Distribution of discounts and loans, overdue loans based on collateral.

	Decembe	r 31, 2022	Decembe	r 31, 2021
Collateral	Amount	%	Amount	%
Unsecured	\$ 271,796,900	19.16%	234,949,230	17.82%
Stocks	8,846,336	0.63%	9,101,690	0.69%
Bonds	23,134,859	1.63%	26,102,842	1.98%
Real estate	878,535,410	61.93%	802,113,094	60.85%
Chattel	15,849,874	1.12%	16,117,256	1.22%
Notes receivable	2,414,280	0.17%	2,949,127	0.22%
Guarantees	208,721,552	14.71%	216,270,546	16.41%
Others	9,194,240	0.65%	10,620,563	0.81%
Total	<u>\$ 1,418,493,451</u>	100.00%	1,318,224,348	100.00%

Note: Secured credit are categorized in its respective item per the type of the collaterals. Non-secured credit (no collateral provided) is classified in unsecured. If the credit amount is higher than the accreditation value, the credit amount within the accreditation is classified in the respective item, the credit amount exceeds the accreditation value is classified in unsecured. The accreditation value is the value calculated per the accreditation regulations of the Bank, not the discounted value of the signed contract.

12) Maximum credit risk exposure

a) The maximum credit exposure of the assets in the financial statement is approximately the book value when not considering collaterals or other credit enhancement instruments. The maximum credit exposure off the balance sheet (when not considering collaterals or other credit enhancement instruments and not revocable) was as follows:

	Maximum credit risk exposure				
Off balance sheet items	December 31, 2022	December 31, 2021			
Issued and irrevocable loan commitments	\$ 64,987,007	36,415,736			
Irrevocable credit card loan commitments	18,839,955	19,380,151			
Letters of credit issued yet unused	8,129,149	11,058,128			
Various guarantee proceeds	22,056,496	24,336,413			
Total	<u>\$ 114,012,607</u>	91,190,428			

The Management of the Bank evaluated the credit risk exposure and believed that it is able to continuously control and minimize the off-balance sheet credit risk exposure due to its strict appraisal process and regular subsequent examination.

	12-month ECL					Lifetime ECL-not impaired						Lifetime ECL-not impaired					
December 31, 2022	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	High risk	Allowance impairment	Total
Receivable																	
Credit card	\$ 426,421	227,850	196,313	79	4,913	238,053	1,093,629	1,688	1,452	1,618		326	20	5,104		569	1,098,164
Acceptances receivable	375,279	232,317	119,969	25,670		38,049	791,284			-			-	-		7,913	783,371
Other receivables	401,011	579,726	493,641	35,741	24,719	2,459,168	3,994,006	408	945	1,952	897	2,387	600	7,189	42,578	61,519	3,982,254
Discounts and loans																	
Private banking	130,698,330	132,157,479	70,280,524	3,199,945	1,062,127	6,962,188	344,360,593	56,031	137,190	252,638	22,912	111,432	36,101	616,304	4,475,656	4,181,307	345,271,246
Corporate banking	245,799,786	365,067,368	272,870,989	26,218,577	15,363,104	125,044,694	1,050,364,518	288,453	355,127	556,056	930,623	562,350	150,344	2,842,953	15,833,427	13,897,309	1,055,143,589
Other financial assets																	
Overdue receivable															58,786	48,471	10,315
Total	\$ 377,700,827	498,264,740	343,961,436	29,480,012	16,454,863	134,742,152	1,400,604,030	346,580	494,714	812,264	954,432	676,495	187,065	3,471,550	20,410,447	18,197,088	1,406,288,939
Guarantee and commitments	\$ 26,669,887	15,125,762	5,916,207	174,424	45,746	65,833,294	113,765,320	43,098	11,091	421		98	-	54,708	192,579	337,312	113,675,295

# b) The credit quality analyses of the financial assets

i) Credit quality analysis of discounts and loans, receivables, guarantee and commitments

		12-month ECL						Lifetime ECL-not impaired							Lifetime ECL- impaired		
December 31, 2021	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	High risk	Allowance impairment	Total
Receivable																	
Credit card	\$ 368,690	246,002	192,898	325	4,924	216,176	1,029,015	129	1,550	1,993	13	655		4,340		1,693	1,031,662
Acceptances receivable	276,046	549,061	113,769	832	29,835	63,686	1,033,229			-			-	-		10,332	1,022,897
Other receivables	215,499	354,743	324,870	33,189	23,858	1,915,055	2,867,214	82	431	1,292	1,847	1,065	628	5,345	45,020	59,048	2,858,531
Discounts and Icans																	
Private banking	113,609,203	116,551,170	66,928,175	4,268,868	1,700,024	9,170,592	312,228,032	21,412	53,655	207,948	21,550	81,566	10,059	396,190	4,817,619	3,662,551	313,779,290
Corporate banking	186,110,603	315,339,281	306,477,476	32,953,038	18,573,454	122,106,000	981,559,852	80,570	388,410	413,816	1,601,886	782,756	416,687	3,684,125	15,538,530	11,914,266	988,868,241
Other financial assets																	
Overdue receivable													-		80,334	51,392	28,942
Total	\$ 300,580,041	433,040,257	374,037,188	37,256,252	20,332,095	133,471,509	1,298,717,342	102,193	444,046	625,049	1,625,296	866,042	427,374	4,090,000	20,481,503	15,699,282	1,307,589,563
Guarantee and commitments	\$ 23,693,996	20,955,504	8,177,179	830,226	55,958	37,392,210	91,105,073	13,401	17,786	7,248		788	-	39,223	46,132	329,488	90,860,940

279

# VI

FINANCIAL STATUS

			12-month ECL				Lif	etime ECL-not impai		Lifetime ECL- impaired		Accumulated	
December 31, 2022	Investment	Sub investment	High risk	No rating	Subtotal	Investment	Sub investment	High risk	No rating	Subtotal	High risk	Total	impairment (Note)
Investment in debt instruments measured at fair value through other comprehensive income													
Overseas bonds	\$ 50,304,163		-		50,304,163		-		-		-	50,304,163	15,793
NT bonds	91,536,068		-		91,536,068	-	-		-	-	-	91,536,068	75,059
Investment in debt instruments at amortized cost													
Overseas bonds	10,420,185		-		10,420,185		-					10,420,185	3,247
NT bonds	30,769,411		-		30,769,411	-	-		-	-	-	30,769,411	13,846
Certificates of deposit with the Central Bank	195,595,000		-		195,595,000	-	-		-	-	-	195,595,000	57,763
Negotiable certificates of deposit	64,523		-		64,523		-			-	-	64,523	16
Total	\$ 378,689,350		-		378,689,350	-	-					378,689,350	165,724

# ii) Debt instruments

					,							,	
			12-month ECL				Lif	etime ECL-not impai		Lifetime ECL- impaired		Accumulated	
December 31, 2021	Investment	Sub investment	High risk	No rating	Subtotal	Investment	Sub investment	High risk	No rating	Subtotal	High risk	Total	impairment (Note)
Investment in debt instruments measured at fair value through other comprehensive income													
Overseas bonds	\$ 49,213,865	-			49,213,865	-	-		-			49,213,865	15,600
NT bonds	86,780,365	-			86,780,365	-	-		-		-	86,780,365	72,192
Investment in debt instruments at amortized cost													
Overseas bonds	15,296,961	-			15,296,961	-	-		-			15,296,961	5,916
NT bonds	32,373,347	-			32,373,347	-	-		-	-		32,373,347	13,214
Certificates of deposit with the Central Bank	231,395,000	-			231,395,000		-					231,395,000	68,334
Negotiable certificates of deposit	58,076	-			58,076	-	-		-	-		58,076	14
Total	\$ 415,117,614	-			415,117,614		-		-		-	415,117,614	175,270

Note: The cumulative impairment of the bond which measured at fair value through other comprehensive profit or loss is recognized as other equity.

iii) The Maximum credit risk exposure for financial instruments are not subject to impairment regulations are as follows:

December 31, 2022	Maximum credit risk exposure	Collateral	Enhancement of other credit
Financial assets at fair value through profit or loss			
- Commercial paper	\$ 30,907,810	-	-
-Listed stocks	115,114	-	-
- Beneficiary certificates	347,166	-	-
- Derivative instrument	1,166,667	2,527,996	727,720
December 31, 2021	Maximum credit risk exposure	Collateral	Enhancement of other credit
Financial assets at fair value through profit or loss			
- Debit investments	\$356,140	-	-
- Commercial paper	37,015,444	-	-
-Listed stocks	68,106	-	-
- Beneficiary certificates	1,665,898	-	-
- Derivative instrument	552,636	489,795	699,723

# 13) Changes in the expected credit losses of the Bank

# a) Receivables

			For the year	ended December 31, 2	2022	
	12-month ECL	Lifetime ECL not impaired	Lifetime ECL- impaired	Impaired (IFRS9)	mpairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 13,694	164	5,641	19,499	51,574	71,073
Changes in financial instruments that have been identified at the beginning of the period :						
<ul> <li>Transferred to 12-months ECL</li> </ul>	108	(12)	(96)	-	-	-
<ul> <li>Transferred to lifetime ECL</li> </ul>	(5)	16	(11 )	-	-	-
<ul> <li>Transferred to the credit-impaired financial assets</li> </ul>	(28)	(10)	38	-	-	-
<ul> <li>The financial assets that have been derecognized</li> </ul>	(8,542)	(108)	(2,030)	(10,680)	-	(10,680)
New financial assets originated or purchased	6,323	168	3,637	10,128	-	10,128
Other changes	632	3,935	(129)	4,438	-	4,438
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "		<u>-</u>	<u>-</u>	<u>-</u>	(4,958)	(4,958)
Ending balance	<u>\$ 12,182</u>	4,153	7,050	23,385	46,616	70,001

			For the year	ended December 31, 2	021	
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 13,208	1,240	5,304	19,752	64,410	84,162
Changes in financial instruments that have been identified at the beginning of the period :						
<ul> <li>Transferred to 12-months ECL</li> </ul>	1,123	(954)	(169)	-	-	-
<ul> <li>Transferred to lifetime ECL</li> </ul>	(6)	13	(7)	-	-	-
<ul> <li>Transferred to the credit-impaired financial assets</li> </ul>	(15)	(61 )	76	-	-	-
<ul> <li>The financial assets that have been derecognized</li> </ul>	(8,016)	(129)	(2,658)	(10,803)	-	(10,803)
New financial assets originated or purchased	8,192	25	3,113	11,330	-	11,330
Other changes	(792)	30	(18)	(780)	-	(780)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(12,836)	(12,836)
Ending balance	\$ 13,694	164	5,641	19,499	51,574	71,073

VI

b)	Discounts	and	loans
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			For the year e	ended December 31	, 2022	
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL – impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 4,166,467	129,977	3,635,336	7,931,780	7,645,037	15,576,817
Changes in financial instruments that have been identified at the beginning of the period :						
- Transferred to 12-months ECL	154,551	(29,664)	(124,887)	-	-	-
- Transferred to lifetime ECL	(8,551)	21,718	(13,167)	-	-	-
<ul> <li>Transferred to the credit-impaired financial assets</li> </ul>	(25,545)	(3,572)	29,117	-	-	-
<ul> <li>The financial assets that have been derecognized</li> </ul>	(2,079,596)	(85,034)	(730,979)	(2,895,609)	-	(2,895,609)
New financial assets originated or purchased	2,921,806	12,984	388,582	3,323,372	-	3,323,372
Write-off	-	-	(2,223,252)	(2,223,252)	-	(2,223,252)
Other changes	753,408	91,729	3,823,405	4,668,542	-	4,668,542
Impairment difference of "Regula- tions Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	_		_		(371,254)	(371,254)
Ending balance	\$ 5,882,540	138,138	4,784,155	10,804,833	7,273,783	18,078,616

			For the year e	ended December 31	, 2021	
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL- impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 3,133,215	951,010	5,219,221	9,303,446	5,022,711	14,326,157
Changes in financial instruments that have been identified at the beginning of the period :						
- Transferred to 12-months ECL	1,089,009	(770,235)	(318,774)	-	-	-
- Transferred to lifetime ECL	(5,445)	9,047	(3,602)	-	-	-
<ul> <li>Transferred to the credit-impaired financial assets</li> </ul>	(16,929)	(9,790)	26,719	-	-	-
<ul> <li>The financial assets that have been derecognized</li> </ul>	(1,587,449)	(71,342)	(1,105,361)	(2,764,152)	-	(2,764,152)
New financial assets originated or purchased	1,861,459	4,752	292,035	2,158,246	-	2,158,246
Write-off	-	-	(4,606,000)	(4,606,000)	-	(4,606,000)
Other changes	(307,393)	16,535	4,131,098	3,840,240	-	3,840,240
Impairment difference of "Regula- tions Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-		_		2,622,326	2,622,326
Ending balance	\$ 4,166,467	129,977	3,635,336	7,931,780	7,645,037	15,576,817

C)	Other	financial	assets
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	For the year ended December 31, 2022						
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL – impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total	
Beginning balance	\$-	-	25,545	25,545	25,847	51,392	
Changes in financial instruments that have been identified at the beginning of the period :							
<ul> <li>The financial assets that have been derecognized</li> </ul>	-	-	(8)	(8)	-	(8)	
New financial assets originated or purchased	-	-	7,633	7,633	-	7,633	
Write-off	-	-	(16,567)	(16,567)	-	(16,567)	
Other changes	-	-	(705)	(705)	-	(705)	
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "			<u>-</u>		6,726	6,726	
Ending balance	<u>\$</u>		15,898	15,898	32,573	48,471	

	For the year ended December 31, 2021						
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL – impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total	
Beginning balance	\$-	-	23,121	23,121	31,930	55,051	
Changes in financial instruments that have been identified at the beginning of the period :							
<ul> <li>The financial assets that have been derecognized</li> </ul>	-	-	(83)	(83)	-	(83)	
New financial assets originated or purchased	-	-	17,074	17,074	-	17,074	
Write-off	-	-	(15,308)	(15,308)	-	(15,308)	
Other changes	-	-	741	741	-	741	
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual							
Loans "					(6,083)	(6,083)	
Ending balance	<u>\$ -</u>		25,545	25,545	25,847	51,392	

VI

	For the year ended December 31, 2022					
	12-month ECL	Lifetime ECL- not impaired	Lifetime ECL impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 149,354	69	6,786	156,209	173,279	329,488
Changes in financial instruments that have been identified at the beginning of the period :						
-Transferred to 12-months ECL	1,459	-	(1,459)	-	-	-
-Transferred to lifetime ECL	(86)	86	-	-	-	-
<ul> <li>Transfer to the credit-impaired financial assets</li> </ul>	(458)	-	458	-	-	-
<ul> <li>The financial assets that have been derecognized</li> </ul>	(74,692)	(89)	(4,543)	(79,324)	-	(79,324)
New financial assets originated or purchased	83,604	-	6,517	90,121	-	90,121
Other changes	19,631	(9)	53,866	73,488	-	73,488
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "		_	_		(76,461)	(76,461)
Ending balance	<u>-</u> \$ 178,812	57	61,625	240,494	96,818	337,312
	<u>ψ 170,012</u>		01,023	240,494		

d)	Guarantee and commitments	

	For the year ended December 31, 2021						
	12-month ECL	Lifetime ECL not impaired	Lifetime ECL impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total	
Beginning balance	\$ 106,670	880	6,699	114,249	156,933	271,182	
Changes in financial instruments that have been identified at the beginning of the period :							
<ul> <li>The financial assets that have been derecognized</li> </ul>	(51,707)	(179)	(5,520)	(57,406)	-	(57,406)	
New financial assets originated or purchased	73,511	10	4,439	77,960	-	77,960	
Other changes	20,880	(642)	1,168	21,406	-	21,406	
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "				<u>-</u>	16,346	16,346	
Ending balance	<u>\$ 149,354</u>	69	6,786	156,209	173,279	329,488	

# e) Debts investments

	For the year ended December 31, 2022						
	12-month ECL	Lifetime ECL- not impaired	Lifetime ECL – impaired	Total			
Beginning balance	\$ 175,270	-	-	175,270			
Additions	68,255	-	-	68,255			
Derecognition	(78,262)	-	-	(78,262)			
Other changes	461			461			
Ending balance	<u>\$ 165,724</u>			165,724			

	For the year ended December 31, 2021							
	12-month ECL	Lifetime ECL – not impaired	Lifetime ECL- impaired	Total				
Beginning balance	\$ 142,418	-	-	142,418				
Additions	97,018	-	-	97,018				
Derecognition	(61,254)	-	-	(61,254)				
Other changes	(2,912)			(2,912)				
Ending balance	<u>\$ 175,270</u>			175,270				

14) Collateral management policy

- a) Collaterals are recognized under the account of other assets per the rules of "Regulations Governing the Preparation of Financial Reports by Public Banks".
- b) Details were as follows:

Collaterals refer to the collaterals provided by clients as guarantee which are undertaken through public auction when the debtor is not able to fulfill its obligation. The collaterals assumed are recognized using the prices undertaken per the rules of "Regulations Governing the Preparation of Financial Reports by Public Banks" and measured by the book value or the fair value deducted by cost of sale, whichever is lower, at the end of the period. Collaterals will be sold when they are available to be sold and the proceeds received will be used to reduce the book amount of collaterals.

(iv) Liquidity risk

1) The origin and definition of liquidity risk

Liquidity risk refers to the potential financial loss results from the inability to liquidate assets or obtain finance to fulfill the financial obligation which is going to mature with sufficient fund, such as early rescind of time deposits, the channels and terms to call loan from other bank are deteriorated due to the influence of specific markets and the default of loan customers worsen and it is harder for the Bank to receive payments and liquidate financial instruments. The abovementioned situations may diminish the source of cash for the Bank to undertake loan business, trades and investment activities. Under some extreme circumstances, the lack of liquidity may increase the potential possibility of reduction of the overall position of consolidated financial statement, sale of assets and inability to fulfill loan obligation. Liquidity risk is an inherent risk of bank operations and is influenced by specific or overall events in various markets. Those events include but not limited to: Credit event, merger or buyout, systematic strike and natural disaster.

- 2) The management policy, process and measurement of liquidity risk
  - a) Policy
    - In accordance with the target and limit for liquidity risk management approved by the board of directors and monitor all liquidity risk positions.
    - ii) Established "Directions Governing the Capital Liquidity Risk Management of Taiwan Business Bank" and "Remarks Governing the Capital Liquidity Risk Management of Taiwan Business Bank" to serve as guidance to effectively control capital liquidity risk.
    - iii) Overseas branches shall regulate the code of conduct for liquidity risk management based on business characteristics and the regulations of local authorities. After being approved by the general manager, the Risk Management Department will be in charge of monitoring liquidity risk.

# b) Process

- Finance Department is in charge of daily capital deployment to ensure that the capital is sufficient to cope with various demands for capital.
- ii) Risk Management Department is in charge of the identification, measurement, supervision and control of capital liquidity risk to establish a firm operation process and structure.
- iii) Risk Management Department reports the result of capital liquidity risk measurement to the Assets and Liabilities Management Committee on a monthly basis and reports the results of capital liquidity risk and pressure test to the board of directors quarterly.

# c) Measurement

- Maturity gap: To place the inflows and outflows of capital into various time zones accordingly based on the remaining days to maturity and calculate the gap of capital of each time zone in order to measure the capital deficiency of each time zone.
- ii) Loan-deposit ratio: To calculate the deposits the Bank received which are used to conduct loan business. In other words, the percentage of the total loan amount accounts for the total deposit amount.
- iii) Capital concentration and stability: In order to prevent the Bank from over-relying on single trade counterparty, product or market, the Bank observes several aspects such as the changes in large time deposit customers, the percentage of demand deposits and the continuity of deposits.
- iv) Pressure test: Except for monitoring the capital demand under normal circumstances, the Bank conducts pressure test regularly in order to evaluate the capital liquidity under abnormal circumstances and ensure that the Bank is equipped with sufficient capital.
- Financial assets possessed for managing liquidity risk and maturity analysis for non-derivative financial liability
  - a) Financial assets possessed for managing liquidity risk

The Bank possesses cash and other high liquidity interest yielding assets to cope with payment obligations and potential emergent capital demands in the market. The assets possessed for managing liquidity risk include cash and cash equivalent, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, discounts and loans, financial assets measured at fair value through other comprehensive income and investment in debt instruments at amortized cost.

#### b) Maturity analysis for non-derivative financial liabilities

The table below shows the cash outflows from the non-derivative financial liabilities which are possessed by the Bank based on the remaining days from the consolidated financial statement date to the contract maturity date. The amount disclosed is based on the cash flows of the contracts.

		December 31, 2022									
	0-30 days	31-90 days	91days-1 year	1-5 years	Over 5 years	Total					
Major matured cash outflow	\$ 1,098,020,121	221,619,539	479,735,057	92,821,185	49,342,954	1,941,538,856					
Deposits from the Central Bank and banks	937,523	-	-	-	-	937,523					
Overdrafts on banks	1,084,076	-	-	-	-	1,084,076					
Call loans from the Central Bank and banks	27,012,375	18,670,658	-	-	-	45,683,033					
Financial liabilities designated at fair value through profit or loss	-	-	-	-	9,367,595	9,367,595					
Notes and bonds issued under repurchase agreement	458,662	157,550	1,292,066	554,713	-	2,462,991					
Interest payable	310,520	1,288,484	2,711,772	118,148	9	4,428,933					
Deposits transferred from Chunghwa Post Co., Ltd.	9,820,000	21,196,335	75,185,210	41,060,000	-	147,261,545					
Demand deposits	954,109,937	-	-	-	-	954,109,937					
Time deposits	103,804,595	180,237,487	392,763,469	42,587,346	5,124	719,398,021					
Remittance	428,111	-	-	-	-	428,111					
Bank notes payable	-	-	7,400,000	6,600,000	38,250,000	52,250,000					
Cumulative earnings on appropriated loan fund	2,250	3,750	118,500	1,198,580	1,587,501	2,910,581					
Lease liabilities	52,072	65,275	264,040	702,398	132,725	1,216,510					

	December 31, 2021									
	0-30 days	31-90 days	91days-1 year	1-5 years	Over 5 years	Total				
Major matured cash outflow	\$ 1,095,518,499	184,664,045	500,530,076	75,324,151	35,841,707	1,891,878,478				
Deposits from the Central Bank and banks	493,598	-	-	-	-	493,598				
Overdrafts on banks	536,471	-	-	-	-	536,471				
Call loans from the Central Bank and banks	25,155,291	9,093,410		-	-	34,248,701				
Due to the Central Bank and banks	-	-	49,713,800	-	-	49,713,800				
Financial liabilities designated at fair value through profit or loss	-	-	-	-	8,293,730	8,293,730				
Notes and bonds issued under repurchase agreement	44,197	144,716	604,836	1,266,944	-	2,060,693				
Interest payable	458,151	812,851	1,127,339	71,242	2	2,469,585				
Deposits transferred from Chunghwa Post Co., Ltd.	10,500,000	21,359,335	35,402,210	-	-	67,261,545				
Demand deposits	955,013,566	-	-	-	-	955,013,566				
Time deposits	102,844,567	153,191,825	413,340,264	44,219,865	675	713,597,196				
Remittance	429,227	-	-	-	-	429,227				
Bank notes payable	-	-	-	27,340,000	24,910,000	52,250,000				
Cumulative earnings on appropriated loan fund	1,750	2,250	111,750	1,779,330	2,470,214	4,365,294				
Lease liabilities	41,681	59,658	229,877	646,770	167,086	1,145,072				

- 4) Derivative financial liabilities maturity analysis
  - a) Derivative financial instruments settled by net amount

The derivative instruments of the Bank whose possession are settled by net amount include foreign derivative instruments, such as non-delivery forward contracts and net-delivery foreign exchange option. After evaluation the Bank concluded that the maturity date is the basic element to comprehend all the derivative financial instruments listed in the consolidated financial statement. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the financial statement. As of December 31, 2021, the Bank had no derivative financial instruments settled by net amount. As of December 31, 2022, maturity analysis for the derivative financial liabilities settled by net amount is as follows:

December 31, 2022	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss						
<ul> <li>Foreign exchange derivative instrument</li> </ul>	<u>\$</u>	825	225		<u> </u>	1,050

b) Derivative financial instruments settled by gross amount

The derivative instruments of the Bank's possession settled by gross amount include the following:

- i) Foreign exchange derivative financial instrument: Foreign exchange options settled by gross amount, foreign exchange forward contracts and currency swap contracts.
- ii) Interest rate derivative financial instruments: interest rate swap contracts.

The table below shows the derivative financial instruments of the Bank whose possession are settled by gross amount based on the remaining days from the financial statement date to the contract maturity date. The amount disclosed is based on the cash flow of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the financial statement. The maturity analysis for derivative financial liabilities settled by gross amount is as follows:

The maturity analysis of derivative infancial liabilities settled by gross amount is as follows.								
December 31, 2022	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total		
Derivative financial instruments at fair								
value through profit or loss								
<ul> <li>Foreign exchange derivative</li> </ul>								
instruments								
Cash outflow	\$ 25,782,525	45,415,630	11,979,083	3,463,765	-	86,641,003		
Cash inflow	27,862,886	48,002,551	12,577,650	3,500,326	-	91,943,413		
<ul> <li>Interest rate derivative</li> </ul>								
instrument								
Cash outflow	-	1,168	587	2,955	1,174	5,884		
Cash inflow		2,021	724	3,742	1,568	8,055		
Total cash outflow	25,782,525	45,416,798	11,979,670	3,466,720	1,174	86,646,887		
Total cash inflow	27,862,886	48,004,572	12,578,374	3,504,068	1,568	91,951,468		
Net cash flow	<u>\$ (2,080,361</u> )	(2,587,774)	(598,704)	(37,348)	(394)	(5,304,581)		
December 31, 2021	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total		
Derivative financial instruments at fair								
value through profit or loss								

value through profit or loss						
-Foreign exchange derivative						
instruments						
Cash outflow	\$ 4,498,580	6,093,790	6,071,884	2,768,967	-	19,433,221
Cash inflow	4,447,438	6,113,200	6,105,833	2,777,705	-	19,444,176
- Interest rate derivative						
instrument						
Cash outflow	-	1,028	1,093	2,556	8,791	13,468
Cash inflow		7,834	1,167	2,412	7,171	18,584
Total cash outflow	4,498,580	6,094,818	6,072,977	2,771,523	8,791	19,446,689
Total cash inflow	4,447,438	6,121,034	6,107,000	2,780,117	7,171	19,462,760
Net cash flow	<u>\$51,142</u>	(26,216)	(34,023)	(8,594)	1,620	(16,071)

December 31, 2022		0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Issued and irrevocable loan commitments	\$	1,997,541	512,056	22,218,395	4,683,018	35,575,997	64,987,007
Irrevocable credit card loan commitments		1,117	34,225	55,553	316,313	18,432,747	18,839,955
Letters of credit issued yet unused		2,016,789	4,985,416	716,174	356,064	54,706	8,129,149
Other guarantees		2,667,240	1,001,432	656,793	2,337,749	15,393,282	22,056,496
Total	<u>\$</u>	6,682,687	6,533,129	23,646,915	7,693,144	69,456,732	114,012,607
December 31, 2021		0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
December 31, 2021 Issued and irrevocable loan commitments	\$	<b>0-30 days</b> 84,608	31-90 days 730,576	91-180 days 1,012,632	181 days to 1 year 4,268,229	Over 1 year 30,319,691	Total 36,415,736
Issued and irrevocable loan	\$	-					
Issued and irrevocable loan commitments Irrevocable credit card loan	\$	84,608	730,576	1,012,632	4,268,229	30,319,691	36,415,736
Issued and irrevocable loan commitments Irrevocable credit card loan commitments	\$	84,608 2,747	730,576 31,254	1,012,632 70,784	4,268,229 215,130	30,319,691 19,060,236	36,415,736 19,380,151

#### 5) Maturity analysis of off-balance sheet items

6) Maturity analysis of lease contract commitments

The Bank only has operating lease contract, operating lease commitment refers to, when the Bank is the lessor or lessee and under the irrevocable operating lease conditions, the minimum total future rent payment. Below tables show the maturity analysis of the Bank operating lease contract commitments:

December 31, 2022	Bel	ow 1 year	1-5 years	Over 5 years	Total
Operating lease income (lessor)	\$ 1,027		1,389	-	2,416
December 31, 2021	Bel	ow 1 year	1-5 years	Over 5 years	Total

The capital expenditure commitment of the Bank refers to the contract signed to obtain buildings and equipment. The maturity analysis of the capital expenditure commitment of the Bank is as follows:

equipilienti int					
December 31, 2022	Belov	v 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	\$	1,496,409	-	-	1,496,409
Transportation equipment		2,098	-	-	2,098
Right-of-use assets		620	85	-	705
Miscellaneous equipment		1,024			1,024
Total	<u>\$</u>	1,500,151	85		1,500,236
December 31, 2021	Belov	v 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	\$	1 208 486	_	_	1 208 486

Machinery and equipment	\$ 1,208,486	-	-	1,208,486
Transportation equipment	1,313	-	-	1,313
Right-of-use assets	405	238	-	643
Miscellaneous equipment	1,914	<u> </u>	- <u> </u>	1,914
Total	<u>\$ 1,212,118</u>	238	<u> </u>	1,212,356

- (v) Market risk
  - 1) Definition of market risk

Market risk refers to the possible loss of the Bank's business in or off the balance sheet results from the disadvantageous fluctuation in market price in terms of interest rates, stock prices, foreign exchange rates and commodity prices.

- 2) Policies and procedures of market risk management
  - a) Strategy
    - i) To carry out market risk management, achieve operation target and maintain healthy capital adequacy by following "Directions Governing the Market Risk Management of Taiwan Business Bank" and other relevant regulations.
    - ii) Under the risk tolerance approved by the board of directors or board of executive directors, the Bank applies various risk control mechanism to effectively deploy and manage capital in order to maintain the market risk exposure within the tolerable extent and achieve earning target.
  - b) Policies and procedures

In order to establish the market risk management mechanism and ensure that the market risk is within the tolerable extent, the Bank set up directions governing the market risk management, remarks governing the limit of market risk and financial product valuation procedures as the primary management guidance. Other than what is stated above, the Bank also establish limit control mechanism in terms of trade positions, stop-limit, suspensions and lines of alert based on the operation notices and procedures of different financial instruments, including fix income instruments, equity securities, foreign exchange transaction and derivative financial instruments.

- 3) Process for market risk management
  - a) Risk identification

In accordance with the rules of "Directions Governing the Market Risk Management of Taiwan Business Bank", the Bank shall conduct appropriate market risk evaluation and document the process for later review before financial instruments are promoted. The content of evaluation includes risk factors identification, evaluation methods, cost-benefit analysis, market liquidity, risk strategy, adequacy of risk management mechanism and the influence on the Bank for undertaking market risk.

- b) Risk measurement
  - i) Annually based on the business development of transaction units and submit to the board of directors or board of executive directors for approval. For the units which the positions and limits remain unchanged after evaluation, they can put the positions and limits into practice after receiving the approval from the general manager.
  - ii) The risk measurements (or evaluations) of the financial instruments of the Bank are conducted through different information systems. For the market data and parameters of the models applied for evaluation, they shall be random inspected regularly to determine the rationality.
- c) Risk monitoring
  - i) Valuation reports of various financial instruments are prepared regularly for executives to review and serve as the guidance for daily risk management operation.
  - ii) All financial transactions are equipped with different regulations in terms of limit of loss and stop-limit. Provided that the valuation loss amount is over the limit, a stop-limit, suspension and subsequent risk control will be executed.

Taiwan Business Bank Annual Report 2022

d) Risk report

Risk management department report current market risk management status of the Bank to directors, executive directors and executives to facilitate them to control the risk exposure status and adjust management procedures properly.

- 4) Scope and method of market risk management
  - a) Foreign exchange risk management
    - i) Definition of foreign exchange risk management

Foreign exchange risk refers to the potential profit or loss of the foreign currency financial instruments which results from the transition among fluctuating currencies.

ii) Applicable scope

All the financial instruments which apply to trading book position and banking book position and involve in foreign currencies.

iii) Purpose for foreign exchange risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of foreign exchange and to increase capital deployment efficiency and business operation integrity.

- iv) Procedures of foreign exchange risk management
  - 1. In order to control foreign exchange transaction risk, the Bank established trade position authorization standard for financial transaction operations, trade units and traders in current regulations. In addition, for non-commercial business foreign exchange operation, all trade units submit the required amounts of position annually based on operation status. Risk management department will evaluated the requirement and submit to the board of directors' (executive directors) for approval. The demand will be executed after the board of directors approved. For the units which the positions remain unchanged after evaluation, they can put the positions into practice after receiving the approval from the general manager.
  - 2. The trade units conduct various foreign financial product business, they shall fully understand the content of commodities, the risk tolerance and trade purpose. Trade units shall establish financial products trading strategies based on market status in the meeting every morning and submit the risk-benefit evaluation in the meeting minutes for the department heads to review. The trading shall follow the relevant authorization rules of the Bank and the stop-limit of all trade positions shall be executed reliably.
- v) Process of foreign exchange risk management
  - 1. Identification and measurement
    - a. Risk Management department established risk factor chart based on different financial transactions to effectively identify risk factors and market risk resources. In addition, the financial transactions which the Bank conducts deal with simple type financial products. For complex financial products, the Bank conducts back-to-back hedge covering to effectively avoid market risk.
    - b. Risk Management department uses Greeks to measure the influence level of exchange rate for held-for-trading spot exchange and exchange rate derivative and setup Greek's sensitivity allowance, according to the yearly demand of trade units, the state of utilization, and monitor the load of fluctuation of exchange rate in each acceptable range.

- c. Positions of the trading book shall be evaluated daily where the positions of the banking book shall be evaluated monthly. When there are public quotes for financial instruments, the quotes shall be the prior evaluation prices. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.
- 2. Monitoring and report
  - a. When the evaluation loss of non-commercial foreign exchange transactions is over the limit, the trade units shall execute a stop-limit per the regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management department shall report to the board of directors or executive directors.
  - b. Reports of operation results shall be prepared and submitted to the department heads for approval on a daily basis.
- b) Equity security risk management
  - i) Definition of equity security risk

The market risks of the equity securities possessed by the Bank include the individual risk results from the market price fluctuation of individual equity security and the general market risk results from overall market price fluctuation.

ii) Applicable scope

Financial instruments similar to equity security in all trading books.

iii) Purpose of equity security risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of equity securities and to increase capital deployment efficiency and business operation integrity.

- iv) Procedures of equity security risk management
  - All trade units submit the required amounts of position annually base on operation status. Risk management department will evaluate the requirement and submit to the board of directors or executive directors. The demand will be executed after approved by the board of directors.
  - 2. The trade units shall predict the possible trend of domestic stock market based on the information of foreign and domestic security markets so as to set up the operation strategies and directions. The traders shall pay close attention to the market trend when the market opens so as to conduct security transactions and the operations as well as the meeting minutes shall be submitted to the department heads to review.
- v) Process of equity security risk management
  - 1. Identification and measurement
    - a. The risk management department apply Value at Risk models to measure the market risk of equity security investment. Furthermore, based on the trade units' operation demand and the risk limit established by the Bank's risk tolerance, the risk management units effectively control the variation of risk factors under an acceptable extent.
    - b. Trading book position shall be evaluated daily. When there is a public quote in the market, the quote shall be adopted as the prior evaluation price. If the transaction is in secondary market and the liquidity is high, the closing price can be adopted as the evaluation price. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

293

- 2. Monitoring and report
  - a. When the evaluation loss of equity security investment is over the limit, the trade units shall execute a stop-limit per regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management department shall report to the board of directors or executive directors.
  - b. Transaction reports shall be prepared and submitted to the department heads for approval on a daily basis. And the investment gains or losses shall report to the board of directors or executive directors regularly for future reference.
- c) Interest rate risk management
  - i) Definition of interest rate risk

Interest rate risk refers to the price decline of the Bank's financial products which contain interest risk factors due to the disadvantageous changes in interest rate.

ii) Applicable scope

Financial instruments which contain interest rate factors in all trading books.

iii) Purpose of interest rate risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of interest rate and to increase capital deployment efficiency and business operation integrity.

- iv) Procedures of interest rate risk management
  - 1. In order to control interest rate risk, the Bank established trade position authorization standard for financial transaction operations, trade units and trade counterparties in current regulations. In addition, for the positions held for trading, all trade units submit the required amounts of position annually based on operation status. Risk management department will evaluate the requirement and submit to the board of directors or executive directors for approval. The demand will be executed after the board of directors approved.
  - The trade units shall consider safety, liquidity and profitability and gather market information to assess the potential risk and benefit. In addition, the trade units shall choose investment target prudently through analyzing the issuers' credit, financial status, country risks and interest rate trends.
- v) Process of interest rate risk management
  - 1. Identification and measurement
    - a. The risk management department establish risk factor charts base on different financial transaction to effectively identify risk factors and market risk resources. In addition, the financial transactions which the Bank conducts deal with simple type financial products. For complex financial products, the Bank conducts back-to-back hedge covering to effectively avoid market risk.
    - b. Position of the trading book shall be evaluated daily. When there are public quotes for financial instruments, the quotes shall be the prior evaluation prices. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.
  - 2. Monitoring and report
    - a. The risk management department apply DV01 to measure to what extent the trading book bond positions are influenced by the interest rate risk and set up interest rate

sensitivity limit base on the requirements of the trade units and the risk tolerance of the Bank annually.

- b. The trade units shall prepare the income assessment tables of trade positions and traders for the department heads to review. In addition, when the evaluation loss of the position is over the limit, the trade units shall execute a stop-limit per the regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management department shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management units shall report to the board of directors or executive directors.
- d) Concentration management
  - i) The trade counterparties of the Bank are mostly financial institutions. To avoid the risk being over concentrated and enhance credit risk management, the Bank established financial institution credit risk limit based on the world ranking of Level 1 capital and credit ratings from The Banker. The trade units shall also pay attention to the changes of the credit status of individual financial institution as well as the changes of the national credit rating to conduct the transaction prudently.
  - ii) For equity security investments, the Bank set up limits for single institution and single related party.
- 5) Interest rate risk management of the banking book
  - a) The definition and management purpose for the interest rate risk of the banking book
    - i) The interest rate risk of the banking book refers to the negative effect towards the future net interest income or economic value of equity results from the fluctuation of interest rate. Net Interest Income (hereafter NII) is the total amount of interest revenue deducted by the total amount of interest expense; Economic Value of Equity (hereafter EVE) is the total discounted future cash inflow from assets deducted by the total discounted future cash outflow from liabilities.
    - ii) The management purpose of the interest rate risk management of the banking book is to control the negative effect from the interest rate risk fluctuation towards NII or EVE within the approved limit extent.
  - b) The process for the interest rate risk management of the banking book
    - i) Identification and measurement

When the Bank conducts interest rate related products, it identifies the reprising risk, yield curve risk, basis risk and option characteristic risk and measures the possible influence on the earnings and economic value results from interest rate fluctuation.

ii) Monitoring and report

The Bank established limits of the ratio between interest-rate-sensitivity assets and interestrate-sensitivity liabilities, the effect to NII in 1 year when the market interest rate parallel changes 1 BP and the effect to EVE when the market interest rate parallel changes 200 BP to control the banking book interest rate risk. The results of interest rate risk measurement are reported to the Assets and Liabilities Management Committee monthly and to the board of directors or executive directors quarterly. When the measurement result is over the limit, relevant units shall be convened to establish responding plan and the plan shall be submitted to the Assets and Liabilities Management Committee for discussion. After the plan is approved by the general manager, it shall be executed by the relevant business units and report to the board of directors or executive directors.

295

- 6) Value at Risk
  - a) Description of Value at Risk

Value at Risk (VaR) is a statistical amount used to evaluate the maximum possible loss of portfolio results from the changes of market risk factors within a certain period of time and a fixed confidence interval.

b) Value at Risk models and assumptions

In order to enhance the market risk control operation, the Bank established quantified indices of market risk for the equity security position of the trading book. Based on the historical information of the last 1 year and applies Historical Simulation Method (with the confidence interval being 99% and the duration of possession being 1 day), the Bank calculates and monitors the trend of Value at Risk.

c) The limit of Value at Risk model

Value at Risk is a tool to measure market risk under normal circumstance. The limits of the model are listed below:

- i) Value at Risk cannot reflect the losses result from other type of risks, such as credit risk and liquidity risk.
- ii) Value at Risk measures the possible loss of the position on hand at the end of the transaction day, but it cannot reflect the distribution of the part which actual loss exceeds Value at Risk.
- iii) Value at Risk model is based on historical data to evaluate the amount, and therefore it may not be able to predict the future changes of risk factors, especially for those exceptions result from significant market fluctuation.
- 7) Foreign exchange risk disclosure and sensitivity analysis
  - a) Foreign exchange risk exposure
    - i) Significant net positions of foreign currencies (Market risk)

Significant net positions of foreign currencies (Market risk)							
December 31, 2022							
Currency		reign currency amount n thousands)	NT\$ amount				
USD	\$	504,348	15,496,092				
JPY		2,069,083	480,234				
AUD		14,865	308,895				
ZAR		46,223	83,617				
EUR		809	26,503				

Significant net positions of foreign currencies (Market risk)							
December 31, 2021 Foreign currency							
Currency	(ir	amount thousands)	NT\$ amount				
USD	\$	448,924	12,414,993				
JPY		2,103,814	505,967				
AUD		13,590	273,023				
EUR		2,113	66,306				
CNY		11,566	50,208				

Note 1: Main foreign currencies are the top five foreign currencies ranked in NTD value.

Note 2: Net foreign currency is the absolute value of the net positions of each foreign currency.

			December 31, 2022			
	Mor	netary financial asse	ets	Monet	ary financial liabi	lities
Currency	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	\$ 15,787,493	30.7250	485,070,722	15,262,164	30.7250	468,929,989
AUD	4,985,648	20.7800	103,601,765	4,890,551	20.7800	101,625,650
CNY	11,721,834	4.4110	51,705,010	11,740,765	4.4110	51,788,514
JPY	184,707,477	0.2321	42,870,605	183,141,677	0.2321	42,507,183
HKD	5,771,939	3.9400	22,741,440	5,348,671	3.9400	21,073,764
EUR	352,406	32.7600	11,544,821	352,361	32.7600	11,543,346
ZAR	4,251,194	1.8090	7,690,410	4,249,572	1.8090	7,687,476
GBP	45,244	37.0700	1,677,195	45,236	37.0700	1,676,899
NZD	34,139	19.4500	664,004	34,124	19.4500	663,712
CAD	14,564	22.6800	330,312	14,475	22.6800	328,293
SGD	7,992	22.8700	182,777	7,969	22.8700	182,251
SEK	34,420	2.9400	101,195	34,431	2.9400	101,227
Others (Note)	-	-	114,540	-	-	119,278
	Non-m	onetary financial a	assets	Non-mo	netary financial lia	abilities
USD	974	30.7250	29,926	-	-	-

#### ii) Assets and liabilities of foreign currency

296

Taiwan Business Bank Annual Report 2022

Note: Consolidated disclosure is applied for other currencies not over \$100,000.

			December 31, 2021			
	Мо	netary financial asso	ets	Mone	tary financial liabi	lities
Currency	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	\$ 13,445,369	27.6550	371,831,680	12,870,218	27.6550	355,925,879
AUD	4,679,690	20.0900	94,014,972	4,588,043	20.0900	92,173,784
CNY	5,206,159	4.3410	22,599,936	5,206,836	4.3410	22,602,875
JPY	83,411,891	0.2405	20,060,560	82,096,035	0.2405	19,744,096
HKD	5,362,994	3.5460	19,017,177	4,989,090	3.5460	17,691,313
EUR	436,915	31.3800	13,710,393	436,993	31.3800	13,712,840
ZAR	3,151,732	1.7340	5,465,103	3,150,118	1.7340	5,462,305
GBP	104,307	37.3600	3,896,910	104,411	37.3600	3,900,795
NZD	53,010	18.9400	1,004,009	52,980	18.9400	1,003,441
CAD	18,796	21.6600	407,121	18,927	21.6600	409,959
SGD	10,842	20.4800	222,044	10,869	20.4800	222,597
CHF	3,833	30.2150	115,814	3,913	30.2150	118,231
Others (Note)	-	-	84,086	-	-	83,329
	Non-m	onetary financial	assets	Non-mo	onetary financial li	abilities
USD	1,083	27.6550	29,950	-	-	-

Note: Consolidated disclosure is applied for other currencies not over \$100,000.

#### b) Foreign exchange risk sensitivity analysis (Change by 1%)

Foreign exchange risk sensitivity analysis is the analysis that given other conditions remain the same, the influence on profit or loss and equity when each respective currency depreciate or appreciate by 1%.

		Decembe	r 31, 2022	
	Deprecia	te by 1%	Apprecia	te by 1%
Currency	Income	Equity	Income	Equity
USD	\$ (44,000)	(63,299)	44,000	63,299
AUD	4,060	(23,440)	(4,060)	23,440
HKD	3,029	(19,240)	(3,029)	19,240
JPY	(161)	(3,450)	161	3,450
GBP	(15)	-	15	-
SGD	(9)	-	9	-
ZAR	(31)	-	31	-
CHF	51	-	(51)	-
CAD	(5)	-	5	-
ТНВ	(4)	-	4	-
EUR	(37)	-	37	-
NZD	(10)	-	10	-
CNY	(55,663)	<u>-</u>	55,663	
Total	<u>\$ (92,795</u> )	(109,429)	92,795	109,429

	December 31, 2021				
	Depreci	ate by 1%	Appreciate by 1%		
Currency	Income	Equity	Income	Equity	
USD	\$ (54,235)	(55,511)	54,235	55,511	
AUD	4,053	(22,395)	(4,053)	22,395	
HKD	2,797	(15,842)	(2,797)	15,842	
JPY	(5)	(3,173)	5	3,173	
GBP	19	-	(19)	-	
SGD	6	-	(6)	-	
ZAR	(30)	-	30	-	
SEK	(4)	-	4	-	
CHF	24	-	(24)	-	
CAD	35	-	(35)	-	
THB	(4)	-	4	-	
EUR	16	-	(16)	-	
NZD	(13)	-	13	-	
CNY	(51,012)		51,012		
Total	<u>\$ (98,353</u> )	(96,921)	98,353	96,921	

**V** 

297

- 8) Interest rate risk disclosure and sensitivity analysis
  - a) Interest rate sensitivity analysis

The assumption of interest rate sensitivity analysis is, under the circumstance that other conditions remain the same, the yield of the market increase or decrease by 1 basis point (1 bp).

		Decembe	<sup>-</sup> 31, 2022			
	Interest rate inc	Interest rate increases by 1 bp		creases by 1 bp		
Currency	Income	Equity	Income	Equity		
Trading book						
TWD	\$ (512)	(2,661)	512	2,661		
Banking book						
TWD	-	(46,200)	-	46,200		
USD	-	(3,993)	-	3,993		
AUD	-	(364)	-	364		
HKD	-	(70)	-	70		
CNY	-	(1,335)	-	1,335		
ZAR	<del>_</del>	(161)	<u> </u>	161		
Total	<u>\$ (512</u> )	(54,784)	512	54,784		

			Decembe	31, 2021		
	Interest rate increases by 1 bp			Interest rate decreases by 1 bp		
Currency	I	ncome	Equity	Income	Equity	
Trading book						
TWD	\$	(230)	(3,462)	230	3,462	
Banking book						
TWD		-	(54,536)	-	54,536	
USD		-	(13,638)	-	13,638	
AUD		-	(606)	-	606	
HKD		-	(77)	-	77	
CNY		-	(1,956)	-	1,956	
ZAR			(204)		204	
Total	<u>\$</u>	(230)	(74,479)	230	74,479	

b) Sensitivity analysis of expected net revenue/Sensitivity of equity in terms of interest rate fluctuation

		Decembe	r 31, 2022	
	Effect on N	lll in 1 year	Effect	on EVE
Scenario	TWD	USD	TWD	USD
Interest rate increases by 100 bp	3,962,492	(24,074)	(5,148,928)	(58,960)
Interest rate decreases by 100 bp	(4,598,328)	22,469	13,788,825	27,772

	<u> </u>	<i>v</i>	
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	December 31, 2021				
	Effect on NII in 1 year		Effect	on EVE	
Scenario	TWD	USD	TWD	USD	
Interest rate increases by 100 bp	4,272,836	(34,660)	(4,696,572)	(45,509)	
Interest rate decreases by 100 bp	(5,293,553)	3,502	8,616,664	63,806	

#### 9) Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as `IBOR reform'). The Bank has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Bank considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform ,even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an `unreformed contract').

The Bank's maining IBOR exposures at the reporting date are loans and corporate debt securities indexed to US dollar LIBOR. In March, 2021, the Financial Conduct Authority (FCA) announced that US dollar setting will either cease to be provided or no longer be representative after June 30 2023. The Bank had finished the process of implementing appropriate fallback clauses for all US dollar LIBOR-indexed exposures by the end of 2021.

The following tables show the total amounts of unreformed contracts and those with appropriate fallback language on December 31, 2022 and 2021. The amounts of financial assets and liabilities are shown at their carrying amounts, and derivatives are shown at their notional amounts.

	USD	LIBOR	EUR	LIBOR	GBP	LIBOR	JPY	LIBOR	CHF	LIBOR
	Total amount of unreformed contracts	Amount with appropriate fallback clause								
December 31, 2022										
Financial assets										
Discounts and loans	\$ 55,072,000	23,939,000	-	-	-	-	-	-	-	-
Bond Investments	17,391,000	1,259,000	-	-	-	-	-	-	-	-
Derivatives										
Interest rate swaps	5,531,000	5,531,000	-	-	-	-	-	-	-	-
December 31, 2021										
Financial assets										
Discounts and loans	70,757,000	22,182,000	402,000	293,000	-	-	1,830,000	1,242,000	-	-
Bond Investments	22,804,048	691,000	-	-	-	-	-	-	-	-
Derivatives										
Interest rate swaps	9,402,700	9,402,700	-	-	-	-	-	-	-	-

#### 10) Equity security risk disclosure and sensitivity analysis

a) Equity security sensitivity analysis (Changes by 1%)

The assumption of equity security sensitivity analysis is, under the circumstance that other conditions remain the same, the price of equity security increased or decreased by 1%.

		Decembe	r 31, 2022
Change	Currency	Income	Equity
Equity security price increases by 1 %	TWD	3,359	-
	USD	10	-
Equity security price decreases by 1 %	TWD	(3,359)	-
	USD	(10)	-
		Decembe	r 31, 2021

		Decembe	r 31, 2021
Change	Currency	Income	Equity
Equity security price increases by 1 %	TWD	16,018	-
	USD	11	-
Equity security price decreases by 1 $\%$	TWD	(16,018)	-
	USD	(11)	-

#### b) Value at Risk of equity security

	From January 1, 2022 to December 31,2022				
Value at Risk	Average	Maximum	Minimum		
Equity security risk	5,038	13,963	1,399		
	From January 1, 2021 to December 31, 2021				
	From Janu	ary 1, 2021 to Decemb	er 31, 2021		
Value at Risk	From Janu Average	ary 1, 2021 to Decemb Maximum	er 31, 2021 Minimum		

(vi) Transferred financial assets that are not fully derecognized

The transactions, relating to transferred financial assets not qualifying for full derecognition, the Bank conducts during daily operation mostly involve securities lending in accordance to repurchase agreements. Since the right to receive contractual cash flow has been transferred to others and the Bank's obligation to repurchase the transferred assets for a fixed price at a future date is recognized under liability, for these transactions, the Bank cannot use, sell or pledge those transferred financial assets in availability period, the Bank has interest rate risk and credit risk, the said transferred assets are not fully derecognized.

As of December 31, 2022 and 2021, there were not any financial assets of the Bank that are not fully derecognized.

#### (vii)Offsetting financial assets and financial liabilities

The Bank has an exercisable master netting arrangement or similar agreement in place with counterparties. When both parties reach a consensus regarding net settlement, the aforesaid exercisable master netting arrangement or similar agreement can be net settled by offsetting financial assets and financial liabilities. If not, the transaction can be settled at total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The fol	lowing tables pres	sent the aforemen	tioned offsetting fi	inancial assets	and financial lia	bilities:	
		Dec	ember 31, 2022				
Fin	ancial assets under	offsetting or genera	l agreement of net a	mount settlemer	t or similar norm		
	Gross amounts	Gross amounts of financial liabilities			Amounts not set off in the balance sheet(d)		
ltem	of recognized financial assets (a)	offset in the balance sheet (b)	presented in the balance sheet (c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)	
Derivative financial instruments	<u>\$551,095</u>		551,095	727,720	2,527,996	(2,704,621)	
		Dece	ember 31, 2022				
Fina	ncial liabilities unde	r offsetting or gener	al agreement of net	amount settleme	ent or similar norm		
	Gross amounts of recognized	financial assets	Net amount of financial liabilities	balance	set off in the sheet(d)		
Item	financial liabilities (a)	offset in the balance sheet (b)	presented in the balance sheet (c)=(a)-(b)	Financial instruments (Note)	Cash collateral pledged	Net amount (e)=(c)-(d)	
Derivative financial nstruments	<u>\$ 229,816</u>		229,816		2,422,569	(2,192,753)	
Fin	ancial assets under		ember 31, 2021 Lagreement of net a	mount settlemer	t or similar norm		
		Gross amounts of	Net amount of		set off in the		
	Gross amounts	financial liabilities	financial assets	balance	sheet(d)		
	of recognized financial assets	offset in the balance sheet	presented in the balance sheet	Financial instruments	Cash collateral	Net amount	
Item	(a)	(b)	(c)=(a)-(b)	(Note)	received	(e)=(c)-(d)	
Derivative financial Instruments	<u>\$ 230,137</u>		230,137	699,723	489,795	(959,381)	
		Dec	ember 31, 2021				
Fina	ncial liabilities unde	r offsetting or gener	al agreement of net	amount settleme	ent or similar norm	1	
	Gross amounts of	Gross amounts of	Net amount of		set off in the		
	recognized	financial assets	financial liabilities		sheet(d)		
	financial	offset in the	presented in the	Financial	Orah sellet		
Item	liabilities (a)	balance sheet (b)	balance sheet (c)=(a)-(b)	instruments (Note)	Cash collateral pledged	Net amount (e)=(c)-(d)	
Derivative financial instruments	(a) <u>\$ 63,547</u>		<u> </u>		<u>215,832</u>	(t)-(t)-(t) (152,285)	

The following tables present the aforementioned offsetting financial assets and financial liabilities

Note: Master netting arrangements and non-cash financial collaterals are included.

#### (aq) Capital Management

- (i) The Bank takes business development and risk control into consideration and calculates capital adequacy per "Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks" and "Calculation Methods and Forms of Proprietary Capital and Risk Capital of Banks". The ratio between proprietary capital and risk capital shall remain above the regulated minimum ratio.
- (ii) In order to maintain adequate capital and reach a balance between risk control and business development, the Bank established "Directions Governing Capital Adequacy" as the guidance for controlling capital adequacy. The scope of the directions includes, except for the least capital requirements for credit risk, market risk and operation risk, significant risk such as banking book interest rate risk, liquidity risk and concentration risk. In addition, in order to link business strategies, capital and risk management, the Bank sets up capital management plan annually for the president's approval and reports to Risk Management Committee and the board of directors quarterly about relevant risks and capital control status.
- (iii) The Bank identifies, measures, monitors and reports various risks based on the directions, notices and relevant rules of competent authority regarding credit risk, market risk, operation risk, interest rate risk of the banking book, and liquidity risk so as to be familiar with current business environment and monitors and adjusts capital adequacy effectively.
- (iv) To cope with the implementation of new Basel Accord, the Bank set up complete risk management system, risk management operation tracking procedures to provide the management with appropriate risk management information for making decisions. Therefore, the Bank is able to maintain adequate capital within the tolerable extent and to ensure the provision of proprietary capital of the Bank corresponds with the overall operating risk characteristics of the Bank.

- 1) Tier 1 capital
  - a) Common stock equity: The item includes common stock deducted by treasury stock, goodwill and other intangible assets, deferred tax assets based on future profit status of the Bank, unrealized gain on financial assets measured at fair value through other comprehensive income, operating reserve and deficiency of allowance for bad debts, real estate retained earning increment arising from applying the fair value or the revaluation reserve as the deemed cost when first adopting IFRSs, and 25% of the major investment on financial related business.
  - b) Other Tier 1 capital: 25% of the perpetual non-accumulated subordinated financial debentures deducted by the major investment on financial related business.
- 2) Tier 2 capital

The item includes perpetual accumulated subordinated financial debentures, long term subordinated debenture, real estate retained earning increment arising from applying the fair value or the revaluation reserve as the deemed cost when first adopting IFRSs, 45% of unrealized gain on financial assets measured at fair value through other comprehensive income, and 50% of the major investment on financial related business.

		Item	December 31, 2022	December 31, 2021
	Common stock	k equity	100,331,709	96,157,516
Eligible capital	Other tier 1 ca	pital	18,000,000	17,487,758
	Tier 2 capital		40,066,956	41,159,410
	Eligible Capita	l	158,398,665	154,804,684
		Standardized approach	1,190,251,924	1,066,163,181
	Credit risk	Internal ratings-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
Risk- weighted assets		Standardized approach/selective standardized approach	42,908,871	38,884,436
		Advanced measurement approach	-	-
	M. J. J. 24	Standardized approach	38,716,513	50,859,425
	Market risk	Internal model approach	-	-
	Total risk-weig	hted assets	1,271,877,308	1,155,907,042
Capital adequacy ratio			12.45%	13.39%
Common stock equity/ Risk-weighted assets ratio			7.89%	8.32%
Tier 1 capital / Ris	sk-weighted ass	sets ratio	9.30%	9.83%
Leverage ratio			5.48%	5.41%

The formulas of the table are listed as follows:

- a) The eligible capital, risk-weighted assets and exposure are calculated per "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "The Calculation and Forms of Eligible Capital and Risk Assets of Banks".
- b) The Bank shall fill out the capital adequacy of this period and last period. For the semi-annual report, the Bank shall disclose the capital adequacy of this period and last period and additionally disclose the capital adequacy of the previous period ended December 31.
- c) Note 1. Eligible Capital = Common stock equity + Other Tier 1 Capital + Tier 2 Capital
  - Note 2. Total risk-weighted assets = Credit risk weighted asset+ (operational risk charge+ market risk charge)  $\times$  12.5
  - Note 3. Capital adequacy ratio= Eligible Capital  $\div$  Risk weighted asset.
  - Note 4. Common stock equity / Risk-weighted assets ratio= Common stock equity / total risk weighted assets
  - Note 5. Tier 1 capital / Risk-weighted assets ratio = (Common stock equity+other tier 1 capital)/ Riskweighted assets
  - Note 6. Leverage ratio = Net Tier 1 capital / Total risk exposure.
- d) Above table is not required to be disclosed when preparing the financial reports of the first quarter and third quarter.

#### (ar) Investing and financing activities not affecting current cash flow

The Bank's investing and financing activities which did not affect the current cash flow for the nine months ended December 31, 2022 and 2021 were carried out to acquire right-of-use assets under leases. Please refer to Note 6(I).

			N	on-cash chang	es	
	January 1, 2022	Cash flows	Foreign exchange rate movement	Fair value changes	Other changes	December 31, 2022
Financial liabilities at fair value through profit or loss	\$ 8,293,730	-	921,000	152,865	-	9,367,595
Bank notes payable	52,250,000	-	-	-	-	52,250,000
Lease liabilities	1,145,072	(413,133)	25,111		459,460	1,216,510
Total liabilities from financing activities	<u>\$ 61,688,802</u>	(413,133)	946,111	152,865	459,460	<u>    62,834,105</u>

#### Reconciliation of liabilities arising from financing activities were as follows:

			N	on-cash change	n-cash changes	
	January 1, 2021	Cash flows	Foreign exchange rate movement	Fair value changes	Other changes	December 31, 2021
Financial liabilities at fair value through profit or loss	\$ 8,411,020	-	(133,500)	16,210	-	8,293,730
Bank notes payable	53,250,000	(1,000,000)	-	-	-	52,250,000
Lease liabilities	1,054,665	(411,827)	302		501,932	1,145,072
Total liabilities from financing activities	<u>\$ 62,715,685</u>	(1,411,827)	(133,198)	16,210	501,932	61,688,802

#### (as) Structured entities that not included in consolidated financial reports

(i) The table below presents the types of structured entities that the Bank does not include in financial reports but in which they hold an interest:

Types of structured entities	Nature and purpose	Interests held by the Bank
Private fund	Investing in funds that cannot be freely traded on the open market	Investing in units or limited partnership interests issued by these funds.
Asset securitization product	Investing in commercial real estate assets securitization products	Investment in asset-backed securities issued by unconsolidated structured entities

#### (ii) The scales of structures entities not included in financial reports were as follow:

	December 31, 2022	December 31, 2021
Private fund	\$ 96,475	102,223
Asset securitization product	560,023	728,147
Total	<u>\$ 656,498</u>	830,370

(iii) The carrying amounts of interests held by the Bank in these structured entities were as follows:

Assets held by the Bank	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss	\$ 96,475	102,223
Financial assets at fair value through other comprehensive income	475,485	578,850
Investments in debt instruments at amortized cost	84,538	149,297
Total	<u>\$ 656,498</u>	830,370

The maximum amount of risk exposure to the Bank endures to a loss incurred from special purpose entities that are not includedraren financial reports is the carrying amount of interests held by the Bank.

(iv) As of December 31, 2022 and 2021, the Bank has not provided any financial support to its special purpose entities that is not included in consolidated financial reports.

#### (7) Related-party transactions

#### (a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statementsconsolidated financial statements.

Name of related party	Relationship with the Bank and subsidiaries
Bank of Taiwan	Corporate director of the Bank
Ministry of Finance, R.O.C	Corporate director of the Bank
National Development Fund, Executive Yuan (Note 1)	Corporate director of the Bank
Land Bank of Taiwan (Note 2)	Corporate director of the Bank
Taiwan Business Bank Guild	Corporate director of the Bank
TBB International Leasing Co., Ltd.	Investee company of the Bank
TBB (CAMBODIA) Microfinance Institution Plc.	Investee company of the Bank
TBB Venture Capital Co., Ltd.	Investee company of the Bank
TBB Consulting Co., Ltd.	Investee company of the Bank
Taiwan Business Bank International Leasing Co., Ltd.	Investee companies measured by using the equity method
Small and Medium Enterprise Credit Guarantee Fund of Taiwan	Substantive related parties
TBB No. 1 Venture Capital Limited Partnership (Note 3)	Substantive related parties
Media Talk Consulting Co., Ltd. (Notes 3)	Associates
Others	Management and other related parties of the Bank

Note 1: Become a related party commencing from the third quarter of 2021.

Note 2: No longer a related party commencing from the third quarter of 2021.

Note 3: Become a related party commencing from the first quarter of 2022.

#### (b) Significant transactions with related parties

#### (i) Due from banks

	December 31, 2022		
	Amount	%	
Bank of Taiwan	<u>\$ 164,936</u>	0.72	
	Decembe	r 31, 2021	
	Amount	%	
Bank of Taiwan	<u>\$ 157,131</u>	1.03	

Interest rates are the same as those with regular clients.

#### (ii) Call loans to banks

For the year ended December 31, 2022	Maxir	nun balance	December 31, 2022	Interest Income	Annual interest rate
Bank of Taiwan	\$	1,098,264		1,358	0.13%~3.81%
For the years ended December 31, 2021	Mavir	nun balance	December 31, 2021	Interest Income	Annual interest rate
	MaAn		December 31, 2021	interest income	Annual Interest rate
Bank of Taiwan	\$	3,038,983		1,064	0.14%~3.80%

Interest rates are the same as those with regular clients.

#### (iii) Call loans from banks

For the year ended December 31, 2022	Maxi	mum balance	December 31, 2022	Interest Income	Annual interest rate
Bank of Taiwan	<u>\$</u>	9,434,791	1,786,360	61,939	0.04%~5.18%
For the year ended					
December 31, 2021	Maxi	mum balance	December 31, 2021	Interest Income	Annual interest rate
	Maxi \$	mum balance 8,768,558	December 31, 2021 3,374,798	Interest Income 18,925	Annual interest rate 0.01%~2.80%
December 31, 2021					

Interest rates are the same as those with regular clients.

#### (iv) Deposits

		December	r 31, 2022
		Amount	%
TBB International Leasing Co., Ltd.	\$	19,594	-
Taiwan Business Bank International Leasing Co., Ltd.		177,399	0.01
TBB Venture Capital Co., Ltd.		102,534	0.01
TBB Consulting Co., Ltd.		56,279	-
Others		1,851,872	0.11
Total	<u>\$</u>	2,207,678	0.13

	December 31, 2021			
	Amount	%		
TBB International Leasing Co., Ltd.	\$ 43,794	-		
Taiwan Business Bank International Leasing Co., Ltd.	175,563	0.01		
TBB Venture Capital Co., Ltd.	120,727	0.01		
TBB Consulting Co., Ltd.	43,083	-		
Others	2,435,868	0.15		
Total	<u>\$ 2,819,035</u>	0.17		

Interest rates are the same as those with regular clients.

#### (v) Credit

			Decembe	er 31, 2022			
	Number of			Performi	ng situations		
Category	clients or name of related party	Highest balance	Ending balance	Performing Ioan	Non-performing Loans	Collaterals	Transaction terms are different to regular clients
Employee consumer loans	46	18,311	14,727	14,727	-	none	none
Self-use home mortgages loans	127	557,503	511,280	511,280	-	real estate	none
Others	Natural person	617,163	590,656	590,656	-	real estate	none
			Decembe	er 31, 2021			
	Number of						
				Performi	ng situations		
Category	clients or name of related party	Highest balance	Ending balance	Performi Performing Ioan	ng situations Non-performing Loans	Collaterals	Transaction terms are different to regular clients
Category Employee consumer loans	clients or name of related		•	Performing	Non-performing	Collaterals none	are different to
Employee consumer	clients or name of related party	balance	balance	Performing Ioan	Non-performing		are different to regular clients

#### (vi) Donation::

	For the years ended December 31,			
	2022	2021		
Small and Medium Enterprise Credit Guarantee Fund of Taiwan	\$ 318,530	377,867		
Taiwan Business Bank Guild	2,500	2,500		
Total	\$ 321,030	380,367		

#### (vii)Guarantees: None.

#### (viii) Service fees: None.

#### (ix) Rental revenue:

	For the years ended December 31,			
	20:	22	2021	
TBB International Leasing Co., Ltd.	\$	691	691	
TBB Venture Capital Co., Ltd.		172	324	
TBB Consulting Co., Ltd.		716	87	
Total	\$	1,579	1,102	

(x) Derivatives financial instrument transactions: None.

(xi) Sales of Non-Performing Loans Transactions: None.

#### (c) Major management salary information

		For the years ended December 31,			
		2022	2021		
Salary and other short-term employee benefits	\$	124,242	85,181		
Post-employment benefits		2,150	2,362		
Total	<u>\$</u>	126,392	87,543		

#### (8) Pledged assets: Please refer to notes 6(h) for more details.

#### (9) Commitments and contingencies:

#### (a) Significant commitments and contingencies were as follows:

	December 31, 2022	December 31, 2021
Marketable securities held for custody	\$ 8,659,768	9,417,776
Bills collected for others	43,238,126	48,911,218
Bills lent for others	49,785,210	40,504,652
Guarantees and letters of credit	30,185,645	35,394,541
Trust liabilities	218,150,077	212,285,576
Items held for custody	901,998	1,163,471
Registered government bonds for sale	66,327,700	65,741,100
Registered short-term bills for sale	4,290,113	3,080,457
Guarantee notes payable	54,054,530	53,651,900

#### (b) Unrecognized contractual commitments:

As of December 31, 2022 and 2021, major constructions in progress and purchases amounted to \$1,018,993 and \$583,601 respectively, of which \$911,848 and \$408,698 respectively, remained unpaid.

(c) The Bank's trust department plans, manages, and operates trust services in accordance with the Banking Law and Trust Law. Special purpose funds are used to invest in marketable securities and the Bank also manages trust funds. The trust information as of December 31, 2022 and 2021 is as follows:

#### **Trust Balance Sheet**

Trust Assets	De	ecember 31, 2022	December 31, 2021
Cash in Bank	\$	6,303,284	6,885,022
Stocks		928,987	845,570
Funds		73,259,462	71,899,727
Bonds		2,935,786	1,356,856
Real estate		21,657,475	16,703,682
Securities custody		112,621,601	114,091,688
Other assets		443,482	503,031
Total trust assets	\$	218,150,077	212,285,576
Trust Liabilities	De	ecember 31, 2022	December 31, 2021
Payables	\$	9	9
Securities held for custody		112,621,601	114,091,688
Trust capital		105,439,231	98,115,347
Accumulated loss		(332,731)	(2,478,944)
Net income		421,967	2,557,476
Total trust liabilities	\$	218,150,077	212,285,576

#### December 31, 2022 and 2021

#### **Trust Property Accounts**

#### December 31, 2022 and 2021

Investment in	December 31, 2022	December 31, 2021
Cash in bank	\$ 6,303,284	6,885,022
Stocks	928,987	845,570
Funds	73,259,462	71,899,727
Bonds	2,935,786	1,356,856
Real estate		
Land	14,422,800	13,642,172
Buildings	29,556	34,674
Construction in progress	7,205,119	3,026,836
Securities in custody	112,621,601	114,091,688
Other assets	443,482	503,031
Total	<u>\$ 218,150,077</u>	212,285,576

Note: As of December 31, 2022 and 2021, the amounts above included OBU transaction on "foreign currency designated trust funds investment in foreign negotiable securities business" amounting to \$1,580,471 and \$1,254,366, respectively.

FINANCIAL STATUS

307

#### **Trust Income Statement**

#### For the years ended December 31, 2022 and 2021

	For the years er	nded December 31,
Investment items	2022	2021
Trust Revenue		
Interest income	\$ 87,436	69,014
Realized capital gain-fund	338,547	1,700,677
Realized gain-stocks	3,147	1,112
Realized gain-bonds	5,059	24,585
Dividend revenue	2,147,052	1,981,168
Other revenues	4,179	5,007
Sub-total	2,585,420	3,781,563
Trust Expense		
Administrative expenses	43,494	63,735
Postage and telecommunication expense	841	1,546
Duties	49	19
Realized loss-stocks	2,104,595	1,151,680
Realized loss-bonds	11,072	5,033
Capital fee	-	441
Other expenses	3,195	1,592
Sub-total	2,163,246	1,224,046
Income before income tax	422,174	2,557,517
Income tax expense	(207	)(41)
Net income	<u>\$ 421,967</u>	2,557,476

(d) In 1996, the Bank's World Trade Center Branch was sued for handling a letter of credit export collection from Chin Seen Industrial Co., which allegedly used a forged export document and failed to ship the goods to the importer, the International Comagnie de Commercialization et d'Invertissement (I.C.C.I.) of the Republic of Zaire, suffered a loss thereon. In November 1998, I.C.C.I. initiated a case with the Court of Commerce of Brussels in Belgium, requested the L/C opening bank (Banque Bruxelles Lambert, or BBL) and the Bank to jointly pay compensation of USD\$7,830 plus interest, losses, and expenses for the L/C. On August 31, 2005, the Court of Commerce of Brussels rendered its judgment which the Bank has to make compensation of USD\$7,674 plus interest to I.C.C.I.. The Bank has engaged a local attorney in Belgium to formally file an appeal. In February 2011, Court of Appeal in Brussels had made an intermediate adjudication which I.C.C.I and the Bank are both responsible for the offense. Furthermore, on November 16, 2011, the judgment of the court indicated that the Bank should be responsible for 90% of the negligence proportion. In terms of the judgment of the court of the second instance, the Bank has filed an appeal on November 3, 2011. On February 6, 2013, the court overruled the Bank's appeal and the Bank lost the case. However, the Bank and I.C.C.I couldn't reach an agreement on the exchange rate and the calculation of the compensation. In October 2016, I.C.C.I initiated a case with the Court of Frankfurt in Germany, applied for seizing the Bank account in Germany, and the Bank lodged guaranty money of EUR \$13,200 to the court to rescind the order for attachment.

In July 2017, I.C.C.I applied for compulsory execution to the guaranty money, the court has transferred the guaranty money to I.C.C.I. The Bank then filed a lawsuit objecting to the debt through the attorney. The case was dismissed by the Court of Frankfurt in November 2018, and remanded back to trial court in November 2019 after the Bank's appeal was granted by the High Court of Frankfurt. I.C.C.I. has filed a statement of grounds for objection to the Federal Court of Justice on March 16, 2019. And request to revoke the "Return of the Judgment of the Frankfurt High Court". The Bank has appointed a lawyer to act as an attorney in the German Federal Court of Justice and filed a defense against I.C.C.I. of objections. The case is currently being tried by the Regional Court of Frankfurt. The Federal Court of Justice has denied the I.C.C.I interlocutory appeal on May 20, 2021. In October and November 2019, the Bank received subpoenas from the court of the Democratic Republic of Congo by a third person Star Marine, who demanded I.C.C.I to pay USD\$1,130 in compensation and held the Bank as jointly liable, and by I.C.C.I, which demanded the Bank to pay USD\$20,060 less its reimbursed amount to make a security deposit of EUR\$14,000. The Bank has engaged local attorneys to represent itself in court. The Court of Congo will merge the two cases for court. In April 2021, the translation of judgement from the Court of Congo, judgeing that the Bank should pay around EUR\$20,060 for I.C.C.I. Also, I.C.C.I must compensate Star Marine for USD\$1,130 as well as make a security deposit of EUR\$14,000 in the domestic bank in Congo. I.C.C.I has been paid around EUR\$14,860. According to the statement of plantiff and considering that I.C.C.I has already received about EUR \$14,860, an addition of \$73,181 thousand has been provision for lawsuit in 2021. Please refer to Note 6(v) for more details. As of December 31, 2022, the Bank has accrued the compensation of \$259,635 and EUR\$9,660.

#### (10) Loss from major disasters:None

#### (11) Subsequent Events:None

#### (12) Others:

### (a) Information on loan quality, concentration of credit extensions, interest rate-sensitivity, profitability and maturity analysis

		Month/Year			December 31, 2022		
Items			Non-performing Ioans	Total loans	Non-performing Ioan ratio	Allowance for credit losses	Coverage ratio
Corporate	Secured		1,602,465	713,092,812	0.22%	8,945,106	558.21%
finance	Unsecured		691,641	372,391,080	0.19%	4,952,203	716.01%
	Residence m	ortgages(Note 4)	187,800	170,335,261	0.11%	2,130,940	1,134.69%
	Cash cards		-	-	-%	-	-%
Consumer finance	Microcredit(N	lote 5)	4,802	325,663	1.47%	7,370	153.48%
interior	Others	Secured	266,055	149,120,110	0.18%	1,868,990	702.48%
	(Note 6)	Unsecured	14,614	13,228,525	0.11%	174,007	1,190.69%
Total loan busi	iness		2,767,377	1,418,493,451	0.20%	18,078,616	653.28%
			Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio
Credit cards b	usiness		437	1,122,771	0.04%	14,292	3,270.48%
Account rece (Note 7)	ivable factoring	-without recourse	-	-	-%	-	-%

(i) Loan quality:

		Month/Year			December 31, 2021		
Items			Non-performing loans	Total loans	Non-performing Ioan ratio	Allowance for credit losses	Coverage ratio
Corporate	Secured		1,324,552	686,386,566	0.19%	7,855,442	593.06%
finance	Unsecured		1,800,964	330,974,304	0.54%	4,246,313	235.78%
	Residence m	ortgages(Note 4)	228,806	141,504,543	0.16%	1,625,312	710.35%
	Cash cards		-	2	-%	-	-%
Consumer finance	Microcredit(N	lote 5)	6,085	417,829	1.46%	8,809	144.77%
manoc	Others	Secured	307,198	147,964,837	0.21%	1,702,136	554.08%
	(Note 6)	Unsecured	17,548	10,976,267	0.16%	138,805	791.00%
Total loan busir	ness		3,685,153	1,318,224,348	0.28%	15,576,817	422.69%
			Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio
Credit cards bu	usiness		720	1,062,097	0.07%	18,375	2,552.08%
Account recei (Note 7)	ivable factoring	-without recourse	-	-	-%	-	-%

Note 1 Non-performing loans represent the amount of overdue loans as reported in accordance with the "Regulations on the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans". The credit card overdue loans represent the amount of overdue loans as reported in accordance with Jin-Kuan-Yin-(4)-Zi No. 0944000378, dated July 6, 2005.

- Note 2 Non-performing loan ratio = Non-performing loans ÷ total loans; Credit card delinquency ratio = Overdue receivables ÷ receivables
- Note 3 Coverage ratio for loans = allowance for credit losses ÷ non-performing loans; Coverage ratio for credit card business = allowance for credit losses ÷ overdue receivables.
- Note 4 For residential mortgage loans, a borrower provides his/her (or spouse's or minor child's) house as collateral in full and pledges it to the financial institution for the purpose of obtaining funds to purchase property and to construct or repair a house.
- Note 5 Microcredit loans are defined by Jin-Kuan-Yin-(4)-Zi No. 09440010950, dated December 19, 2005, and do not include credit cards or cash cards.
- Note 6 Others in consumer finance are secured and unsecured consumer loans other than residential mortgage loans, cash card loans, and microcredit loans, and do not include credit cards.
- Note 7 In accordance with Jin-Kuan-Yin-(5)-Zi No. 0945000494, dated July 19, 2005, the amounts of without-recourse factoring will be classified as overdue receivables within three months from the date that suppliers or insurance companies resolve not to compensate the loss.

#### Overdue loans and receivables exempted from reporting

	Decembe	r 31, 2022	December 31, 2021		
	Loans may be exempted from reporting as a non- performing loan	Receivables may be exempted from reporting as overdue receivables	Loans may be exempted from reporting as a non- performing loan	Receivables may be exempted from reporting as overdue receivables	
Pursuant to a contract under a debt negotiation plan (Note1)	\$ 258	1,112	372	1,486	
Pursuant to a contract under a debt liquidation plan and a debt relief plan (Note 2)	54,109	22,489	51,418	26,536	
Total	<u>\$ 54,367</u>	23,601	51,790	28,022	

Note 1: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09510001270, dated April 25, 2006, a bank is required to make supplemental disclosure of credit information which was approved under the debt coordination mechanism of unsecured consumer debts by the Bankers Association of the R.O.C.

Note 2: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09700318940, dated September 15, 2008 and Jin-Kuan-Yin-Fa-Zi No. 10500134790, dated September 20, 2016, a bank is required to make supplemental disclosure of credit information once debtors apply for pre-negotiation, pre-conciliation, relief and liquidation under the "Consumer Debt Clearance Act."

#### (ii) Concentration of credit extensions

	December 31, 2022									
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)							
1	A company. (Railway transportation)	21,202,474	20.37%							
2	B group. (Real estate for sale and rental with own or leased property)	16,381,315	15.74%							
3	C group. (Other holding)	9,788,164	9.40%							
4	D group. (Real estate development)	8,982,725	8.63%							
5	E group. (Steel rolling and extruding)	8,715,755	8.37%							
6	F group. (Computers manufacturing)	6,523,340	6.27%							
7	G group. (Real estate development)	6,261,408	6.01%							
8	H group. (Real estate development)	6,027,170	5.79%							
9	I group. (Liquid crystal panel and components manufacturing)	5,531,674	5.31%							
10	J group. (Financial leasing)	4,565,169	4.39%							

December 31, 2021

Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	23,637,474	23.26%
2	B group. (Real estate for sale and rental with own or leased property)	11,438,878	11.25%
3	E group. (Steel rolling and extruding)	9,135,146	8.99%
4	D group. (Real estate development)	9,024,525	8.88%
5	C group. (Other holding)	8,571,432	8.43%
6	H group. (Real estate development)	6,383,825	6.28%
7	F group. (Computers manufacturing)	5,977,657	5.88%
8	G group. (Real estate development)	5,893,403	5.80%
9	K group. (Air transportation)	4,393,761	4.32%
10	J group. (Financial leasing)	4,201,781	4.13%

Note 1 The top ten enterprise groups other than government or stated-owned enterprises are ranked according to their total outstanding credit amount. If the borrowers belong to an enterprise group, the aggregate credit balance of the enterprise should be calculated and disclosed as a code number for each such borrower together with an indication of the borrowers' line of business. In addition, if the borrowers are enterprise groups, the enterprise group's industry sector with the maximum exposure to credit risk in its main industry sector should be disclosed, along with the "class" of the industry, in compliance with the Standard Industrial Classification System of the R.O.C. posted by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.

Note 2 Enterprise group is as defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings".

- Note 3 Consists of loans (import/export bills negotiated, bills and notes discounted, overdrafts, short-term loans, short-term secured loans, margin loans receivable, medium-term loans, medium-term secured loans, long-term loans, long-term loans, long-term secured loans, overdue loans), exchange bills negotiated, accounts receivable factoring without recourse, bankers' acceptance receivable, guarantees proceeds.
- Note 4 In the calculation of Credit amount to equity ratio, the domestic bank should be calculated in the net value of head office. The Foreign bank should be calculated in the net value of Taiwan branch.

#### (iii) Interest rate-sensitivity information

1) Analysis of interest rate-sensitive assets and liabilities (New Taiwan dollars)

					Unit: %				
December 31, 2022									
Item	1~90 days	91~180 days	181days~1year	over 1 year	total				
Interest rate-sensitive assets	\$ 1,464,207,488	24,207,477	42,324,132	136,449,514	1,667,188,611				
Interest rate-sensitive liabilities	1,333,797,410	31,475,346	65,933,051	49,486,811	1,480,692,618				
Interest rate sensitivity gap	130,410,078	(7,267,869)	(23,608,919)	86,962,703	186,495,993				
Net worth					104,107,258				
Ratio of interest rate-sensitive as		112.60							
Ratio of interest rate-sensitive ga	p to net worth (%)				179.14				

December 31, 2021									
Item	1~90 days	91~180 days	181days~1year	over 1 year	total				
Interest rate-sensitive assets	\$ 1,390,843,739	26,502,324	66,351,438	138,336,920	1,622,034,421				
Interest rate-sensitive liabilities	1,260,163,540	78,136,810	107,263,390	57,890,778	1,503,454,518				
Interest rate sensitivity gap	130,680,199	(51,634,486)	(40,911,952)	80,446,142	118,579,903				
Net worth					101,659,972				
Ratio of interest rate-sensitive ass		107.89							
Ratio of interest rate-sensitive gap	o to net worth (%)				116.64				

Note 1 Listed amount refers to the Bank's amount of N.T. dollars and does not include contingent assets or liabilities.

Note 2 Interest rate-sensitive assets and liabilities refer to revenues or costs of interest-yielding assets and interest-bearing liabilities, which are affected by interest rate fluctuations.

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

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

#### 2) Analysis of the interest-sensitive assets and liabilities (US dollars)

Unit : In Thousands of US Dollars, %

(135.85)

December 31, 2022									
ltem		1~90 days	91~180 days	181days~1year	over 1 year	total			
Interest rate-sensitive assets	\$	5,161,097	219,595	116,768	993,718	6,491,178			
Interest rate-sensitive liabilities		7,302,641	1,388,445	2,402,052	1,139	11,094,277			
Interest rate sensitivity gap		(2,141,544)	(1,168,850)	(2,285,284)	992,579	(4,603,099)			
Net worth	3,388,357								
Ratio of interest rate-sensitive as	sets to	liabilities (%)				58.51			

Ratio of interest rate-sensitive gap to net worth (%)

December 31, 2021									
Item	1~90 days	91~180 days	181days~1year	over 1 year	total				
Interest rate-sensitive assets	\$ 5,768,616	985,190	124,536	812,271	7,690,613				
Interest rate-sensitive liabilities	nterest rate-sensitive liabilities 6,805,950		1,984,997	-	10,013,553				
Interest rate sensitivity gap	(1,037,334)	(237,416)	(1,860,461)	812,271	(2,322,940)				
Net worth					3,676,007				
Ratio of interest rate-sensitive as	Ratio of interest rate-sensitive assets to liabilities (%)								
Ratio of interest rate-sensitive g	ap to net worth (%)				(63.19)				

Note 1 Listed amount refers to the Bank's amount of US dollars and does not include contingent assets or liabilities.

Note 2 Interest rate-sensitive assets and interest rate-sensitive liabilities refer to the interest yielding assets and interest-bearing liabilities which the revenue and cost are affected by interest rate fluctuation.

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

Note 4 Ratio of interest rate-sensitive assets to liabilities=Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (US dollars interest-rate-sensitive assets and US dollars interest-rate-sensitive liabilities).

#### (iv) Profitability

			Unit: %
	Item	December 31, 2022	December 31, 2021
The ratio of return on assets	Before income tax	0.59	0.30
	After income tax	0.49	0.27
The rotic of roturn on equity	Before income tax	11.68	5.77
The ratio of return on equity	After income tax	9.84	5.09
Net	ncome ratio	35.67	21.29

Note 1 The ratio of return on assets = Income before (after) income tax expense  $\div$  average assets.

Note 2 The ratio of return on equity = Income before (after) income tax expense  $\div$  average equity.

Note 3 Net income ratio = Net income after income tax expense  $\div$  Net revenue.

Note 4 Income before (after) income tax expense refers to income accumulated from January of the current year to the current period end.

(v) Maturity analysis for assets and liabilities

1) Maturity analysis in New Taiwan dollars

December 31, 2022											
		An	Amount during the maturity period from the balance sheet date to due date								
	Total	0-10days	11-30days	31-90days	91-180days	181days-1year	Over 1 year				
Major maturity capital inflow	\$ 1,798,278,148	171,214,261	167,605,412	186,953,929	204,957,223	152,184,634	915,362,689				
Major maturity capital outflow	2,201,577,109	79,002,934	115,025,374	262,893,103	184,927,959	384,673,313	1,175,054,426				
Gap	(403,298,961)	92,211,327	52,580,038	(75,939,174)	20,029,264	(232,488,679)	(259,691,737)				

Note: Listed amounts are denominated in New Taiwan dollars of the Bank, including loan commitments of credit agreement and estimates to outflow \$390,839,630.

December 31, 2021											
		An	Amount during the maturity period from the balance sheet date to due date								
	Total	0-10days	11-30days	31-90days	91-180days	181days-1year	Over 1 year				
Major maturity capital inflow	\$ 1,750,694,486	161,102,012	173,091,966	160,017,985	191,111,216	183,481,924	881,889,383				
Major maturity capital outflow	2,080,919,419	58,109,342	96,378,346	197,106,878	230,402,505	383,878,329	1,115,044,019				
Gap	(330,224,933)	102,992,670	76,713,620	(37,088,893)	(39,291,289)	(200,396,405)	(233,154,636)				

Note: Listed amounts are denominated in New Taiwan dollars of the Bank, including loan commitments of credit agreement and estimates to outflow \$321,721,283.

FINANCIAL STATUS

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#### 2) Maturity analysis in US dollars

Unit : In Thousar	ids of US Dollars
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December 31, 2022										
			Amount during the maturity period from the balance sheet date to due date							
		Total	0-30days	31-90days	91-180days	181days-1year	Over 1 year			
Major maturity capital inflow	\$	16,353,649	5,107,519	4,629,214	1,287,440	1,713,177	3,616,299			
Major maturity capital outflow		17,155,496	3,645,117	4,045,473	2,484,679	3,910,394	3,069,833			
Gap		(801,847)	1,462,402	583,741	(1,197,239)	(2,197,217)	546,466			

Note: Listed amounts are denominated in US dollars of the Bank, including loan commitments of credit agreement and estimates to outflow USD \$912,002.

December 31, 2021											
		Amount du	Amount during the maturity period from the balance sheet date to due date								
	Total	0-30days	31-90days	91-180days	181days-1year	Over 1 year					
Major maturity capital inflow	\$ 13,916,218	2,980,694	3,107,058	1,979,387	2,382,222	3,466,857					
Major maturity capital outflow	14,541,102	2,963,483	2,492,268	1,795,298	2,996,995	4,293,058					
Gap	(624,884)	17,211	614,790	184,089	(614,773)	(826,201)					

Note: Listed amounts are denominated in US dollars of the Bank, including loan commitments of credit agreement and estimates to outflow USD \$824,028.

#### (13) Other disclosures:

#### (a) Information on significant transactions:

- (i) Cumulative purchase or sale of the same investee's capital stock up to \$300,000 or 10% of paid-in capital: None.
- (ii) Acquisition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (iii) Disposal of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (iv) Discount of commissions fees with related parties amounting to over \$5,000: None.
- (v) Receivables from related parties amounting to over \$300,000 or 10% of paid-in capital: None.
- (vi) Sale of non-performing loans information: None.
- (vii) Types of securitization instruments and related information approved by financial assets securitization rules or real estate securitization rules: None.
- (viii) Other significant transactions that might have influence over the decision-making process of the financial statements users: None.

#### (b) Information on investees:

(i) The following is the information on investees (excluding information on investees in Mainland China):

									(Unit : thou	sand shares)
						The cross	holding of the	Bank and its r	elated parties	
					Number of	Тс	Note			
Name of investee	Location	Main business scope	Shareholding ratio	Book value	Investment gain (loss)	Number of shares	proforma shares	Number of shares	Shareholding ratio	
TBB International Leasing Co., Ltd.	Taiwan	Leasing business	100.00%	1,516,406	41,673	150,000	-	150,000	100.00%	
TBB (Cambodia) Microfinance Institution Plc	Cambodia	SMEs and personal finance business	100.00%	624,591	26,911	20	-	20	100.00%	
TBB Venture Capital Co., Ltd.	Taiwan	Investing business	100.00%	1,258,512	202,343	105,000	-	105,000	100.00%	
TBB Consulting Co., Ltd.	Taiwan	Consulting business	100.00%	97,947	49,356	5,000	-	5,000	100.00%	
Media Talk Consulting Co., Ltd.	Taiwan	Investing cultural and creative business	20.00%	808	(1,192)	200	-	200	20.00%	

(ii) Loans to others:

							Actual	Range of	Nature		The necessary reason for	Allowance	Guar	antee	Limited amount for	Total limited
NO.	Creditor	Debtor	Interaction Account	Related party	Highest Amount	Ending balance	drawdown amount	interest rate	of the Ioan	Dealing amount	short-term Ioans	for bad debts	Name	Value	individual object	amount for loan
1	TBB International Leasing Co., Ltd.	Chao-Yang International Co., Ltd.	Financial receivables	No	28,442	11,781	20,000	2%-10%	2	-	To the lender for buying goods	120	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Hsin Chuan Construction Co., Ltd.	Financial receivables	No	146,155	62,745	100,000	2%-10%	2	-	To the lender for buying goods	634	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Sian Shang Frozen Food Co., Ltd.	Financial receivables	No	28,442	10,115	20,000	2%-10%	2	-	To the lender for buying goods	103	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Xi Quan Restaurant Co., Ltd	Financial receivables	No	104,957	53,000	106,000	2%-10%	2	-	To the lender for buying goods	550	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Acon-Holding INC.	Financial receivables	No	37,570	7,570	30,000	2%-10%	2	-	To the lender for buying goods	76	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Pei Xian Seafood Co., Ltd.	Financial receivables	No	28,442	11,781	20,000	2%-10%	2	-	To the lender for buying goods	120	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Maw Shing Top Co., Ltd.	Financial receivables	No	26,481	10,971	15,000	2%-10%	2	-	To the lender for buying goods	112	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Yu Ding Investment Co., Ltd.	Financial receivables	No	77,555	50,000	50,000	2%-10%	2	-	To the lender for buying goods	518	None	-	379,101	1,516,403

VI

							Actual	Range of	Nature		The necessary reason for	Allowance	Guar	antee	Limited amount for	Total limited
NO.	Creditor	Debtor	Interaction Account	Related party	Highest Amount	Ending balance	drawdown amount	interest rate	of the Ioan	Dealing amount	short-term Ioans	for bad debts	Name	Value	individual object	amount for Ioan
1	TBB International Leasing Co., Ltd.	Chaishan Foods Co., Ltd.	Financial receivables	No	50,000		50,000	2%-10%	2	-	To the lender for buying goods	-	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Yu Shan Environmental Engineering Co., Ltd.	Financial receivables	No	15,000		15,000	2%-10%	2	-	To the lender for buying goods		None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Chao-Chi Property Management Consulting Co.,Ltd.	Financial receivables	No	15,000	10,078	15,000	2%-10%	2	-	To the lender for buying goods	103	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Tai Chang Fiber Co., Ltd	Financial receivables	No	15,000	10,092	15,000	2%-10%	2	-	To the lender for buying goods	103	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Risingsun Wide Food Corp.	Financial receivables	No	30,000	28,082	30,000	2%-10%	2	-	To the lender for buying goods	288	None	-	379,101	1,516,403
1	TBB International Leasing Co., Ltd.	Yu Cheng Precision Industry Co.,Ltd.	Financial receivables	No	12,000	9,045	12,000	2%-10%	2	-	To the lender for buying goods	92	None	-	379,101	1,516,403
1	TBB International Leasing Co.,Ltd.	Jiou Chang Motor Co., Ltd.	Financial receivables	No	10,000	10,000	10,000	2%-10%	2	-	To the lender for buying goods	103	None	-	379,101	1,516,403
1	TBB International Leasing Co.,Ltd.	Liang-wei Tobacco & Liquor Co., Ltd.	Financial receivables	No	10,000	10,000	10,000	2%-10%	2	-	To the lender for buying goods	103	None	-	379,101	1,516,403
1	TBB International Leasing Co.,Ltd.	Jia Ho Food Co., Ltd.	Financial receivables	No	20,000	20,000	20,000	2%-10%	2	-	To the lender for buying goods	206	None	-	379,101	1,516,403

Note1: The meaning of the number is as follows.

(1) Zero stands for issuer.

(2) Investee companies are numbered in a sequence of Arabic numerals from 1 based on company category. Note2: The amount of loans is still valid up to now.

Note3: The nature of the loan nature is as follows.

(1) 1 stands for business relation.

(2) 2 stands for the necessity for short-term loans.

Note4: Limited amount for individual object:25% net worth of the latest TBB International Leasing Co.,Ltd's audited financial statements.

Note5: Total limited amount for loan: 100% net worth of the latest TBB International Leasing Co.,Ltd.'s audited financial statements.

#### (iii) Endorsements and guarantee for others: None

(iv) Acquisition of securities:

(IV)	Acquisition of securitie		3.		At the end o	f the period		
Company acquired	Type and name of the security	Relationship with the security issuer	Account	Number of shares	Carrying amount	Share proportion (Note 2)	Market price (Note 1)	Note
TBB International Leasing Co., Ltd.	Taiwan Buisness International Leasing Co., Ltd.		Investment under equity method	-	953,828	100.00%	953,828	Note
TBB International Leasing Co., Ltd.	G12245 \ G12246	-	Financial assets at fair value through profit or loss	-	100,000	-%	100,000	Financial debentures
TBB Venture Capital Co., Ltd.	G12245	-	Financial assets at fair value through profit or loss	-	100,000	-%	100,000	Financial debentures
TBB Venture Capital Co., Ltd.	Powerchip Semiconductor Manufacturing Corporation	-	Financial assets at fair value through profit or loss	250	8,013	0.01%	8,013	Listed Stocks
TBB Venture Capital Co., Ltd.	Eir Genix, Inc.	-	Financial assets at fair value through profit or loss	845	104,780	0.28%	104,780	OTC Stocks
TBB Venture Capital Co., Ltd.	Chenfull Precision Co.,Ltd.	-	Financial assets at fair value through profit or loss	380	27,930	0.64%	27,930	OTC Stocks
TBB Venture Capital Co., Ltd.	Lungteh Shipbuilding Co., Ltd.	-	Financial assets at fair value through profit or loss	1,702	113,163	1.74%	113,163	Emerging Stocks
TBB Venture Capital Co., Ltd.	Ping Ho Environmental Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	150	8,730	0.51%	8,730	Emerging Stocks
TBB Venture Capital Co., Ltd.	Handa Pharmaceuticals, Inc.	-	Financial assets at fair value through profit or loss	1,141	139,737	0.88%	139,737	Emerging Stocks
TBB Venture Capital Co., Ltd.	Tigerair Taiwan Co.,Ltd.	-	Financial assets at fair value through profit or loss	1,973	61,360	0.49%	61,360	Emerging Stocks
TBB Venture Capital Co., Ltd.	Energenesis Biomedical Co., Ltd.	-	Financial assets at fair value through profit or loss	340	14,399	0.51%	14,399	Emerging Stocks
TBB Venture Capital Co., Ltd.	Evergreen Aviation Technologies Corporation	-	Financial assets at fair value through profit or loss	468	37,580	0.13%	37,580	Emerging Stocks
TBB Venture Capital Co., Ltd.	Locus Cell Co., Ltd.	-	Financial assets at fair value through profit or loss	1,362	48,760	0.68%	48,760	Emerging Stocks
TBB Venture Capital Co., Ltd.	Starlux Airlines Co., Ltd.	-	Financial assets at fair value through profit or loss	3,860	73,147	0.21%	73,147	Emerging Stocks
TBB Venture Capital Co., Ltd.	Pinkoi Inc.	-	Financial assets at fair value through profit or loss	93	30,156	0.53%	30,156	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Song Chuan Precision Co., Ltd.	-	Financial assets at fair value through profit or loss	415	24,898	0.74%	24,898	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Techplasma Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	821	54,267	2.87%	54,267	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Hephas Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	680	88,349	2.96%	88,349	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Ren Chin Electric Conductor Co., Ltd.	-	Financial assets at fair value through profit or loss	250	3,835	2.61%	3,835	Unlisted Stocks

VI

					At the end o	f the period			
Compose :	Type and name of	Relationship with the		Number of	Carrying	Share proportion	Market price	Neter	
Company acquired TBB Venture Capital Co., Ltd.	the security Manford Machinery Co., Ltd.	security issuer	Account Financial assets at fair value through	shares 1,195	amount 20,315	(Note 2) 2.99%	(Note 1) 20,315	Note Unlisted Stocks	
TBB Venture Capital Co., Ltd.	Yuh Shan Enviromental Engineering Co., Ltd.	-	profit or loss Financial assets at fair value through profit or loss	500	22,005	1.96%	22,005	Unlisted Stocks	
TBB Venture Capital Co., Ltd.		-	Financial assets at fair value through profit or loss	286	2,940	0.48%	2,940	Unlisted Stocks	
IBB Venture Capital Co., Ltd.	lovtec Co., Ltd.	-	Financial assets at fair value through profit or loss	424	21,857	2.93%	21,857	Unlisted Stocks	
TBB Venture Capital Co., Ltd.	e-Formula Technologies, Inc.	-	Financial assets at fair value through profit or loss	600	8,952	2.76%	8,952	Unlisted Stocks	
TBB Venture Capital Co., Ltd.	Han-win Technology Co., Ltd	-	Financial assets at fair value through profit or loss	453	6,272	2.20%	6,272	Unlisted Stocks	
TBB Venture Capital Co., Ltd.	Ina Energy Corporation	-	Financial assets at fair value through profit or loss	2,000	25,800	1.00%	25,800	Unlisted Stocks	
TBB Venture Capital Co., Ltd.	Amazing Cool Technology Corporation.	-	Financial assets at fair value through profit or loss	390	3,916	2.86%	3,916	Unlisted Stocks	
TBB Venture Capital Co., Ltd.	Long-Shun Green EnergyTechnology Ltd.	-	Financial assets at fair value through profit or loss	720	28,800	2.40%	28,800	Unlisted Stocks	
TBB Venture Capital Co., Ltd.	Gamamobi Taiwan Co., Ltd	-	Financial assets at fair value through other comprehensive income	200	1,690	1.00%	1,690	Unlisted Stocks	
TBB Venture Capital Co., Ltd.	Toyo Automation Co., Ltd.	-	Financial assets at fair value through profit or loss	250	26,250	0.95%	26,250	Unlisted Stocks	
TBB Venture Capital Co., Ltd.	aetherAl Co., Ltd.	-	Financial assets at fair value through profit or loss	400	10,000	0.72%	10,000	Unlisted stocks	
TBB Venture Capital Co., Ltd.	GoodLinker Co., Ltd.	-	Financial assets at fair value through profit or loss	100	3,000	2.86%	3,000	Unlisted Stocks	
TBB Venture Capital Co., Ltd.	Yiyi Pictures Co Ltd.	-	Financial assets at fair value through profit or loss	9	2,992	1.10%	2,992	Unlisted Stocks	
TBB Venture Capital Co., Ltd.	Inbound Asia Co., Ltd.	-	Financial assets at fair value through profit or loss	83	3,000	0.41%	3,000	Unlisted Stocks	
TBB Venture Capital Co., Ltd.	TFBS Bioscience, Inc.	-	Financial assets at fair value through other comprehensive income	250	13,500	0.75%	13,500	Unlisted Stocks	
TBB Venture Capital Co., Ltd.	Asia Hydrogen Energy Corporation	-	Financial assets at fair value through profit or loss	132	5,000	1.98%	5,000	Unlisted Stocks	
TBB Venture Capital Co., Ltd.	kuang shih Al Co., Ltd.	-	Financial assets at fair value through profit or loss	1,600	20,800	8.89%	20,800	Unlisted Stocks	

					At the end o	f the period		
Company acquired	Type and name of the security	Relationship with the security issuer	Account	Number of shares	Carrying amount	Share proportion (Note 2)	Market price (Note 1)	Note
TBB Venture Capital Co., Ltd.	Longwalk social enterprise, Co., Ltd.	-	Financial assets at fair value through profit or loss	120	3,000	12.77%	3,000	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Carpost Co., Ltd.	-	Financial assets at fair value through profit or loss	330	3,960	2.92%	3,960	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Honley Auto. Parts Co., Ltd.	-	Financial assets at fair value through profit or loss	3,000	36,000	1.78%	36,000	Unlisted Stocks
TBB Venture Capital Co., Ltd.	Taiwania Buffalo III Biotechnology VentureCapital LLP.	-	Financial assets at fair value through profit or loss	-	35,119	4.57%	35,119	Private fund
TBB Venture Capital Co., Ltd.	Ju He Venture Capital LLP.	-	Financial assets at fair value through profit or loss	-	19,071	2.46%	19,071	Private fund
TBB Venture Capital Co., Ltd.	TBB No. 1 Venture Capital Limited Partnership	-	Financial assets at fair value through profit or loss	-	11,831	1.12%	11,831	Private fund
TBB Venture Capital Co., Ltd.	Jia Da International Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,919	29,807	8.52%	29,807	Unlisted Stocks
TBB Consulting Co., Ltd.	Media Talk Consulting Co., Ltd.	Associates	Investment under equity method	-	808	20.00%	808	
TBB Consulting Co., Ltd.	TBB No. 1 Venture Capital Limited Partnership	-	Financial assets at fair value through profit or loss	-	1,183	0.11%	1,183	Private fund

Note 1: Listed companies apply the market price to calculate the net worth of the shares possessed. Unlisted companies apply the proportion of shares calculate the net worth of the shares possessed. The net worth of preferred stock is calculated based on the liquidation price plus dividends in arrears.

Note 2: The proportion of shares the preferred stock is calculated based on the shares the Bank possessed divided by the shares issued.

- (v) Accumulative purchases or sales of the same investee companies amounting to over \$300,000 or 10% of paid-in capital: None.
- (vi) Acquisition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (vii) Disposition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (viii) Discount of commissions and handling fees with related parties amounting to over \$5,000: None.
- (ix) Receivables from related parties amounting to over \$300,000 or 10% of paid-in capital: None.
- (x) Transactions of financial derivatives: None.
- (xi) Sale of non-performing loans information: None.
- (xii) Types of securitization instruments and related information approved by financial assets securitization rules or real estate securitization rules: None.
- (xiii) Other significant transactions that might have substantial influence over the decision making of the financial statement users: None.

VI

#### (c) Information on investments in Mainland China:

Name of investee company in Mainland China	Major business	Paid-in capital	Investment method (Note 1)	Accumulated amount transferred from Taiwan, beginning of the period	Investment tran or recov Transferred out	ered	Accumulated amount transferred from Taiwan,end of the	loss of	Shares directly or indirectly	Investment income for the period (Notes 2 and 4)	Ending carring value of	Accumulated inward remittance of earnings as of the end of period
Taiwan Business Bank , Ltd. Shanghai branch	Banking business	3,910,537 (CNY800 million) (Operating capital)	(3)	3,910,537 (CNY800 million)	-	-	3,910,537 (CNY800 million)		Shanghai branch of the Bank, not an investee company	Note 4	4,325,735	None
Taiwan Business Bank , Ltd. Wuhan branch	Banking business	3,942,815 (CNY800 million) (Operating capital)	(3)	3,942,815 (CNY800 million)	-	-	3,942,815 (CNY800 million)		Wuhan branch of the Bank, not an investee company	Note 4	4,130,790	si
Taiwan Business Bank International Leasing Co., Ltd.	Leasing business	838,305 (CNY170 million) (Operating capital)	(1)	838,305 (CNY170 million)	-	-	838,305 (CNY170 million)	34,290 2(c)	100%	34,290 2(c)	953,828	ű

#### (i) Name and major business item of the investee in China:

Note 1: Investment method is divided into three categories and are listed as follows:

(1) Directly invest in Mainland China.

- (2) Investment in Mainland China companies through a third region.
- (3) Others: establishment of oversea branches

Note 2: The column of "Investment gains (losses)":

- (1) If the company is still in the preparation process, and does not have any investment gain or loss, please specify.
- (2) The bases for recognition of investment income or loss have three methods, please specify.
  - a. The audited financial reports that are issued by an international accounting firm which is connected to an accounting firm in Taiwan.
  - b The audited financial reports that are issued by the Taiwan parent company's designated accounting firm.
  - c. Others
- (3) Please specify if information regarding current gains or losses of an investee is not retrievable.
- Note 3: The number is expressed in New Taiwan Dollars.

Note 4: The operating result of Shanghai and Wuhan branch have been included in the Bank.

#### (ii) Limitation on investment in Mainland China:

Name of Company	Accumulated outflow of investment from Taiwan to Mainland China, as of the end of period		Upper limit on investment authorized by Investment Commission, MOEA
Taiwan Business Bank, Ltd.	8,691,657	8,691,657	62,464,355
(Note)	(CNY 1,770 million)	(CNY 1,770 million)	

Note: The investment amount in China of the subsidiary TBB International Leasing Co, Ltd is included.

#### (d) Information of major shareholders:

Shareholder's Name	Shares	Percentage
Bank of Taiwan	1,301,907,315	16.21%
National Development Fund, Executive Yuan	471,075,689	5.87%

#### (14) Segment information: None

Taiwan Business Bank, Ltd.

Chairman: Chien-Hao Lin



President: Chih-Chien Chang



SVP&GM, Accounting Dept.: Li-Ching Lai



9. Financial Difficulties Confronted by TBB or Its Associates and the Related Impacts: None.

# VII

## Review, Analysis, and Risks of Financial Conditions and Performance

323	1. Financial Position Analysis
324	2. Financial Performance Analysis
324	3. Analysis of Cash Flow
324	4. Impact of Major Capital Expenditure on Financial Operations in 2022
325	5. Long-term Equity Investment Policy for 2022, the Main Reasons for the Profit or Loss Generated thereby, the Plan for Improving Profitability, and Investment Plans for the Coming Year
325	6. Risk Management
337	7. Crisis Management and Response Mechanism
337	8. Other Significant Events

#### **1. Financial Position Analysis**

#### Consolidated Comparative Analysis of Financial Position

			Unit: NT\$1,000; %				
Year	2022	2021	Difference				
Item			Amount	%			
Cash and cash equivalents, due from the Central Bank and call loans to banks	197,818,006	197,554,450	263,556	0.13			
Financial assets at fair value through profit or loss	33,913,114	40,670,401	(6,757,287)	(16.61)			
Financial assets at fair value through other comprehensive income	160,000,410	157,533,062	2,467,348	1.57			
Investments in debt instruments at amortized costs	236,774,247	279,035,906	(42,261,659)	(15.15)			
Securities purchased under agreements to resell	797,893	7,831,274	(7,033,381)	(89.81)			
Receivables - net	9,057,109	7,616,634	1,440,475	18.91			
Current income tax assets	350,069	349,884	185	0.05			
Discounts and loans - net	1,400,112,365	1,302,388,363	97,724,002	7.50			
Investments measured by equity method - net	808	-	808	-			
Other financial assets - net	10,315	28,942	(18,627)	(64.36)			
Premises and equipment - net	14,121,833	14,533,721	(411,888)	(2.83)			
Right-of-use asset - net	1,212,593	1,149,295	63,298	5.51			
Intangible assets - net	757,216	554,337	202,879	36.60			
Deferred income tax assets	1,777,199	1,951,636	(174,437)	(8.94)			
Other assets - net	15,782,948	10,055,167	5,727,781	56.96			
Total assets	2,072,486,125	2,021,253,072	51,233,053	2.53			
Deposits from the Central Bank and other banks	194,966,177	102,540,315	92,425,862	90.14			
Due to the Central Bank and other banks	1,131,025	50,261,590	(49,130,565)	(97.75)			
Financial liabilities at fair value through profit or loss	9,925,525	8,436,037	1,489,488	17.66			
Securities sold under agreements	2,462,991	2,060,693	402,298	19.52			
Payable	21,493,131	22,761,436	(1,268,305)	(5.57)			
Current income tax liabilities	1,101,015	64,584	1,036,431	1,604.78			
Deposits and remittances	1,673,580,263	1,668,656,822	4,923,441	0.30			
Financial debentures	52,250,000	52,250,000	0	0.00			
Other financial liabilities	2,910,581	4,365,294	(1,454,713)	(33.32)			
Provisions for liabilities	2,676,102	3,420,210	(744,108)	(21.76)			
Lease liabilities	1,239,919	1,149,456	90,463	7.87			
Deferred income tax liabilities	879,056	886,290	(7,234)	(0.82)			
Other Liabilities	3,763,082	2,740,373	1,022,709	37.32			
Total liabilities	1,968,378,867	1,919,593,100	48,785,767	2.54			
Equity attributable to owners of parent company	104,107,258	101,659,972	2,447,286	2.41			
Common stock	80,296,934	77,431,952	2,864,982	3.70			
Capital Surplus	815,900	815,900	0	0.00			
Retained earnings	26,764,099	21,105,900	5,658,199	26.81			
Other items in equity	(3,769,675)	2,306,220	(6,075,895)	(263.46)			
Total equity	104,107,258	101,659,972	2,447,286	2.41			

VII

#### 2. Financial Performance Analysis

#### **Consolidated Operational Performance Analysis**

				Unit: NT\$1,000; %
Year	2022	2021	Amount increased (decreased)	Ratio of changes (%)
Net interest income	20,227,973	17,805,776	2,422,197	13.60
Non-interest net income	8,301,150	6,300,248	2,000,902	31.76
Bad debts expense, commitment and guarantee liability provision	(2,386,062)	(5,187,503)	(2,801,441)	(54.00)
Operating expenses	(14,103,269)	(13,116,475)	986,794	7.52
Net income before tax from continuing operation	12,039,792	5,802,046	6,237,746	107.51
Income tax (expense) gain	(1,917,940)	(701,934)	1,216,006	173.24
Net income after tax from continuing operation	10,121,852	5,100,112	5,021,740	98.46
Net profit for the period	10,121,852	5,100,112	5,021,740	98.46

Analysis on increase/decrease in ratio:

In 2022, net profit for the period increased by NT\$5.022 billion, primarily due to the growth of deposit and loan volume, and the increase in net income from interests, service fees and financial products.

#### 3. Analysis of Cash Flow

#### (1) Liquidity analysis for the past two years

Year	2022	2021	Increase (Decrease)
Cash flow ratio	13.32%	43.99%	-30.67%
Cash flow adequacy ratio	1,352.80%	1,080.68%	272.12%
Cash flow satisfaction ratio	107.96%	-	-

Analysis on increase/decrease in ratio:

The decrease in cash flow ratio is primarily due to the decrease in net cash inflow from operating activities in 2022 compared to 2021.

No analysis is presented for cash flow satisfaction ratio as negative net cash flow from investing activities was recorder in 2021.

#### (2) Analysis of cash liquidity for the coming year

					Unit: NT\$1,000
	Expected net		Remedial measures	for cash inadequacy	
Opening cash balance ①	cash flow from operating activities throughout the year ②		Expected sum of cash surplus (inadequacy) ①+②+③	Investment planning	Financial planning
48,879,847	(9,442,231)	1,157,953	40,595,569	-	-

#### 4. Impact of Major Capital Expenditure on Financial Operations in 2022

#### (1) The use of major capital expenditures and source of funds

Unit: NT\$1,000

	ng items Actual or expected source of capital capital		Intal		Use of actual or expected capital					
Planning items			2019	2020	2021	2022	2023			
Purchase of machinery and equipment - computer equipment	Own funds	2023/12/31	1,393,633	201,818	200,751	142,694	344,738	503,632		
Purchase of premise of the Bank's headquarter	Own funds	2023/12/31	5,575	120	5,455	0	0	0		
Maintenance and renovation work for the premise of the headquarter	Own funds	2023/12/31	489,836	37,573	81,397	61,732	65,824	243,310		

Improve the corporate image of the Bank, enhance service quality, stabilize the operating locations, and expand our service network.

#### 5. Long-term Equity Investment Policy for 2022, the Main Reasons for the Profit or Loss Generated thereby, the Plan for Improving Profitability, and Investment Plans for the Coming Year

During 2022, the primary profiting sources for the long-term equity investment business are the cash dividends income and the operating performance returns from the investment companies. In the future, shall there be appropriate investment targets or investments made according to factors of government policies, the Bank will carry out relevant procedures after due assessment.

#### 6. Risk Management

#### (1) Structure of the Bank's risk management organization and the policy

- A. Structure of the risk management organization
  - a. Risk Management Committee

The Chairman shall assign the chairman of the Risk Management Committee, and the committee member includes the President, Executive Vice President who is not the legal compliance officer of the Bank's headquarters, and the General Managers of departments under the Bank's headquarter (excluding the S.V.P. & GM of Auditing Department). The Committee is established to provide a sound risk management system, strengthen the efficacy of risk management, and execute the risk management and monitoring for the Bank. In principle, a meeting shall be convened per month, and the chairman of the committee may convene an extraordinary meeting when necessary. Its duties are as follow:

- 1) Analyze significant local and foreign economic, financial, and industrial risks, and review responding plans.
- 2) Risk exposures in the risk management report and review on resolutions.
- The review shall be based on the rules and regulations, limitation, management indicator, and responding solutions for exceeding the limitation in relation to risk management approved by the Board (Managing Directors).
- 4) Supervise the capital adequacy management of the Bank.
- 5) Review or supervise relevant matters that shall be reported to the Risk Management Committee according to the requirements from the local and foreign competent authority.
- 6) Review or supervise other matters related to risk management.

Risk Management Department is a staff unit of the Committee, responsible for meeting agenda preparation, convening notice, meeting process, meeting minutes, and resolutions tracking and management, and it shall report the material resolutions from the Risk Management Committee and risk exposures to the Board (Managing Directors) regularly.

b. ALM Committee

The ALM Committee of the Bank is chaired by the President, and the committee member includes Executive Vice President, General Managers from departments in charge of deposits, loans, financial trading, funding allocation, and risk management. The Committee is responsible for the monitoring and management of interest rate risk in the banking book (IRRBB) and funding liquidity risks. It convenes regular meetings to evaluate the analysis and measurement method for funding liquidity risks and IRRBB, review the management policy for funding liquidity risks and IRRBB, relevant limitation, and management indicators, listen to exposure reports for interest risks and funding liquidity risks and adjust the debt-asset ratio period structure and the funding maturity structure of the Bank.

c. Loan Supervision Committee

The Loan Supervision Committee of the Bank is convened by the Executive Vice President. In principle, the Committee is convened once a week to review credit loan projects of large denomination loans, foreign currency, and guarantee.

#### d. NPL Management Committee

The NPL Management Committee of the Bank is convened by the Executive Vice President. The convenor may call upon members of the Committee for meeting according to business requirements at any time to discuss measures to prevent unfavorable credit loans and methods to handle overdue cases.

e. Cyber Security Management Committee

Cyber Security Management Committee is convened by the Chief Information Security Officer, and the Committee manages the overall execution and coordination regarding matters related to cybersecurity management of the Bank. The convenor may call upon members of the Committee for meeting according to business requirements at any time to review matters related to cybersecurity management.

#### B. Risk management policy

To effectively control the Bank's risks, the Bank established its "Risk Management Policy," "Standards for Credit Risk Management," "Standards for Market Risk Management," "Standards for Operational Risk," "Guidelines for Bank Interest Rate Management," "Guidelines for Capital Liquidity Risk Management." The regulations and their relevant risk tolerance were approved by the Board (Managing Directors). Content of the Risk Management Policy is as follows: Establish a risk management system for risk identification, measurement, supervision, control, information report, and countermeasures, construct an integrated risk management system, adopt an operating model with appropriate focus on risk management, and control the reasonableness of risk and compensation with the precondition of statutory adequacy ratio, so as to achieve the operating objectives and improve shareholders' interests. It covers credit risk, market risk, operating risk, IRRBB, and capital liquidity risk management, and funding adequacy management.

#### (2) Information on the Nature and Amount of All Types of Risk

A. Credit Risk Management Strategies, Goals, Policies and Procedures

#### Credit Risk Management System

Item	Description
1. Credit Risk Management Strategies, Goals, Policies and Procedures	<ol> <li>Credit risk strategies         <ol> <li>Credit risk strategies</li> <li>Establish a proper credit risk control environment, including credit verification procedures, cred management, measurement, and supervision procedures, as well as credit risk control.</li> <li>Credit risks regarding counterparties (including counterparties, borrower, and debtor), such as default ris and delivery risk, are included in the scope of control.</li> <li>Develop advanced credit risk measuring methods to measure credit risk, and gradually introduce suc methods into our business procedures.</li> </ol> </li> <li>Credit risk management goals</li> </ol>
	Within the scope of acceptable credit risk to the Bank, maintain adequate capital to achieve a reasonable stat between risk and returns. III. Credit risk management policies
	<ul> <li>(I) Fully understand the credit status of borrowers or counterparties and the usage of borrowings and repayment sources of the borrowers.</li> </ul>
	(II) Prudently assess the credit risk condition of borrowers or counterparties and attach attention to the adequacy of the collateral and the guarantee to measure risks and interests.
	(III) Establish a credit rating system regarding the credit status of the borrowers or consider the ratings of th customers from external credit rating institutions as the reference for accepting credit loan cases an setting interest rate.
	IV. Credit risk management procedures
	(I) Establish comprehensive credit approval procedures, including mechanisms such as credit investigation credit loans, post-loan management, and claims management, to manage credit risks in an appropriat manner.
	(II) Regularly carry out control for the concentration of corporate risk regarding nations, financial industries industries, or conglomerates.
	(III) Regularly report to the senior management and the Risk Management Committee regarding the cred risk limitation utilization. Shall there be abnormal losses, establish the responding countermeasure immediately and report to the senior management to minimize the potential losses.

327

Item	Description
2. Credit risk management organization and framework	<ol> <li>Board: The Board is the highest decision-making level for credit risk management, which supervises the effective operation for credit risk management. Credit risk management policies and standards are regularly reviewed by the Board meeting to ensure the efficacy of risk management and the optimized allocation of resources.</li> <li>Risk Management Committee: Responsible for the review of relevant information and issues about credit risk. III. Loan Supervision Department: Responsible for credit loan management and credit loan review.</li> <li>Credit Checking &amp; Industrial/Economic Research Department: Responsible for the credit investigation business and its management and planning, industrial analysis.</li> <li>Overdue Loan &amp; Control Department: Responsible for matters in relation to post-loan management, non-performing loans, non-accrual loans, and bad debt claims.</li> <li>Risk Management Department: Responsible for the measurement, evaluation, monitoring, management, disclosure, and reporting of credit risks.</li> </ol>
3. Scope and features of the credit risk reporting and measurement system	<ol> <li>Credit risk reporting         Convene meetings of the Risk Management Committee every month, report to the senior management         regarding the alert for counterparties, and the concentration control for the industry, group, country, and         financial industry, and discuss the relevant information concerning the credit risk exposures of the Bank.</li> <li>Credit risk measurement system         <ol> <li>The Bank currently adopts the credit risk standard method to calculate the accrued capital; the risk             management system generates the statement for reporting to the competent authorities automatically by             month, and report to the senior management and the Risk Management Committee.</li> <li>The Bank has established multiple limitation control mechanisms (including, country, financial industry,             industry, group, counterparties of derivative) and monitored the above risk limitation on a daily basis. In             the case of exceeding the alert value or above 90% of the limitation, the Bank will establish the relevant             contermeasures.</li> <li>The Bank has established an internal credit rating system and verified the rating results regularly. Currently,             the rating results are included as part of the review regulations, and the Bank is planning to expand the             applicable scope for such business gradually.</li> </ol></li></ol>
4. Credit Risk Avoidance or Mitigation Policies, and Monitoring the Continued Effectiveness of Risk Avoidance and Mitigation Tools	<ol> <li>Credit Risk Hedging or Mitigation Policies:         <ol> <li>Reduce the credit risk for the Bank through credit deduction methods of transferring credit trust fund guarantee, collecting collateral and request for guarantors.</li> <li>Establish the management limitation for credit risk concentration, such as limitation for the country, financial industry, industry, group, individual corporate, to prevent over-centralized risks.</li> </ol> </li> <li>Monitoring the Continued Effectiveness of Risk Hedging and Mitigation Tools:         <ol> <li>Through post-loan management and review mechanism, understand the usage of collateral and carry out the interim management inspection for the credit trust fund guarantee, so as to continue monitoring the credit risk undertaken by the Bank.</li> </ol> </li> <li>Regularly monitor the credit risk concentration limitation, exposure distribution, and asset quality changes of the Bank to correspond to the changes of the financial states, review the credit risk control measures in due time, and regularly report to the senio</li> </ol>
5. Approach adopted for statutory capital provision	The standardized measurement method

#### Exposure After Risk Mitigation and Accrued Capital via Credit Risk Standardized Approach

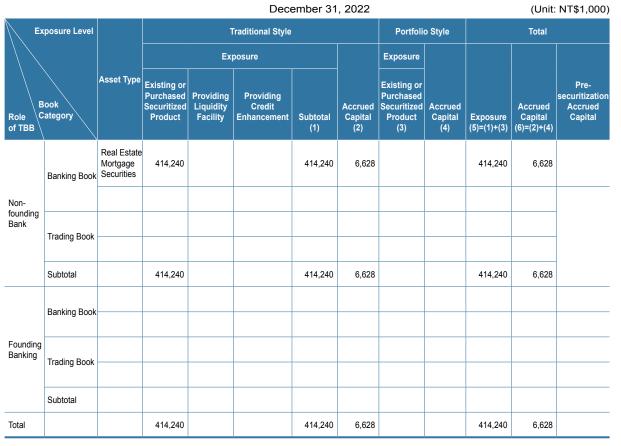
Decem	(Unit: NT\$1,000)	
Types of Exposure	Exposure After Risk Mitigation	Accrued Capital
Sovereign States	347,417,081	43,204
Non-central Government Public Sectors	86,338,885	1,650,424
Banks (including multilateral development banks)	147,747,040	4,129,329
Corporations (including securities and insurance companies)	351,206,679	22,106,833
Retail Claims	174,715,745	4,776,400
Real Estate	906,304,182	57,054,919
Equity Investments	20,223,534	1,886,556
Equity Investments for Fund and Venture Capital Business	1,521,633	141,817
Other Assets	62,510,992	3,116,187
Total	2,097,985,771	94,905,669

#### B. Securitization Risk Management System, Exposure and Accrued Capital

#### Securitization Risk Management System

2022

Item	Explanation
1. Securitization Management Strategies and Procedures	<ol> <li>Securitization Management Strategies         Currently, the Bank does not engage in business related t         founding banks, and it may only invest in securitized product         with certain ratings approved by Taiwan Rating, S&amp;P, Moody's         and FITCH according to the requirements under the "Direction         for New Taiwan Dollar Capital Utilization Management of TBB         and "Directions for Investments in Foreign Currency Marketabl         Securitized Management of TBB" approved by the Board of th         Bank.         II. Securitization Management Procedures         (I) Before investing in marketable securitized securities, suc         investment shall be passed by the review team and shall b         approved by the report within the authorized limits of eac         level.         (II) Subsequent evaluation, limitation monitoring, and stop-los         mechanism shall be controlled according to the relevan         regulations.     </li> </ol>
2. Securitization Management Organization and Framework	<ol> <li>Board: Approve the authorized limitation for all levels.</li> <li>II. Trading department: Engage in investment for securitize products within the prescribed limitation according to the relevar regulations of the Bank.</li> <li>III. Risk Management Department: Perform the control according t evaluation, limitation monitoring, and stop-loss mechanism of the investment position according to the abovementioned regulations IV. Operating department: Carry out subsequent operations of settlement.</li> </ol>
3. Scope and Features of Securitization Risk Reporting and Measurement Systems	The Risk Management Department shall be responsible for th calculation of the limitation of investment position and accrued capita and shall report to the President by month.
<ol> <li>Securitization Risk Hedging or Mitigation Policies, and Monitoring the Continued Effectiveness of Risk Avoidance and Mitigation Tools</li> </ol>	Invest in securitized products with certain ratings approved by Taiwa Rating, S&P, Moody's, and FITCH.
5. Approaches adopted for statutory capital provision	Perform according to the Standard Law of Securitized Seal accordin to the third part of "Calculation Method Description and Form regarding the Equity Capital and Risk Assets of the Bank."
<ol> <li>Overall requirements for qualitative disclosure, including:         <ol> <li>Purpose of securitization activities and types of risk that the Bank undertakes and retains in re- securitization activities</li> <li>Other Risks Inherent in Securitized Assets (e.g., Liquidity Risk)</li> <li>Roles Played by the Bank in Processes of Securitization and Degrees of the Bank's Participation in Each Process</li> <li>Monitoring Procedures for Changes in Credit and Market Risks Involved in Securitization Risk Exposure</li> <li>Credit Risk Mitigation Management Policies Used by the Bank to Mitigate Risks Retained by Securitization and Re-securitization</li> </ol> </li> </ol>	Currently, the Bank does not engage in the founding bank business.
7. Policies for Securitization	Currently, the Bank does not engage in the founding bank business.
8. The Names of External Credit Assessment Institutions (ECAI) Used in Securitization in Banking Books and the Usage of Each Type of Securitization Risk Exposure	Currently, the Bank does not engage in the founding bank business.
<ol> <li>Significant Changes in Quantitative Information since the Last Reporting (e.g., Asset Movements between Banking Books and Trading Books)</li> </ol>	None



#### Securitization Risk Exposure and Accrued Capital

#### Information on Securitized Product

1. Table of Securitized Products Held by the Bank

December 31, 2022								
Item	Accounting Category	Original Cost	Total Fair Value Profit/ Loss	Accumulated Impairment	Carrying Amount			
Collateralized mortgage obligations (CMO)	Investments in debt instruments measured at amortized costs - corporate bond	441,281.78	-1,791.37	0.00	84,537.59			
Collateralized mortgage obligations (CMO)	Investments in debt instruments measured at fair value through other comprehensive income - corporate bond	429,425.21	-1,847.54	0.00	26,986.08			
Collateralized mortgage obligations (CMO)	Investments in debt instruments measured at fair value through other comprehensive income - corporate bond	454,375.94	-10,353.39	0.00	91,502.89			
Collateralized mortgage obligations (CMO)	Investments in debt instruments measured at fair value through other comprehensive income - corporate bond	303,361.37	-63,015.96	0.00	286,430.50			

# VII

2. (1) Disclosure of investments in securitized products with an original value over NT\$300 million (excluding those held by the Bank in the capacity as the founding institution with a view to strengthened credit):

Unit: NT\$1,000

Name of securities	Accounting Category	Currency	lssuer and Location	Date of Purchase	Maturity Date	Coupon Rate (%)	Credit Ratings	Method of Interest Payment and Principal Repayment	Original Cost	Total Fair Value Profit/ Loss	Accumulated Impairment	Carrying Amount	Attachment Point	Content of Asset Pool
US3137F4VQ28	Investments in debt instruments measured at amortized costs - corporate bond	USD	US	2018/10/19	2046/9/15	3.50	AAA	Announce the interests for the next period and the amount of principal repayment by month	441,281.78	-1,791.37	0	84,537.59		California: 14.19%; Texas: 12.95%; Florida: 9.12%; Washington: 4.33%; Others: 59.41%
US3136B3KS88	Investments in debt instruments measured at fair value through other comprehensive income - corporate bond	USD	US	2018/11/13	2048/11/25	4.00	AAA	Announce the interests for the next period and the amount of principal repayment by month	429,425.21	-1,847.54	0	26,986.08		California: 50.87%; New York: 25.31%; Virginia: 7.98%; Washington: 6.26%; Others: 9.58%
US3136B4CG16	Investments in debt instruments measured at fair value through other comprehensive income - corporate bond	USD	US	2019/3/29	2049/4/25	3.00	AAA	Announce the interests for the next period and the amount of principal repayment by month	454,375.94	-10,353.39	0	91,502.89		New York: 96.54%; Washington: 2.02%; Washington, D.C.: 1.44%
US3137H44Y35	Investments in debt instruments measured at fair value through other comprehensive income - corporate bond	USD	US	2021/10/22	2051/10/25	1.50	AAA	Announce the interests for the next period and the amount of principal repayment by month	303,361.37	-63,015.96	0	286,430.50		California: 67.91%; Washington: 11.15%; Virginia: 4.06%; Others: 16.88%

(2) The Bank does not serve as the Founding Bank.

(3) The Bank does not serve as the Buyer Institution for Discredited or Liquidated Securitized Commodities.

3. The Bank does not serve as the Guaranteeing Institution for Securitized Products or provide Liquidity Facilities.

C. Operational risk management system and accrued capital

#### **Operational Risk Management System**

	2022
ltem	Description
<ol> <li>Operational Risk Management Strategies and Procedures</li> </ol>	<ol> <li>The operational risk management strategies of the Bank aim to establish an appropriate operational management environment. Through the implementation of operating risk management structure approved by the Board and the rigorous execution of such structure by the senior managers, the Bank ensures that all relevant operational risks have been monitored by using appropriate evaluation procedures.</li> <li>To optimize the function of operational risk management, the Bank grasps the scope of operational risk through managing procedures of risk identification, risk evaluation, risk measurement, risk monitoring, and communication. The Bank also adopts appropriate measures to ensure a duly management for the relevant operational risk, efficiently allocate limited resources to the operational risk management tasks.</li> </ol>
2. Operational Risk Management Organization and Framework	<ol> <li>Board of Directors: Approve the risk management policies for the Risk Management Committee to execute the relevant management and monitoring matters.</li> <li>Risk Management Committee Responsible for the review of information and issues related to the operational risk of the Bank.</li> <li>Risk Management Department         <ol> <li>Execute the risk management policies approved by the Board.</li> <li>Establish the operational risk management system and risk management tools.</li> <li>Monitor, analyze, and report to the Bank regarding the information on operational risks.</li> </ol> </li> <li>Authority Department of Business         <ol> <li>Identify and analyze the potential operational risks of each business activity.</li> <li>Establish the standard operation procedures (SOP) as the basis for business execution             <li>Set up business regulations and operational procedures that cover operational risk points and relevant control measures.</li> <li>Manage and report the operational risks of each business activity.</li> </li></ol> </li> <li>Manage and report the operational risks of each business activity.</li> <li>Auditing Department Conduct regular audit regarding the risk management operations for the departments of the Bank.</li> </ol> <li>All departments of the Bank         <ol> <li>Daily operations shall comply with the operational management requirements.</li> <li>Report the operational risk management information in accordance with regulations.</li> </ol> </li>

PERFORMANCE	OF FINANCIAL CONDITIONS AND	<b>REVIEW, ANALYSIS, AND RISKS</b>

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Systems	<ul> <li>relevant training and assist the incident occurring department in performing proper improvement plan and tracking the management execution.</li> <li>(II) Key risk indicators (KRI) for operational risk -</li> <li>A. Adopt the view of the Bank's risk management, consider the data availability, indicator management efficacy, and risk significance among the operational risk items concerned by the businesses to establish the Bank's key risk indicators with effective management benefits.</li> <li>B. Each risk indicator has an alert value that is based on the historical statistics or experiences of the Bank, which is used as the basis for determining whether active management is required for the indicator. The authorities of the Bank carry out risk control through monitoring the exposures of the indicators, so as to prevent the occurrence of potential operating risk incidents for each department.</li> <li>(III) Risk and control self-assessment (RCSA) for operational risk -</li> <li>A. Regarding the RCSA system of the Bank, the authority department of business at the Bank's headquarter prepares a self-assessment questionnaire in respect of risk and control of its business procedures and the business execution and management according to the risk and control assessment scale, and self-assess the risk results to provide a responding plan, allowing the Bank to analyze the exposures of potential operational risk.</li> <li>B. When carrying out the self-assessment, departments of the Bank may assess the residual risk. Departments shall also assess the effect of the residual risk, and the probability of the residual risk. Departments shall also assess the effect of residual risk, the authority departments and prepares the risk control self-assessment results of the departments and prepares the risk control self-assessment results of the departments and prepares the risk control self-assessment chart. Regarding items with higher risks, the authority department shall propose the action plan to respond accordingly.</li></ul>
4. Operational Risk Hedging or Risk Mitigation Policies, and Monitoring the Continued Effectiveness of Risk Hedging and Mitigation Tools	<ol> <li>The Bank has stipulation such as guidelines, procedures, and regulations to control and mitigate the operational risk of the Bank. In addition, business departments adopt reasonable responding measures according to the loss probability and the amount arising from the operational risk, respectively, i.e., directly avoid processing, transfer partial or entire risk by way of transfer or charges, or process after an evaluation on profit and risk.</li> <li>Operational risk hedging or risk mitigation of the Bank is primarily processed through insurance or outsourcing, so as to transfer and mitigate the losses of operational risks arising from human, system, or operation negligence, or external incidents.</li> <li>To minimize human factors, natural disasters, and other significant emergencies affecting the reputation or endangering the normal operation of the Bank and the financial order, the Bank has established operational processing procedures and relevant regulations for departments to comply with, so as to instantly minimize the damages and resume the normal operation in a short time.</li> <li>Unscheduled reports regarding crisis management of the Bank are submitted to the Risk Management Committee and senior managers to monitor the operational risks exposures and response capabilities of the Bank.</li> </ol>
5. Approaches Adopted for Statutory Accrued Capital	The standardized measurement method

Description

A. The LDC for operational risk of the Bank covers operational risk incidents arising from all business activities. Departments file such incidents through the "Operational Risk Management (ORM) System" and provide

B. Improve the cognition to risk for all employees of the Bank through the implementation of ORM System and

I. The Bank conducts its operational risk measurement primarily through three operational risk management tools:

details regarding the registering items of the operational risk incidents.

(I) Loss data collection (LDC) for operational risk-

ltem

Features of

Operational

Measurement

3. Scope and

Risk Reporting and

#### **Operational Risk Accrued Capital**

December 31, 2022

		(
Year	Gross profit	Accrued Capital
2020	20,602,141	
2021	23,643,598	
2022	28,334,773	
Total	72,580,512	3,432,710

(Unit: NT\$1,000)

#### D. The Market Risk Management System and Accrued Capital

#### The Market Risk Management System

Item	Content
1. Market Risk Management Strategies and Procedures	<ol> <li>Management Strategies         <ol> <li>Implement market risk management according to "TBB Market Risk Management Standards" and other releval regulations to achieve the operating goals and maintain the healthy capital adequacy ratio.</li> <li>Subject to the risk tolerance approved by the Board (Managing Directors), the Bank adopts various risk contrimechanisms to effectively utilize and manage its capital, ensuring that the market risk exposures are within the bearab scope and the Bank may still achieve its goal for earning.</li> </ol> </li> <li>Management Procedures         <ol> <li>Risk Identification</li> <li>According to the requirements under the "TBB Market Risk Management Standards," a proper market risk evaluatior shall be performed before promoting a financial product; documentation of such evaluation shall be preserved for furth reference. Content for the evaluation includes identification of risk factors, cost-benefit analysis, market liquidity, ric countermeasure, the adequacy of the risk management system and the effect of exposure to market risk by the Bank.</li> <li>Risk measurement</li> <li>The risk management department shall draw up the market risk positions, sensitivity, value-at-risk and suspensic limit, and report to the Directors (Managing Directors) for approvals of execution.</li> <li>The risk measurement (or valuation) for the financial products of the Bank are carried out on the different informatic system, and the market data and model parameters used in the valuation were sampled regularly to check the reasonability.</li> <li>Risk monitoring</li> <li>Regularly prepare the valuation report of financial products and submit it to the supervisors of the departments f approval, and used as the basis for the execution of daily risk management.</li> <li>There are requirements concerning limitation and stop-loss in place for all financial transactions; risk contrimecha</li></ol></li></ol>
2. Market Risk Management Organization and Framework	<ul> <li>measures in due time.</li> <li>I. Board of Directors: The highest market risk management and supervision unit, responsible for approving the market risk management policies ar all risk limitations.</li> <li>II. Risk Management Committee Responsible for the review of issues and responding plans related to the market risk of the Bank.</li> <li>III. Risk Management Department <ul> <li>(I) Establish market risk management operating procedures and relevant regulations.</li> <li>(II) Plan and execute a market risk management business.</li> <li>(III) Establish market risk management-related systems.</li> <li>(IV) Report the market risk management execution of the Bank to senior management and Directors (Managing Directors) on regular basis.</li> </ul> </li> </ul>
<ol> <li>Scope and Features of Market Risk Reporting and Measurement Systems</li> </ol>	<ol> <li>Scope and features of the measurement system         <ol> <li>Evaluate and monitor market risk exposure on a daily basis, including the losses of the Bank caused by adverse chang in market price resulting from interest rates, equity, exchange rate and commodities on and off the balance sheet.</li> <li>Adopt the historical simulation method to calculate the value at risk (VaR) on the financial trading management system of a daily basis and observe its changing trends to report at the Risk Management Committee meeting per month.</li> <li>The VaR measurement scope includes all positions of foreign exchange risk and commodity risks, as well as the tradin book positions of interest rate and equity securities risk. There are VaR limitation control mechanisms in place for interest rate, equity, foreign exchange, and overall position.</li> </ol> </li> <li>Connotations of Market Risk Report         <ol> <li>Regularly report to the Directors (Managing Directors) and Risk Management Committee regarding the amount of ass portfolio exposures, providing references to senior management for decision-making.</li> <li>The market risk report of the Bank includes the valuation on the exchange rate, interest rate, equity securities positior and profit or loss, so as to monitor the profit or loss for the market risk positions.</li> <li>The risk management department reports the equity securities, government bonds, foreign exchange trading positior and profit or loss valuation on a daily basis, so as to grasp the daily routine market risk control at any time.</li> </ol> </li> </ol>
<ol> <li>Market Risk Hedging or Mitigation Policies, and Monitoring the Continued Effectiveness of Risk Hedging and Mitigation Tools</li> </ol>	The financial transactions of the Bank mostly involve simple financial products. Regarding complex financial products from t customer end, the Bank, in principle, will carry out back-to-back hedging and covering to avoid market risks effectively. In addition when engaging in hedging transactions with different contractual terms, the financial trading department shall specify matters hedged items, hedging relationship, nature of the hedged risks, and the mitigation effects of the valuation risks. Risk management departments shall regularly carry out measurements regarding the effects of executing risk mitigation.
5. Approach Adopted for Statutory Capital Provision	The standardized measurement method

#### Market Risk Accrued Capital

December 31, 2022

Category of RiskAccrued CapitalInterest Rate Risk1,420,586Equity Risk58,528Foreign Exchange Risk1,618,207Commodity Risk0Total3,097,321

E. Liquidity risks include the maturity analysis regarding assets and liabilities as well as management methods for assets liquidity and the cash flow gap liquidity

#### Liquidity Risk Management System

2022

ltem	Description
<ol> <li>Liquidity Risk Management Strategies and Procedures</li> </ol>	<ol> <li>Liquidity risk management strategies         <ol> <li>Monitor the liquidity risk positions according to the liquidity risk management policies and limitations approved by the Board of Directors.</li> <li>Established the "TBB Directions for funding Liquidity Risk Management" and "TBB Management Guidelines for funding Liquidity Risk Management" for the compliance of the Bank, so as to effectively control the funding liquidity risks.</li> <li>Overseas branches shall establish regulations related to liquidity risk management according to the business nature and the requirements of the competent local authority; such regulations shall be executed after being approved by the President, and the Risk Management Department shall be responsible for the monitoring.</li> </ol> </li> <li>Liquidity risk management procedures         <ol> <li>Discuss and formulate directions, management guidelines for liquidity risk management, and contingency plan for funding liquidity risk and conduct a review on a yearly basis.</li> <li>Identify, measure, supervise, and control the funding liquidity risk and establish stable operating procedures and structures.</li> <li>Report to the ALM committee regarding the measurement results for funding liquidity risk on a monthly basis and report to the Board of Directors regarding funding liquidity risk and stress test results.</li> </ol> </li> </ol>
2. Liquidity Risk Management Organization and Framework	<ol> <li>Board of Directors: The highest liquidity risk management and supervision unit, responsible for approving the directions for liquidity risk management and all risk limitation, and shall review on a yearly basis, so as to ensure the effectiveness of the liquidity risk management.</li> <li>ALM Committee: The Bank established an ALM Committee subordinated to the President, responsible for the supervision for liquidity risk exposures and the approval of responding plan upon conditions exceeding management indicators.</li> <li>Treasury Department: Execute daily funding allocation operations to ensure sufficient funding is in place to satisfy all funding requirements.</li> <li>Risk Management Department: Responsible for the identification, measurement, monitoring, disclosure, and reporting of liquidity risk.</li> </ol>
<ol> <li>Scope and Features of Liquidity Risk Reporting and Measurement Systems</li> </ol>	The Bank uses the ALM system to calculate the liquidity gap on a monthly basis, allocates items of funding inflow and outflow to each time slot according to the remaining maturity date, calculates the funding gap, to measure the funding gap within each time slot. Also, it prepares the statement of term structures of the maturity date, to contain the liquidity gap within the limitation, making sure that the Bank will have sufficient capacity to fulfill its obligation in due course.
<ol> <li>Funding strategies of the Bank: Policy of mismatching funding sources and funding tenor, and centralized or decentralized funding strategies</li> </ol>	<ol> <li>The ratio of wholesale NT\$ time deposits accounts shall be accounted for less than 1% of total time deposits of the Bank in principle.</li> <li>The ratio of deposit balances per account for wholesale deposit accounts (sum of demand and time deposits) shall be accounted for less than 2% of total NT\$ deposits (excluding time deposits transferred from post offices) of the Bank in principle.</li> <li>Regarding depositors exceeding the above ratio, the Risk Management Department shall report to the ALM Committee on a monthly basis.</li> <li>The ratio of total deposits balances (demand and time) of the top 10 customers of the Bank shall be accounted for less than 30% of total NT\$ deposits (excluding time deposits transferred from post offices) of the Bank in principle; however, where the ratio is over 24%, the authority department shall propose countermeasure and report to the ALM Committee.</li> <li>Prepare the "Wholesale Time Deposits Transaction List" and "Wholesale Deposits Transaction List"</li> </ol>

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Item	Description
<ol> <li>Liquidity risk hedging or mitigation policies, and monitoring the continued effectiveness of risk hedging and mitigation tools</li> </ol>	<ol> <li>The Bank has "Contingency Plan for Funding Liquidity Risk" in place to respond to liquidity crisis such as abnormal withdrawal of deposits, huge loss of funding, or material shortage of liquidity, to minimize liquidity risk and maintain the normal operation of the Bank.</li> <li>Review the "TBB Directions for Funding Liquidity Risk Management", "TBB Management Guidelines for Funding Liquidity Risk Management", and "Contingency Plan for Funding Liquidity Risk" to effectively control the funding liquidity risk.</li> <li>Where the funding liquidity risk limitation is exceeded or other significant events have occurred that may lead to a funding liquidity crisis, the Risk Management Department shall immediately call for a meeting with other related departments to formulate countermeasures, submit to the ALM Committee for discussion and execute by the relevant business authority after receiving the approvals from the President, and shall report to the Board of Directors (Managing Directors).</li> </ol>
<ol> <li>Description of how to conduct a stress test</li> </ol>	<ol> <li>Conduct stress scenarios on the crisis that occurred to the individual banks, and the crisis occurred to the overall market on a quarterly basis.</li> <li>Formulate the stress scenarios and the target value for risk management; submit to the President for approval and conduct the stress test on a yearly basis.</li> </ol>
<ol> <li>Summary for liquidity contingency plans</li> </ol>	<ul> <li>When significant events occurred to the Bank that may incur funding liquidity crisis, and convene the ALM Committee meeting and establish a contingency workforce that is in charge of the following: <ol> <li>Allocate sufficient cash for support.</li> </ol> </li> <li>Deal with abnormal wholesale deposits and funding withdrawals.</li> <li>Ill. Issue statement to clarify the truth.</li> <li>IV. Maintain the operating orders.</li> <li>Provide information related to crisis management, funding changes, and available balances of the Bank from time to time according to the requirements of external processing institutions to allow such institutions to grasp the actual circumstances of the Bank in a short time and provide assistance to the Bank in due course.</li> <li>VI. Avoid conditions of over-utilization regarding deposits in the interbank accounts and proactively contact the correspondent bank to maintain the current limitations.</li> <li>VII.By the end of such events, in order to repay the borrowings and strengthened the confidence of the depositors, the Bank's headquarter and branches shall assign material officers to visit designated key accounts at the site, so as to strive for the early return of deposits. Meanwhile, to completely eliminate the suspicions casts by different sectors, the Bank shall publish declarations to explain the event and show its appreciation to the assistance of relevant departments.</li> </ul>

#### Structural Analysis of the Maturity of New Taiwan Dollars

(Unit: NT\$1,000)

#### December 31, 2022

				,		```	, ,,
	Total	Amount for the Remaining Period Prior to the Maturity Date					
	TOLAI	0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over one year
Primary inflow upon maturity	1,798,278,148	171,214,261	167,605,412	186,953,929	204,957,223	152,184,634	915,362,689
Primary outflow upon maturity	2,201,577,109	79,002,934	115,025,374	262,893,103	184,927,959	384,673,313	1,175,054,426
Gap	-403,298,961	92,211,327	52,580,038	-75,939,174	20,029,264	-232,488,679	-259,691,737

Note: The table includes the NT\$ amount of the Bank, including an estimated outflow of loan commitments \$390,839,630 thousand.

#### Structural Analysis of the Maturity of US Dollars

		Decem	ber 31, 2022		(	Unit: US\$1,000)			
	Total	Amount for the Remaining Period Prior to the Maturity Date				Date			
	TOTAL	0-30 days	31-90 days	91-180 days	181 days-1 year	Over one year			
Primary inflow upon maturity	16,353,649	5,107,519	4,629,214	1,287,440	1,713,177	3,616,299			
Primary outflow upon maturity	17,155,496	3,645,117	4,045,473	2,484,679	3,910,394	3,069,833			
Gap	-801,847	1,462,402 583,741 -1,197,239 -2,197,217 546,46							

Note: The table includes the US\$ amount of the Bank, including an estimated outflow of loan commitments \$912,002 thousand.

## (3) Impact of changes of important domestic and international policies and laws on the Bank's finance and business, and response measures:

In response to the revision of the "Equalization of Land Rights Act", which may affect the real estate market, the Bank had made announcements to the branches on the precuations related to real estate secured loan business in February 2023.

## (4) Impact of changes in technology and industry on the Bank's finance and business, and response measures

1. Due to the ever-changing development of digitalization and FinTech, banks within the same industry invested resources one after another to carry out their own digital development and digital transformation.

335

Big Data and FinTech are also widely used to improve customer experiences, and precise marketing and social media are adopted for business promotion. Furthermore, to become a part of customers' lives and provide omnipresent financial services, banks have adopted various approaches to construct their own digital ecosystems.

- 2. In response to the changes in the financial environment, the Bank actively promoted its digital transformation and developed digital marketing. It introduced FinTech services to establish the Bank's digitalized services with customers as cores, data as the basis, and customers' experiences as primary considerations. To rapidly develop its digital banking, the Bank intends to adopt a strategy with channels, customer-acquiring, marketing, and innovation, which is described as follows:
  - A. Channel strategy

Provide revisions and optimization for four major mediums used by customers, including online personal banking, online corporate banking, mobile banking APP, and its website. Attach attention to UIUX, emphasize simple and refreshing visual display as well as easy and convenient operations, and continue to update functions and services. Meanwhile, actively introduce a transaction security control system with convenience and security to provide a convenient and secured digital finance environment for customers.

B. Customer-acquiring strategy

Develop simple online application services and introduce automated and smart services to create the online application platform, including account opening, card application, loans and payment, and provision of exclusive products, allowing customers to enjoy fast, convenient, and preferential application services all day long. Promote the mobile payment business, continue developing Taiwan Pay, and proactively manages chains or online merchants to introduce Taiwan Pay. Develop customer group operations according to the grouping based on their categorizations.

C. Marketing strategy

Develop social media operations, including active expansion of FB fans, the number of friends on LINE's official account and functional services, to formulate a digital-friendly image of the Bank and attract different customer groups to establish business relationships with the Bank. Introduce Big Data analysis to analyze, segment, and label customers; track digital footprint of customers and analyze and predict customer behavior and preferences, so as to design and provide customized and personalized services.

D. Innovation strategy

Create the AI in financing that combines AI with customer services, voice processes, biological characteristics and KYC, to continue developing AI customer services, AI voice assistant, RPA, biometric recognition, and digital identity recognition and expand the diverse development of the Blockchain. Develop and deepen open API according to the open API development procedures in three stages promoted by the government to allow the Bank's services to enter customers' living scenarios, in the hope of providing premium and wide-ranged digital finance services and experiences.

3. Affected by the global COVID-19 pandemic, the hybrid working mode has become the norm, and social engineering attacks, such as counterfeiting and fraud, have also become fiercer. In addition, hackers also make better use of vulnerabilities and easily overlooked open source software to invade. Thus, the Bank actively conducts e-mail social engineering drills and cyber security promotion courses to enhance the vigilance and information security awareness of employees, and has achieved the target of reducing the e-mail opening rate to 0.3%. The Bank has established a "Vulnerabilities Management System" to track and manage various vulnerabilities (knowing yourself), increase information security intelligence collection channels (knowing the enemy), understand the corresponding vulnerabilities of the Bank's information assets, and identify a quid pro quo relationship with attacks through information security intelligence, which will help to predict and judge the threat of attacks, so as to know yourself and the enemy, and predict the enemy's moves beforehands.

## (5) Impact of changes in the Bank's image on corporate risk management and response measures

Where the external parties recognize the Bank for its excellent business performances, the Bank will immediately grasp the timely opportunities of news and carry out relevant promotional activities, so as to improve the image of the Bank. Shall there be untrue rumors or negative media press that adversely affects the image of the Bank, the Bank will proactively verify the truth, provide instant verification or engage media to make a balance, protecting the reputation and image of the Bank.

- (6) The expected benefits and possible risks to engage in mergers and acquisitions (M&A) and the countermeasures: None.
- (7) The expected benefits and possible risks to expand the branches and the countermeasures:

In 2022, the Bank had not expanded its branches but only carried out adjustments for its domestic branches.

- (8) Risks derived from the concentration of operations, and countermeasures: None.
- (9) The impact on the Company, and risk due to changes in managerial authority, and the countermeasures: None
- (10) The effects of Directors or major shareholders holding more than 1% of shareholdings transferring or converting a large amount of equity in the Bank, as well as the risks, and countermeasures: The equity changes in Directors and corporate shareholders represented by Directors are reported according to the Securities and Exchange Act; furthermore, within 10 days from the closing day, communicate with shareholders holding more than 1% of shareholdings in the Bank according to Article 25 of the Banking Act to remind shareholders regarding notifying the Bank of the changes in their shareholding according to the requirements of the Banking Act, in order to stabilize the Bank's ownership.

#### (11) Litigious or non-litigious matters

The World Trade Center Branch of the Bank carried out the outward collection project under the letter of credits for its customer Chi Seng Industrial Co., Ltd. in 1996, and it is suspected that the importer L' International Compagnie de Commercialisation et D'Investissement in the Republic of Zaire (hereinafter, 'I.C.C.I. Company') incurred losses due to Chi Seng Industrial Co., Ltd. holding counterfeit notes and has not performed the exports. The I.C.C.I. Company filed a prosecution to the Brussels Commercial Court in November 1998 and requested the issuing bank of the certificate and the Bank to make a joint compensation amounting to US\$7.83 million, plus interests, losses, and fees. On August 31, 2005, the Court pronounced the judgment that the Bank shall make compensation of US\$7.674 million plus interests to the I.C.C.I. Company. The Bank engaged a local attorney to file an appeal, and the Court of Appeal of Brussels had made its interlocutory judgment in February 2011, considering that both the Bank and I.C.C.I. Company had faults and made its judgment regarding the proportion of fault on November 16, 2011, sentencing that the Bank shall be responsible for 90% of the proportion of fault. The Bank lodged an appeal regarding the interlocutory judgment of the second instance on November 3, 2011; however, the Court of Final Appeal rejected the appeal from the Bank on February 6, 2013. Therefore, losing the lawsuit was confirmed. However, the Bank failed to achieve a consensus regarding the currency rate and calculation of compensation with I.C.C.I. Company. In addition, in October 2016, I.C.C.I. Company filed an application to the Frankfurt Court to impound the deposits of the Bank at the correspondent bank. The Bank immediately provided security deposits of €13.2 million to the Court to release the order. In July 2017, I.C.C.I. Company applied for the enforcement regarding the abovementioned security deposits, and the Court transferred such security deposits to I.C.C.I. Company without any consultations. Therefore, the Bank filed an appeal of debtor disagreement. However, the Frankfurt Court rejected the lawsuit of the Bank in November 2018. After another appeal done by the Bank, the Frankfurt Supreme Court returned the lawsuit to the first trial for remand in November 2019. On March 16, 2020, I.C.C.I. Company submitted a declaration for the reasons of objection to German Federal Supreme Court of Justice for requesting the cancellation of "Verdict of Return for Remand by the Frankfurt Supreme Court." The Bank appointed a lawyer to act as the litigation representative at the German Federal Supreme Court of Justice and filed a defense against I.C.C.I. Company's objection to the statement, and the German Federal Supreme Court of Justice ruled to reject I.C.C.I. Company's counter appeal on May 20, 2021, and this case is now in trial by the Frankfurt District Court. Furthermore, the Bank received notices of appearance from the court in Congo in October and November 2019, respectively, for the reason that (1) A third-party Star Marine Company required I.C.C.I Company to make a compensation of US\$1.13 million in total, and required the Bank to bear the joint and several liabilities for compensation; and (2) I.C.C.I required the Bank to make a compensation of US\$20.06 million (less the amount it had been repaid) and required the Bank to provide a guarantee of €14 million. The Bank has appointed a local attorney to reply in court. The court in the Democratic Republic of Congo trialed the two cases together. The Bank received the translated version of the court's judgment in April 2021 that TBB shall pay I.C.C.I. Company about €20.06

337

million, compensate Star Marine Company US\$1.13 million jointly and severally with I.C.C.I. Company, and deposit €14 million in a bank in Congo. The Bank has appointed a local attorney in Congo to initiate relevant relief proceedings (appeal and objection proceedings). According to the plaintiff's statement, after deducting the I.C.C.I. Company's compensation of about €14.86 million, the Bank has set aside an additional reserve of NT\$73,181 thousand for the outstanding compensation. As of December 31, 2022, the Bank recognized compensation for losses of NT\$259,635 thousand and €9.66 million.

#### (12) Other significant risks and response measures:

- A. To strengthen the risk management for the loan business and avoid excessive centralized loans to industries, group corporations, and individual corporations, and incorporate climate change-related issues into the regulations, the Bank revised its "Risk Management Policy", "Management Guidelines for Credit Risk Limitations Control" and "Credit Risk Management Guidelines", respectively, to regulate its risk limits for loans, and thus diversify the risk.
- B. To control different types of risks from credit cards, the Bank has implemented various measures, including centralized credit review, regular semi-annual review, 24-hour risky transaction monitoring, control over abnormal transactions at contracted stores, SMS notification of transactions by credit cards, reminders of overdue payments by SMS, and centralized reminders of overdue payments by phone, to reduce the risk of loss.

#### 7. Crisis Management and Response Mechanism

- (1) The Bank has established the "Guideline for Material Contingencies Handling Mechanisms." Shall there be bank runs for deposits, robberies, fraud, fire, flood, natural disaster, violence, or other significant matters, the department shall immediately notify the Business Development Department of the Bank with a call and describe the relevant circumstances according to the requirements under the Guideline to carry out the related reporting and contingency process. The Business Development Department shall notify the President immediately to adopt appropriate countermeasures, convene the contingency workforce meeting when necessary, and take the initiatives to assign staff for assistance in branches to take required measures. Report the relevant data to FSC, the Central Bank, Central Deposit Insurance Corporation, and the Ministry of Finance, and closely work with the responding measures of the competent authority. Where necessary, the spokesman of the Bank will take the initiative the release the press, directing the news report regarding the event toward the facts, instead of exaggerating, and affecting the reputation of the Bank.
- (2) Respond to natural disaster factors according to the "TBB Management Guidelines for Branches Concerning Foreign Currency Transaction and Capital Operations during Natural Disasters." When the Bank's headquarter has called off work due to natural disasters while partial branches are still operating as usual, such guidelines provide a basis for branches that carry out foreign currency transactions and capital operations.
- (3) Emergency backup and security protection measures for information equipment: Please refer to "Emergency backup and security protection measures for information operations" in "V. Business Operation" (page 78).
- (4) Responding to the probability of significant funding outflow, the Bank has established the "Directions for Contingencies Response" and "Funding Liquidity Risk Management," describing the contingency measures to be adopted when any liquidity crisis occurred.
- (5) The Bank has established the "Occupational Safety and Health Code," which sets out the relevant occupational safety and health standards, maintenance and inspection method for all equipment, and designates specialists to carry out safety and health inspection regularly to ensure related equipment to function normally, minimize accidents, and protect the personal safety of the employees. Upon disasters, a comprehensive security inspection shall be carried out according to the "Disaster Contingency Manual." Regarding damaged branch premises or significant operating equipment, the Bank will adopt the necessary reinforcement or repair to ensure operational safety. For equipment that cannot be reinforced or repaired in a short time, a temporary substitute plan is also provided to help the restoration of all businesses.

## 8. Other Significant Events: The Bank has no designated hedging instrument for hedging accounting.



## VIII Special Notes

339	1. Information Regarding the Bank's Subsidiaries
341	2. Progress of Private Placement of Securities and Financial Bonds
341	<ol><li>The Bank's Subsidiaries' Shareholding or Disposal of the Bank's Shares</li></ol>
341	4. Additional Disclosure
341	5. Pursuant to Item 2, Paragraph 3, Article 36 of Security and Exchange Act, the Incidence Exerting Material Influence on Shareholders' Rights or Security Prices

#### 1. Information Regarding the Bank's Subsidiaries

#### (1) Organization Chart of Affiliated Enterprises



#### (2) Information of Affiliated Enterprises

Enterprise Name	Established Date	Address	Paid-In Capital	Major Business
TBB International Leasing Co., Ltd.	2013.04.03	5F, No. 151, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City, Taiwan, R.O.C.	NT\$ 1.5 billion	Financial lease
Taiwan Business Bank International Leasing Co., Ltd.	2014.06.16	Room 368, 302 Part, No. 211, North Fute Road, Free Trade Zone, Pudong District, Shanghai	CNY\$ 170 million	Financial lease
TBB (Cambodia) Microfinance Institution Plc	2015.08.10	2E/2F, Street 315, Sangkat Boeung Kok 1, Khan Toul Kork, Phnom Penh, Cambodia.	US\$ 20 million	SME and personal finance business
TBB Venture Capital Co., Ltd.	2018.09.07	11F, No. 30, Ta Cheng St., Taipei City, Taiwan, R.O.C.	NT\$ 1.05 billion	Venture capital business
TBB Consulting Co., Ltd.	2021.08.30	11F, No. 30, Ta Cheng St., Taipei City, Taiwan, R.O.C.	NT\$ 50 million	Consulting business

SPECIAL NOTES

Estemples News		Name	Shareholding		
Enterprise Name	Title	Name	Shares	%	
TBB International Leasing Co., Ltd.	Chairman Director Director Supervisor President	Shao-Huang Chen Shenn-Bao Jean Kuo-Liang Tseng Chiang-Shu Lin Pao-Sheng Lin	150,000,000	100%	
Taiwan Business Bank International Leasing Co., Ltd.	Chairman Director Director Supervisor President	Shao-Huang Chen Shenn-Bao Jean Mei-Chun Lin Chiang-Shu Lin Chi-An Liu	_	100%	
TBB (Cambodia) Microfinance Institution Plc.	Director Director Director Independent Director President	Tseng-Hsiang Yi Sung-Shui Chiu Hung-Tien Chiang Jun-Shen Tseng Hung-Tien Chiang	20,000	100%	
TBB Venture Capital Co., Ltd.	Chairman Director Director Director Director Supervisor Supervisor President	Chang-Yu Lin Jui-Yuan Wu Hsiou-Chen Kang Chun-Yu Shih Ching-Pu Chen Tun-Kung Cheng Yu-Chuan Chou Jui-Yuan Wu	105,000,000	100%	
TBB Consulting Co., Ltd.	Chairman Director Director Director Director Supervisor Supervisor President	Chang-Yu Lin Jui-Yuan Wu Hsiou-Chen Kang Chun-Yu Shih Ching-Pu Chen Tun-Kung Cheng Yu-Chuan Chou Jui-Yuan Wu	5,000,000	100%	

#### (3) Directors, Supervisors and Presidents of Affiliated Enterprises

#### (4) Operations Overview of Affiliated Enterprises

	Unit: NT\$ Tho						T\$ Thousand	
Enterprise Name	Capital	Total Asset	Total Liability	Net Value	Operating Revenue	Operating Profits	Current Profit and Loss (After-tax)	EPS (After-tax)
TBB International Leasing Co., Ltd. (Consolidated)	1,500,000	1,757,732	241,329	1,516,403	82,438	45,320	41,681	0.28
TBB (Cambodia) Microfinance Institution Plc	614,730	1,580,976	956,385	624,591	89,503	-9,521	-6,939	-346.95
TBB Venture Capital Co., Ltd.	1,050,000	1,419,339	160,832	1,258,507	287,953	193,191	202,340	1.93
TBB Consulting Co., Ltd.	50,000	131,313	33,386	97,927	102,938	60,905	49,339	9.87

Note: The price per share of TBB (Cambodia) Microfinance Institution PIc is US\$1,000. If it is converted to NT\$10 per share according to the local practice, the earnings per share (after-tax) would be NT\$-0.11.

(5) Consolidated Financial Statement of Affiliated Enterprises

The financial statements of the companies with more than 50% of equity owned by the Bank have been incorporated into the consolidated statements. Please refer to the 2022 Consolidated Financial Statements and Accompanying Notes in VI Financial Status (page 126).

- 2. Progress of Private Placement of Securities and Financial Bonds in 2022 and to the end of February 2023: None.
- 3. The Bank's Subsidiaries' Shareholding or Disposal of the Bank's Shares in 2022 and to the end of February 2023: None.
- 4. Additional Disclosure: None.
- 5. Pursuant to Item 2, Paragraph 3, Article 36 of Security and Exchange Act, the Incidence Exerting Material Influence on Shareholders' Rights or Security Prices in 2021, 2022 and to the end of February 2023: None.



## Sustainable Development Report

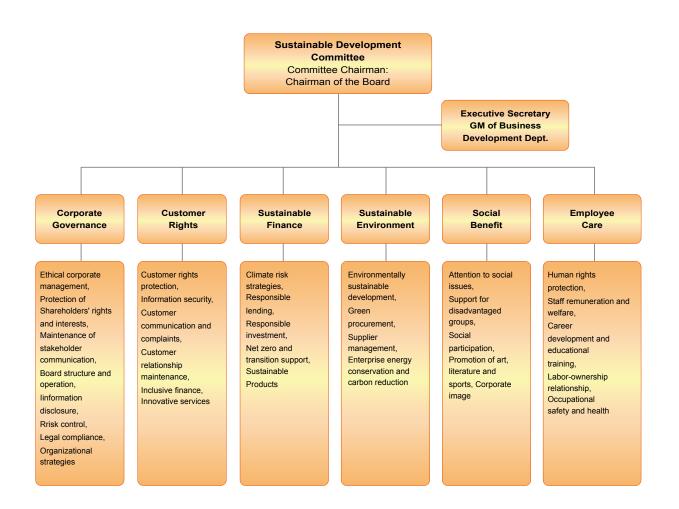
- 343 1. Promotion of Sustainable Development and Responsibility Analysis
- **344** 2. Material Issues
- 352 3. Climate-related Financial Disclosures
- 4. The Bank's achievements in promoting sustainable development in 2022

#### 1. Promotion of Sustainable Development and Responsibility Analysis

To reinforce the fulfillment of its corporate social responsibility (CSR) and exhibit the importance that the Bank attaches to CSR, the Bank established the CSR Initiative Committee in 2017 and promoted the CSR Initiative Committee to a functional committee, the CSR Committee, in 2018, which is responsible for the proposal and execution of CSR policies or systems, and reports to the Board annually regarding the results of the Bank's CSR implementation. There are currently 5 members in the CSR Committee, with the Chairman and the President undertaking posts of committee chairman and the mandatory member, respectively, and the remaining 3 members are Independent Directors of the Bank.

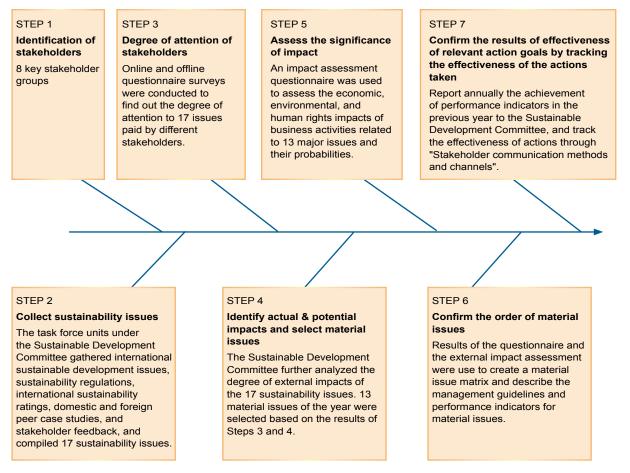
In 2021, in response to the international financial development trends, and the Financial Supervisory Commission's (FSC's) Corporate Governance 3.0 - Blueprint for Sustainable Development policy, the Bank renamed the CSR Committee as the Sustainable Development Committee. In addition, the Bank formulated its Sustainable Development Policy, and revised the name and partial provisions of the original CSR-related regulations.

In 2022, to ensure the implementation of the Bank's sustainable development related policies, the "Sustainable Finance" unit was established and the responsibilities of each task force unit were adjusted. There are currently 6 task force units under the Committee, which include Corporate Governance, Customer Rights, Sustainable Finance, Sustainable Environment, Social Benefit, and Employee Care. The Bank will take the core financing business as the starting point in carrying out sustainable development within its scope of business.



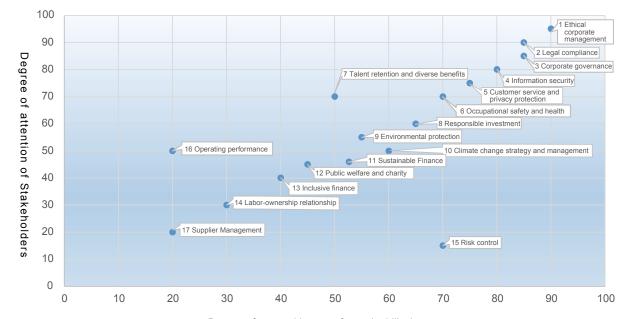
#### 2. Material Issues

#### (1) Identification of material issues



#### (2) Material Issue Analysis Matrix

#### Material Issue Analysis Matrix



Degree of external impact of sustainability issues

						Scope	e of impact	on value cha	in		
Priority	Material Issue	Corresponding GRI standards and topic specific standards	Explanation of Differences	Employees	Customers	shareholder	Suppliers/ partners	Government agency	NGO /Charity groups	Media	External Consultant
1	Ethical corporate management	✓ GRI 3-3 ✓ GRI 205-1 to 205-3 ✓ GRI 206-1	No change.	(Note 1)	•	O (Note 2)	(Note 3)	•	0		0
2	Legal compliance	✓ GRI 2-27 ✓ GRI 3-3	No change.	•		•		•	0	0	0
3	Corporate governance	✓ GRI 3-3 ✓ GRI 205-1 to 205-3 ✓ GRI 206-1	No change.	•		•		•		0	
4	Information security	√GRI 3-3 √GRI 418-1	Independent material issue previously under "Information Security and Privacy"	•		•		•	0	0	0
5	Customer Service and Privacy Protection	✓ GRI 3-3 ✓ GRI 417-1 and 417-2	Independent material issue previously under "Information Security and Privacy" and name change	•	•	•	•	•	0		
6	Occupational Safety and Health	✓ GRI 3-3 ✓ GRI 403	Material issues added.	•							
7	Talent retention and diverse benefits	✓ GRI 3-3 ✓ GRI 401 ✓ GRI 402 ✓ GRI 404-1 and 404-2 ✓ GRI 405	Name change, formerly "Diversified Training and Promotion"	•							
8	Responsible investment	✓ GRI 3-3 ✓ Custom material issues	Name change, formerly "Management and Investment Strategies"			•					
9	Environmental protection	✓ GRI 3-3 ✓ GRI 302 ✓ GRI 305-1 to 305-2 and 305-5	Name change, formerly "Energy Saving and Carbon Reduction"	•		•					
10	Climate change strategy and management	✓ GRI 3-3 ✓ GRI 201-2 ✓ GRI 203-2	Material issues added.		•	•		0	0		
11	Sustainable Finance	✓ GRI 3-3 ✓ GRI 201-1 to 201-3 ✓ GRI 203-2	Independent material issue previously under "Environmentally and Socially Friendly Services" and name change		•	•		0			
12	Public welfare and charity	✓ GRI 3-3 ✓ GRI 203-2 ✓ GRI 413-2	No change.	•				0	•	0	
13	Inclusive finance	√GRI 3-3 √GRI 203-2	Independent material issue previously under "Environmentally and Socially Friendly Services" and name change		•			•		0	

#### (3) List of Material Issues and Explanation of Differences in 2022

Note:

1. Actual impact.

2. Potential impact.

3. Direct correlation to this impact through business relationship.

SUSTAINABLE DEVELOPMENT REPORT

riority	Material Issue	Responsible	Key Risks and Opportunities	Policy	Commitment	Action			Evaluation and target		
nonty	Water lai issue	Unit	rey risks and opportunities	FUILY	Communent	Action	Performance Indicator	2022 (short-term) goal	Achievement in 2022	2023 (short-term) goal	2024-2028 (mid to long- term) goal
1	Ethical corporate management	Corporate Governance Unit	<ul> <li>Risk (negative impact): Financial losses and reputational damage caused</li> </ul>	<ul> <li>Effectively assist the Board and the management team</li> </ul>	<ul> <li>Monitor and review areas of improvement</li> </ul>	<ul> <li>Follow the competent authority's rules to</li> </ul>	KPI 1: Execution of audit plans.	Audit plan execution rate 100%	The 2022 audit plan was 100% executed.	Audit plan execution rate 100%	Audit plan execution rate 100%
			by acceptance of unlawful gains and inability to discover violation of the law in operations during audit. ♦ Opportunity (positive impact): Reinforce workplace ethics as well as understanding and execution of ethical management, and use audit mechanisms for early discovery of violation of the law in operations in order to reduce unethical behaviors.	in auditing and assessing effective operation of the internal control system. ♦ Shape an ethical management culture to incorporate ethical management into employee competencies.			KPI 2: Professional ethics and compliance training.	95% pass rate.	<ol> <li>Online performance evaluation for the first half of 2022 was completed between May 26, 2022 and June 21, 2022. A total of 4,801 people attended the exam and achieved a pass rate of 99.71%.</li> <li>Online performance evaluation for the second half of 2022 was completed between October 19, 2022 and November 23, 2022. A total of 4,950 people attended the exam and achieved a pass rate of 99.76%.</li> </ol>	95% pass rate.	97% pass rate.
							KPI 3: Incidents of acceptance of unlawful gain.	0 case.	No incident of acceptance of unlawful gain was reported in 2022.	0 case.	0 case.
							KPI 4: Reporting the execution status of ethical corporate management to the Board of Directors	At least once a year.	Reported to the Board the implementation status of ethical corporate management in the previous year.	At least once a year.	At least once a year.
	Legal compliance	Corporate Governance Unit	<ul> <li>Risk: Compliance failure causes losses as well as reputational damage if the competent authority takes disciplinary action.</li> <li>Opportunity:</li> </ul>	Compliance is the responsibility of the Board, senior management, and all employees.	Familiarize every employee with laws and regulations and ethical guidelines relevant to their roles.	All units perform compliance self assessments.	KPI 1: Training completion rate of "Compliance Business Seminar" for compliance officers at the Bank and securities subsidiaries	Training completion rate 100%	The 2022 H1 Compliance Business Seminar and the 2022 H2 Compliance Business Seminar took place on June 30 and November 17, respectively. The training completion rate was 100%.	Training completion rate 100%	Training completion rate 100%
			Ensure effective compliance in order to increase customer trust in the company and facilitate potential sales.				KPI 2: Training completion rate of "AML/CFT Seminar" for banking and securities subsidiaries	Training completion rate 100%	Training courses took place on June 13, October 18, and October 25. The training completion rate was 100%.	Training completion rate 100%	Training completion rate 100%
	Corporate Governance	Corporate Governance Unit	<ul> <li>Risk: A less than fully developed organizational structure or operation will affect competitiveness and</li> </ul>	Improve the corporate governance system to achieve sustainability.	Inspect corporate governance on an ongoing basis to create a mutually beneficial	Protect the rights of shareholders and strengthen the role of the Board.	KPI 1: Board diversity.	Directors of either gender account for one fifth of the total number of directors.	There were 2 female directors in 2022, which was below the required one fifth.	Independent directors account for one third of the total number of directors.	Both directors and independent directors of either gender account for one half of the total number of directors.
			innovation at a corporation. • Opportunity: Continue to enhance corporate governance, facilitate sustainable development and win stakeholders support in order to achieve mutual success.		environment.	vironment.		90%/80%	The average Board meeting attendance was 100% in 2022. The lowest individual attendance was 100%.	92%/83%	96%/ 87%
	Information security	Customer Rights Unit	Risk: Inadequate protection of the information and communication system and IT assets leads to failure of the company's cyber security measures. Opportunity: Add to the reference materials for future cyber security incident drills after taking response action or control measure in order to shorten the response time for information security incidents and reduce potential information security risk and make the company better equiped to handle information security and achieve information security and achieve information security	Compliance with the Cyber Security Management Policy	Ensure confidentiality, integrity, and availability of information and communication systems and IT assets and reduce operational risk.	Enforce the annual cyber security maintenance program.	Completion rate of damage control or recovery within 36 hours after becoming aware of the following cyber security incidents: 1. Core business information is leaked (in a mild/serious case) 2. Core business information and communication systems are altered (in a mild/serious case) 3. Cyber security incidents classified as Material Contingencies	100%	No core business information was leaked (in a mild/serious case) or core business information or core information and communication systems altered (in a mild/serious case) in 2022. Only one cyber security incident classified as a material contingency was reported. Damage control or recovery was completed within 36 hours in this incident. The completion rate was 100%.	100%	100%

#### (4) Management guidelines for material issues and major achievements

346

Taiwan Business Bank Annual Report 2022

		Responsible					Evaluation and target				
riority	Material Issue	Unit	Key Risks and Opportunities	Policy	Commitment	Action	Performance Indicator	2022 (short-term) goal	Achievement in 2022	2023 (short-term) goal	2024-2028 (mid to long- term) goal
5	Customer Service and Privacy Protection	Customer Rights Unit	<ul> <li>Risk: Failure to enforce the Principle for Financial Service Industries to Treat Clients Faily and personal information protection that leads to damage to customers' rights and their trust in the Bank.</li> <li>Opportunity: Enforce the Principle for Financial Service Industries to Treat Clients Fairly and personal information protection to increase customer satisfaction and stickiness.</li> </ul>	Established the Bank's 'Treat Client Fairly Policies' and 'Treat Client Fairly Strategies'', and personal information protection guidelines.	Follow the Financial Consumer Protection Act, the Treat Client Fairly Principles, the Personal Data Protection Act and related regulations to protect customers rights.	Continue to provide employee training on fair customer treatment and personal information protection in order to protect customers' rights, and provide information and channels for making contact, complaint, and application on the Bank's official website.	Customer satisfaction survey.	Customer satisfaction reached 82%.	Customer satisfaction reached 89.3%.	Customer satisfaction reached 83%.	Customer satisfaction reached 85%.
6	Occupational Safety and Health	Employee Care Unit	Risk: The absence of an occupational safety and health management system may create a higher chance of accident or health hazard to employees and cause less work efficiency and higher personnel costs. Opportunity: Establish the Occupational Safety and Health Committee to ensure effective occupational safety and health management in order to prevent occupational accidents and protect workers' safety and health.	Ensure employees' safety and health and oreate an accident- free workplace.	Pay attention to employees' safety and health management and provide a friendly workplace.	♦ Continue the "Naternal Employee Health Protection Plan", "Human- Factor Hazard Prevention Plan," and "Abnormal Workload- Triggered Diseases Prevention Plan". ♦ Obtain the ISO45001 occupational safety and health standards and create a healthy and safe work environment.	KPI 1: The protection rate of the "Maternal Health Protection Plan" KPI 2: Completion rate of nurses following up on employees with major irregularities in their physical examination reports	≥80%	Completion rate 86% (Reported 74 persons and completed maternal interview and nursing intervention for 64 persons) Completion rate 100% (Physical examination reports provided by the contract hospital show major irregularities for 21 persons, and health advice and follow-up were completed for 21 persons)	≥ 80%	≥ 82%
7	Talent retention and diverse benefits		<ul> <li>Risk:</li> <li>1. Alack of effective employee retention amid mass retirement in recent years may cause gaps in the workforce.</li> <li>2. The absence of a wide range of benefits and fair remuneration system may lead to loss of tailent.</li> <li>Opportunity:</li> <li>Talent is the core asset of a corporation. Retaining and developing professional talent to prevent gaps in the workforce will benefit the Bank's business as a whole.</li> </ul>	Promote various employee benefits and a reasonable and fair enventient or create an excellent workplace and encourage employee loyalty.	Uphold employee safety in the workplace and strive to create a fair and friendly workplace with a reasonable and fair remuneration policy.	<ul> <li>Provide subsidies or allowance for childbirth and training.</li> <li>All holidays and leaves are amended to reflect changes in the law. Some holidays and leaves exceed the statutory requirements.</li> <li>Continue to provide Employee Stock Ownership Trust to foster loyalty.</li> </ul>	KPI 1: Encourage fertility by providing a childbirth subsidy KPI 2: Reinstatement rate after parental leave KPI 3: Retention rate after parental leave KPI 4: Percentage of participation in Employee Stock Ownership Trust	Employee Welfare Committee: NT\$5,000 per child Employer: NT\$5,000 for the first child, and NT\$10,000 for the second child and afterward ≧ 78% ≧ 85% Participation ≧ 95%	Employee Welfare Committee: NT\$575,000 (115 persons) Employer: NT\$350,000 for the first child (70 persons) NT\$420,000 for the second child and afterward (42 persons) 91.94% 86.67% Total participation: about 95.39% (the shareholding accounts for 1.001% of total outstanding shares)	Employee Welfare Committee: NT\$5,000 per child Employer: NT\$5,000 for the first child, and NT\$10,000 for the second child and afterward ≧ 78% ≧ 85% Participation ≧ 95%	Employee Welfare Committee: NT\$5.000 per child Employer: NT\$5.000 for the first child, and NT\$10.000 for the secor child and afterward ≧80% ≧85% Participation ≧95%
8	Responsible investment	Sustainable Finance Unit	Risk: Growing ESG awareness and regulatory requirements lead to higher operational costs. Opportunity: Increase the percentage of ESG investment to align to global trends and reduce risk in asset allocation.	Support enterprises committed to environmental protection, social responsibility, and corporate governance and avoid investing in controversial targets.	Exercise due care and uphold ethical management.	Select investment targets with caution and continue to monitor after transactions.	KPI 2: 75% participation in electronic voting at shareholders' meetings hosted by TWSE/TPEx listed companies	Bond investment increases by 3% compared to the previous year. 80% participation in electronic voting at shareholders' meetings hosted by TWSE/TPEx listed companies	sitiles) ESC bond investment was NTS2.63 billion in 2022, up by 7.3% compared to NTS2.45 billion in the previous year. Among these bonds, a total of 9 tranches have been approved by the Taipei Exchange for green bond qualification, with a total investment of NTS2.3 billion. Participation in electronic voting at shareholders' meetings hosted by TVS2/TPEx listed companies in 2022 was 100%.	Bond investment increases by 3% compared to the previous year. 85% participation in electronic voting at shareholders' meetings hosted by TWSE/TPEX listed companies	7% of total bond investment. 95% participation in electronic voting at shareholders' meetings hosted by TWSE/TPEx listed companies

No.	Bond Code	ISIN Code	Investment Amount					
1	B618DA	TW000B618DA0	NT\$500 million					
2	B50172	TW000B501725	NT\$100 million					
3	B98411	TW000B984111	NT\$100 million					
4	B98412	TW000B984129	NT\$100 million					
5	B618D2	TW000B618D21	NT\$200 million					
6	B948A3	TW000B948A33	NT\$300 million					
7	B50170	TW000B501709	NT\$600 million					
8	B98412	TW000B984129	NT\$100 million					
9	G10170	TW000G101703	NT\$300 million					

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ty	Material	Responsible		Duli	<b>0</b>		Evaluation and target								
	Material Issue	Unit	Key Risks and Opportunities	Policy	Commitment	Action	Performance Indicator	2022 (short-term) goal	Achievement in 2022	2023 (short-term) goal	2024-2028 (mid to lo term) goal				
	Environmental protection	I Sustainable Environment Unit	<ol> <li>Energy transition and carbon reduction missions add to the push for rising prices of water and</li> </ol>	<ul> <li>Carry out the Bank's energy policy, disclose GHG emissions, and save energy</li> </ul>	<ul> <li>Fulfill CSR and due care for the environment.</li> <li>Support green and</li> </ul>	for the ent. management systems, control entally water and electricity usage, replace old equipment, and ethic yusage, replace old equipment, and the equipment, and ents reduce power consumption in the offices. term monitoring mechanisms and manage direct g	KPI 1: Percentage of energy saving across all offices of the Bank	Annual energy saving of 1% (2020 as the base year for energy saving)	To be disclosed after third party certification of GHG inventory in May 2023	Annual energy saving of 1% (2020 as the base year for power consumption)	A total of 10% (2020 as the base yea for power consumptio				
			electricity, and a risk of higher operational costs to the Bank. 2. Climate change poses a risk to the operation of the Bank.	and reduce carbon emissions to build a green sustainable society.	environmentally friendly businesses and follow the government's		electricity usage, replace old equipment, and reduce power consumption in the offices. Install short-, mid-, and long- term monitoring mechanisms and manage direct and indirect GHG	electricity usage, replace old equipment, and	electricity usage, replace old equipment, and reduce power	KPI 2: Percentage of total GHG emissions	Annual carbon reduction of 1% (2020 as the base year for carbon emissions)	To be disclosed after third party certification of GHG inventory in May 2023	A total of 2% (2020 as the base year for carbon emissions)	A total of 10% (2020 as the base ye for carbon emissions	
			<ul> <li>the Bailk.</li> <li>Environmental and workplace safety issues involving suppliers have an impact on the environment and the Bank's reputation.</li> <li>♦ Opportunity:</li> <li>Procure new equipment</li> </ul>	<ul> <li>Increase energy efficiency and utilize environmentally friendly products.</li> <li>Implement the Supplier Management Guidelines and</li> </ul>	green procurement policies by avoiding engaging controversial suppliers directly and adding a supplier's			KPI 3: Percentage of	Annual procurement amount increases by 2% (2020 as the base year for procurement amount)	The amount of green procurement in 2022 increased by 17.36% compared to the base year 2020.	Annual procurement amount increases by 4% (2020 as the base year for procurement amount)	A total of 14% (2020 as the base ye for power consumpti			
		<ol> <li>Procure new equipment to replace old equipment that generates more greenhouse gas, implement an energy</li> </ol>	detailed action plans to provide a basis of supplier evaluation for	statement to procurement contracts in order to fulfill CSR.	and reduce GHG emissions year by	KPI 4: Number of cases with confirmed supplier violation but no improvement.	No violation and no cases with failure to improve.	No violation and no cases with failure to improve.	No violation and no cases with failure to improve.	No violation and no o with failure to improv					
			management system to achieve energy saving and carbon reduction, reduce operational costs, and mitigate climate change risk on the Bank's operation.           2. Purchases eco-friendly products and support vendors in developing technologies or acquiring environmental protection labels and certification to build agreen sustainable society together.	evaluation for the Bank during procurement. Review and assistance are conducted regularly to require suppliers give active support to economic, social, environmental issues and other ESG causes.		<ul> <li>Give priority to procuring energy efficient products with environmenta labels and green materials, expand the scope and quantity of green procurement, and raise the amount or green procurement year to year.</li> <li>Conduct supplier evaluation and regulations and publicity available information and require explanation and improvement for any unethical conduct or violation of environmental, and worker rights regulations. The Bank may cancel or terminate the supplier's eligibility for bidding if improvement is not made after</li> </ul>	emissions year by year. ♦ Give priority to procuring energy efficient products with environmental labels and green materials, expand the scope and quantity of green procurement, and raise the amount of green procurement year by year. ♦ Conduct supplier evaluation and search through environmental and labor regulations and require explanation and improvement for any unethical conduct or violation of environmental, occupational safety and health, and worker rights regulations. The Bank may cancel or terminate and confract and terminate the supplier's eligibility for bidding if improvement is not made after the Bank provided	emissions year by year. ♦ Give priority to procuring energy efficient products with environmential labels and green materials, expand the scope and quantity of green procurement, and raise the amount of green procurement year by year. ♦ Conduct supplier evaluation and search through environmental with through environmental information and require explanation and inprovement for any unethical conduct or violation of environmental, and worker rights regulations. The Bank may cancel or terminate the supplier's eligibility for bidding if improvement is not made after the Bank kny concel davice.	year. ♦ Give priority to procuring energy efficient products with environmental labels and green materials, expand the scope and quarity of green procurement, and raise the amount of green procurement year by year. ♦ Conduct suppiler evaluation and search through environmental and labor regulations and publicly available information and program equire explanation and improvement for any unethical conduct or violation of environmental, and worker rights regulations. The Bank may cancel or terminate the suppiler's eligibility for bidding if improvement is not made after the Bank kny concel	procuring energy efficient products with environmental labels and green materials, expand the scope and quantity of green procurement, and raise the amount o green procurement year by year. ◆ Conduct supplier evaluation and require explanation and labor reguiations and publicly available information and require explanation and improvement for any unehical conduct or violation of environmental accupational safety and health, and worker rights regulations. The Bank may cancel or terminate the supplier's eligbility for bidding if improvement is not made after the Bank provided	KPI5: Percentage of suppliers who have signed the "Stalement of Commitment to Human Rights and Environmental Sustainability"	95%	100%	100%	100%
	Climate change i strategy and F management	Sustainable Finance Unit	Strong storms and tropical cyclones arising from extreme weather pose direct threat to the Bank's operation	Follow the competent authority's Guidelines for Domestic Banks' Climate Risk Financial Disclosure	<ul> <li>Perform climate change risk and opportunity analysis regularly to strengthen climate change</li> </ul>	implement the Task Force on Climate-	climate change KPI 2: Perform TCFD	Completion rate	The CDP questionnaire was completed at the end of July 2022. The completion rate was 100%. Key TCFD information for 2021	Completion rate	Completion rate 100 <sup>4</sup> Completion rate 100 <sup>4</sup>				
			and cause disruption to borrowers' operations that lead to repayment difficulty and real estate collateral impairment. ♦ Opportunity: Develog green loans that help borrowers respond to	and identify climate change related risks and opportunities, implement response plans, and develop climate governance policy.	climate change governance of the Bank, assess financial impacts, and reduce risk while grasping business opportunities.	<ul> <li>framework.</li> <li>Continue to fill out the CDP questionnaires for climate change.</li> <li>Finish signing the Equator Principles</li> </ul>	analysis and publicly disclose key information KPI 3: Organize third	100%	was simultaneously disclosed in the 2021 Annual Report and the Sustainability Report. The 2021 TCFD report was disclosed on the Bank's official website in August 2022. The completion rate was 100%.	100%	Completion rate 100				
		climate change trai	climate change transition and develop low carbon financial services.		<ul> <li>Continue to disclose information regarding carbon emissions and reduction of the Bank.</li> </ul>	and incorporate the Equator Principles into the lending process.	RPI 3: Organize third party certification of TCFD report	Completion rate 100%	The TCFD conformity certification was completed and rated Level 5: Excellence at the end of June 2022. The completion rate was 100%.	Completion rate 100%	Completion rate 100				

1	Responsible	V. Dile - to	Duli	0				Evaluation and target		
iority Material Issue	Unit	Key Risks and Opportunities	Policy	Commitment	Action	Performance Indicator	2022 (short-term) goal	Achievement in 2022	2023 (short-term) goal	2024-2028 (mid to long- term) goal
1 Sustainable Finance	Sustainable Finance Unit	Risk: Increased pollution and energy consumption will affect quality of life and economic sustainability. The lack of response measures will expose the financial indistry to onerational risk	Integrate ESG issues into the development strategies and processes of financing, wealth management, and credit card	Follow the ESG practice and offer green loan products as part of the commitment to the environment and society.	<ul> <li>Provide preferred financing terms to encourage customers to purchase renewable energy powered equipment, green</li> </ul>	KPI 1: The accumulated amount of green energy-related project loans for providing finance and help individual customers improve and enhance equipment.		NT\$39.76 million in total loans approved.	NT\$20 million in total loans approved.	NT\$160 million in total loans approved.
		industry to operational risk. ♦ Opportunity: 1. The Bank combines core businesses and utilizes characteristics of cash flow in the banking sector to fulfill its social responsibility in the financial supply chain and explore new profit		<ul> <li>Support businesses implementing environmentally friendly and green developments and avoid working with</li> </ul>	label property, and energy efficiency label appliances in order to reduce carbon emissions and energy consumption. ♦ Inject funds into environmental	KPI 2: Total number of green loans to help corporate customers improve and enhance equipment. KPI 3: Total loans approved for urban renewal and old building reconstruction.	Year-on-year growth of 10% NT\$50 billion in total loans approved.	The total number of green energy-related project loans approved reached 899 cases, up by 13.08% compared to 795 cases in 2021. NT\$68.699 billion in total loans approved for urban renewal and old building reconstruction.	Year-on-year growth of 10% NT\$60 billion in total loans approved.	Year-on-year growth of 10% NT\$100 billion in total loans approved.
		sources in sustainability related opportunities. 2. Raise sustainability awareness among customers and take real ESG action to generate	attention and action to ESG risks and opportunities. Reject loan applications from controversial	<ul> <li>businesses with environmental and social risks.</li> <li>Encourage customers to support</li> </ul>	conservation and green energy industries and SMEs, and provide upgrade & transformation	KPI 4: Number of ESG funds launched.	5 ESG funds launched.	1 ESG fund launched.	Annual growth of number of funds: 3%. (Target for 2022 as the base)	
		positive benefits for custr society. proce appli sear on gr	customers. When processing loan applications, search applicants on government	environmentally friendly spending through green diet and green transportation	guidance, ustainable finance and other one- stop services to guide customers	KPI 5: Number of credit cards made of environmentally friendly materials=	The percentage of total credit cards issued with environmentally friendly materials is 8%.	The percentage of total credit cards issued with environmentally friendly materials is 23%	The percentage of total cards issued has reached 13% (Number of cards issued in 2020 as the base)	The percentage of total cards issued has reached 23% (Number of cards issued in 2020 as the base)
			websites for background data on environmental protection, workplace safety, food safety, and employee pension contribution rates and make these key factors for financing.	and pay attention to environmental sustainability. ◆ Support environmentally friendly and green industries and avoid establishing loan business relationship with controversial enterprises.			Is 8%. Follow-up on improvement is noted in the conditions of approval for customers who had environmental protection or workplace safety issues.	Each loan case will be checked against the government websites for any environmental or workplace safety penalities and disclosure. There is to major improvement outstanding at the present.	Follow-up on	Followup on improvement is noted in the conditions of approval for customers who had environmental protection or workplace safety issues.

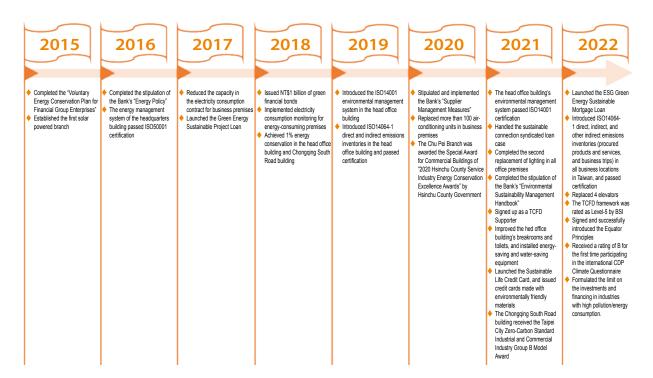
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	Responsible							Evaluation and target		
y Material Issue	Unit	Key Risks and Opportunities	Policy	Commitment	Action	Performance Indicator	2022 (short-term) goal	Achievement in 2022	2023 (short-term) goal	2024-2028 (mid to lon term) goal
Public welfare and charity	Social Benefit Unit	<ul> <li>Risk: The world and Taiwan remain in the shadow of the</li> </ul>	Promote four public welfare strategies, "senior care", "social	Uphold the spirit of giving back to the local community	<ul> <li>Senior care: In support of the government's</li> </ul>	KPI 1: Accumulated donations to charity funds	NT\$21 million	NT\$21.23 million	NT\$24.50 million	NT\$41.08 million in accumulated donations
		pandemic, which has sent shock waves through all kinds of economic activities	care", "arts and cultural education", and "sports	and social practice, connect positive forces and use a	long term care policy, the Bank allocates 0.3% of	KPI 2: Number of recipients of senior care every year	270,000.	280,000.	280,000.	330,000 every year
		and increased operational risk. It becomes more difficult for minority groups to access	competition", to increase recognition of the brand from	variety of platforms to gather and use resources for	total consumption amount of Silver Love Cards to	KPI 3: Accumulated number of recipients of	560,000.	570,000.	600,000.	Accumulated recipients reaching 800,000
		resources and blocks certain charity efforts. Failure to fulfill corporate social responsibility will affect a company's brand	employees and the public while fulfilling the Bank's responsibility in husiness development	maximum benefits while resolving environmental and social issues.	charities that help seniors share meals and learn together. The fund will also	social care KPI 4: Number of arts and cultural education events as host or sponsor every year	8.	14.	9.	71 events hosted or sponsored since 2022
		image: ♦ Opportunity: Combine core competencies of a financial institution and maximize resource utilization while promoting sustainable finance and charitable causes to extend ESG to all aspects of the business.	business development and social and environmental finediness. New observation and collaboration will also be brought into the development of financial products and services.		<ul> <li>Ind will also help communities provide senior fund will also help communities provide senior care in communities to promote senior care in communities to persons retire locally.</li> <li>Social Care: Follow the philosophy of giving back to the community to support minority groups and hose with physical/mental disabilities, take action in community care and social assistance, and care for the natural environment to bring love to all corrers of the country.</li> <li>Arts and cultural education: Support local artists and organizes a diverse range of exhibits in the arts and cultural exchange. Sponsor academic, forums to facilitate communication among the industry, academia, and government and support education: Support discaringers.</li> <li>Sports competition: Support grassroot sports competition and support education adsuport sports in the local community so that Taiwan can adoptities and support sports in the local community so that Taiwan can adoptities and support bace baltes and support bace baltes and support education and support discaringers.</li> </ul>	sponsor every year KPI 5: Number of sports competition hosted or sponsored every year	4.	8.	5.	43 events/persons hos or sponsored since 20

		Responsible							Evaluation and target		
iority	Material Issue	Unit	Key Risks and Opportunities	Policy	Commitment	Action	Performance Indicator	2022 (short-term)	Achievement in 2022	2023 (short-term)	
13 Inclusive finance	Customer Rights Unit	<ul> <li>Risk:</li> <li>A lack of equal access to financial services for the financially disadvantaged</li> <li>Opportunity:</li> <li>Actively help business owners start their own businesses and work together on issues faced by SMEs.</li> <li>Reach out and support</li> </ul>	Help business owners sart their businesses and work together on sustainability issues faced by SMEs.	Help business owners achieve sustainability and become a good business partner for customers.	Engage external institutions to organize a series of seminars and courses on "startup loans" and "how to build a relationship with banks" in order to provide the help needed in running businesses.	KPI 1: Organize or participate in seminars hosted by external parties.	goal 5 or more.	24.	goal 5 or more.	term) goal 5 or more.	
			each other as motivated by care. Continue with service innovation to ensure customers are fully protected and create more benefits for customers of all ages.	Promote small and micro startup loans as a solution to the financing difficulty faced by small and micro businesses.	Help small and micro businesses obtain funds needed to operate and grow in order to achieve economic stability.	Provide different financial services for different groups in society, thereby creating jobs and economic development.	KPI 2: Market ranking by number of small and micro business borrowers	First place.	First place.	First place.	First place.
				Promote mobile payment tools and provide customers with more friendly payment methods while improving customer experience with financial services.	Continue to expand the venues and increase the number of mobile payment users in order to raise the percentage of mobile payment.	In addition to expanding in certain shopping districts, the Bank encourages customers to use the mobile payment code provided by the Bank to pay taxes and receive bonus. The Bank tries to bring mobile payment into the everyday life and fulfill its role in financial inclusion.	KPI 3: Number of transactions by Taiwan Pay QR code.	845,000 new transactions.	1,619,494 new transactions.	900,000 new transactions.	1,150,000 new transactions.
					TWSE started offering the intraday odd lot trading system officially in October 2020 and kept after- market odd lot trading in a move that facilitated diversity significantly in the securities market.	Help young and small-budget investors invest in TWSE listed companies and invigorated the odd lot market.	The Bank developed the intraday odd lot trading service in alignment with Taiwan Stock Exchange's new system and customers' trading needs, and officially launched the service on March 30, 2021 to provide a more convenient way for investors on a small budget to trade odd lots.	KPI 4: Volume of odd lot transactions	Volume of odd lot transactions up by 10%.	Volume of odd lot transactions up by 23%.	The volume of odd lot transactions rose by 20% compared to 2021.
				Actively expand the elder care trust service.	Ensure safety of funds and protect customers' lifestyle.	Actively expand the elder care trust service to satisfy customer needs for asset allocation, financial planning, and elder care trust funds. Work through cross sector alliances with long term care, edder care, medical and social benefit providers to provide solutions to elder care, medical care, and fund management issues. The trust fund mechanism is used to protect the elderly and provide complete care and achieve financial inclusion.	KP15: Number of trust beneficiaries.	2,000 new elder care trust beneficiaries in a single year.	7.091 new elder care trust beneficiaries in a single year.	2,300 new elder care trust beneficiaries in a single year.	3.300 new elder care trust beneficiaries in a single year.
		and services to be sold to minor customers or th with specific role by salesperson extend the read	friendly micro insurance products	Keep designing and offering financial products and services that can protect the disadvantaged and the elderly in order to expand the customer base.	Promote small whole life insurance policies for more caring and finendly service for the elderly, and fully utilize characteristics of such products: The age bracket is wider and premium lower compared to other types of whole life policies. The intention is to enable consumers to care for the disadvantaged and the elderly by buying this type of policy.	KPI 6: (Number of) new micro accident insurance and small whole life insurance policies	150 new contracts.	422 new contracts.	180 persons.	288 persons.	

#### 3. Climate-related Financial Disclosures

#### (1) TBB's Milestones of Climate Governance Development



### 352

#### (2) TBB's Task Force on Climate-related Financial Disclosures (TCFD)

After signing the TCFD statement and becoming a TCFD Supporter, the Bank regularly conducts the identification of climate change-related risks and opportunities every year in accordance with the TCFD framework, the FSC's Guidelines on Climate-related Financial Disclosures by Domestic Banks, and the Practical Manual of Climate-related Risk Management by Domestic Banks released by the Bankers Association Of The Republic Of China. The assessment results are presented in four dimensions: Governance, Strategy, Risk Management, and Indicator and Target:

Information Disclosure	Assessment Results
Governance	<ul> <li>Board of Directors         Incorporate climate risk factors into the Bank's risk appetite, strategy, and business plan, including identification of climate-related risks and opportunities and their impact on the Bank's strategy and plan, and continue to effectively monitor the Bank's management and disclosure of climate risks.     </li> <li>Sustainable Development Committee         Integrate specific implementation strategies for sustainable development of the entire bank, covering issues such as corporate governance, sustainable finance, climate governance, customer rights, social welfare, employee care, and environmental sustainability.     </li> <li>Risk Management Committee         Supervise and review the implementation and effectiveness of climate-related risk governance.     </li> <li>Risk Management Department         Regularly perform the analysis of climate-related financial disclosures and make the TCFD report.     </li> </ul>
Strategy	<ul> <li>Fully leverage the influence as a banking institution in the mitigation of the impact of global climate change, to reduce the impact of climate change on the environment and strive to achieve sustainable development of the environment.</li> <li>Regularly identify climate change risks and opportunities under the TCFD framework and evaluate the potential impact on operations and finance, and then develop corresponding targets and measures for corporate operations, business development, and financial planning.</li> <li>Actively develop short-, mid- and long-term countermeasures in accordance with the identified climate change risks and opportunities, and enhance the ability to adapt to climate-related risks in different climate scenarios.</li> </ul>
Risk Management	<ul> <li>Risk Management Department collects issues of climate-related risks and opportunities with reference to the domestic and international climate scenarios and the TCFD framework and investigates on our relevant departments. After identification and prioritization, a risk and opportunity matrix is drawn based on the occurrence probability and the degree of impact, to identify the severity of each climate risk and opportunity incident and formulate countermeasures accordingly.</li> <li>Collect information on potential climate change transition and physical risks to analyze potential financial impacts in various climate scenarios.</li> <li>Hand over relevant issues to each business management department for management, and work on the planning and execution of business development strategies based on the climate risks and opportunities identified, and the analysis results of climate transition and physical risks.</li> </ul>

Information Disclosure	Assessment Results
Indicator and Target	<ul> <li>Indicator</li> <li>Continue to introduce international certification, and continuously monitor the information on TBB's use of energy and water resources, waste disposal, and resource recycling, as well as regularly entrust third-party entities to conduct inspections.</li> <li>Continue to monitor the development of green financial services, and monitor the proportion of credit risk exposure of high polluting/energy consuming industries.</li> </ul>
	Target
	<ul> <li>Increase the proportion of green loans year by year.</li> <li>Set up a target proportion of credit risk exposure of high polluting/energy consuming industries</li> </ul>
	<ul> <li>Set up a target proportion of creat risk exposure of high polititing renergy consuming industries</li> <li>Reduce greenhouse gas emissions year by year.</li> </ul>
	<ul> <li>Improve the effectiveness of reduction of electricity and water consumption year by year.</li> </ul>

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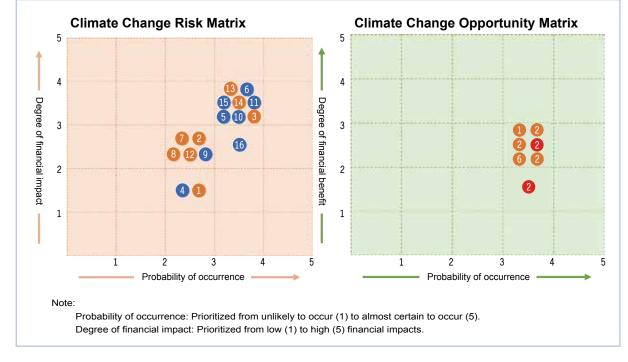
SUSTAINABLE DEVELOPMENT

353

#### (3) The procedure for identifying issues of climate change-related risks and opportunities

STEP 1	STEP 2	STEP 3	STEP 4
The Bank works with external consultants to collect issues on climate-related risks and opportunities, and designs a questionnaire on climate-related risks and opportunities.	Invite various departments and subsidiaries of the Bank to conduct a questionnaire survey on climate-related risks and opportunities.	Analyze the questionnaire data, and prioritize the risk and opportunity issues by "Probability of occurrence" and "Degree of financial impact".	Based on the result of prioritization, draw a climate change risk and opportunity issue matrix.

#### (4) The identification results for issues of climate change-related risks and opportunities



A. Climate Change Risk and Opportunity Matrix

Time of occurrence:

Short term (Less than 1 year)	Mid term (1 to 5 years)	Long term (More than 5 years)
-------------------------------	-------------------------	-------------------------------

Risk and opportunity level: Measure the level of events based on the risk value (Probability of occurrence × Degree of financial impact or benefit).

Risk level	High	Medium	Low
Risk value	Above 15 (inclusive)	Between 7.5 (inclusive) and 15 (exclusive)	Below 7.5 (exclusive)

Priority	No.	Risk issues	Risk Category	Time period	Risk level
1	R13	Financing control tightened, leading to customer loss.	Transition	Mid	Medium
2	R6	Long-term impact of climate change.	Physical	Long	Medium
3	R15	Carbon emission control: resulting in a decrease in the Bank's return on investment.	Transition	Long	Medium
4	R14	Carbon emission control: making it difficult for the Bank to recover its creditor's rights.	Transition	Mid	Medium
5	R11	Investment targets are facing low-carbon transition.	Transition	Long	Medium
6	R5	Long-term climate change affects the value of real estate collateral.	Physical	Long	Medium
7	R10	Financing targets are facing low-carbon transition. Transition		Long	Medium
8	R3	Assets of financing targets are damaged.	Physical	Mid	Medium
9	R7	The Bank is unable to respond to the need for sustainable finance in a timely manner.	Transition	Mid	Medium
10	R16	Environmental regulations and policies are becoming stricter.	nental regulations and policies are becoming stricter. Transition		Medium
11	R2	Assets of investment targets are damaged.	Physical	Mid	Medium
12	R8	Negative news about high pollution, such as environmental pollution, caused by the investment and financing targets of the Bank, indirectly affecting the Bank's reputation.	Transition	Mid	Medium
13	R12	Digital financial transformation for paperless operation and energy conservation & carbon reduction.	Transition	Mid	Medium
14	R9	The Bank's performance on sustainability is not satisfactory, affecting the willingness of customers to transact with the Bank.	Transition	Long	Medium
15	R4	Rising average temperatures or sea levels, affecting day-to- day operations.	Physical	Long	Low
16	R1	Business locations suspend due to natural disasters, causing a decrease or interruption in production capacity.	Physical	Mid	Low

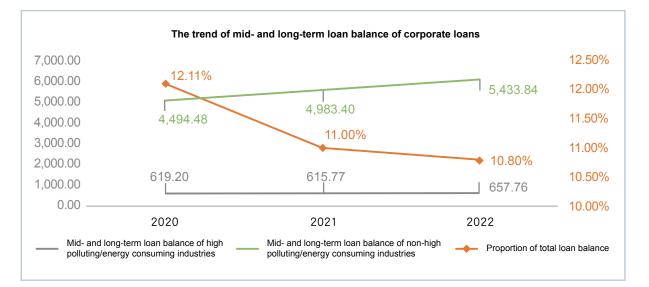
#### B. Priority of Climate Change Risk Issues

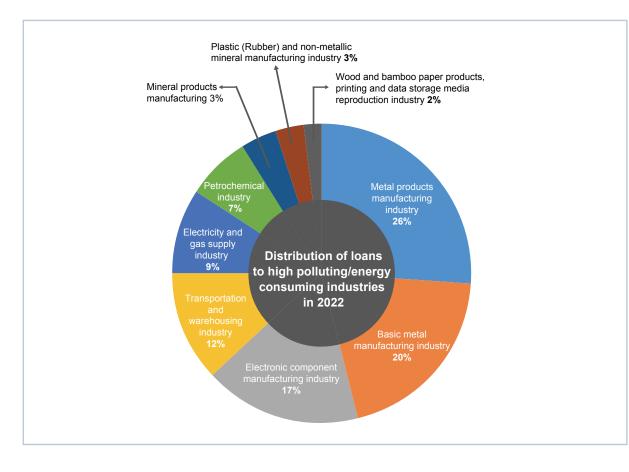
C. Priority of Climate Change Opportunity Issues

Priority	No.	Opportunity issues		Risk level
1	01	Develop climate-related project loans.	Mid	Medium
2	O3	In response to the trend of sustainable finance, promote diversified green financial products and develop new business opportunities.	Mid	Medium
3	02	Increase investment in climate-related industries.	Mid	Medium
4	04	Optimize digital financial services to reduce energy/resource consumption of operations and customers, which also helps in increasing customer base.	Short	Medium
5	O6	Purchase new energy-saving equipment to improve energy efficiency.	Mid	Medium
6	07	Increase the use of renewable energy.	Mid	Medium
7	O5	Hold internal and external energy conservation competitions; provide incentives or educational trainings.	Short	Medium

#### (5) Credit risk exposure analysis of high polluting/energy consuming industries

In order to effectively control climate-related risks, the Bank refers to the list of controlled enterprises in the "Mandatory Greenhouse Gas Reporting System" of the Environmental Protection Agency of the Executive Yuan and the scope of industries with high climate risks in the same industry to define the Bank's scope of high polluting/energy consuming industries. By the end of 2022, the balance of mid- and long-term loans granted to the Bank's high polluting/energy consuming industries was approximately NT\$65.776 billion, accounting for about 10.80% of the total mid- and long-term loans, which was regarded as the Bank's carbon-related credit risk exposure. The Bank's lending trend and distribution of high polluting/energy consuming industries in the past three years are as follows:





#### (6) Quantitative analysis of financial impacts in climate change risk scenarios

This year, the Bank analyzed the transition and physical risk scenarios respectively, and quantified the financial impacts of climate change on the Bank, so as to assess the Bank's potential climate change risks.

#### A. Analysis of transition risk scenarios

- Risk identification: According to the list of controlled enterprises in the "Mandatory Greenhouse Gas Reporting System" of the EPA, 26 of them are loan customers of the Bank.
- Risk analysis: To keep abreast of the mid- and long-term climate-related risks accurately, the model of the Network for Green Financial System (NGFS) were applied to select the three scenarios of nationally determined contributions (NDC), delayed transition (Delayed Transition) and global net zero emissions (Net Zero). A trial calculation was made with the three time points of short- (2023), mid- (2027) and long-term (2050) to evaluate the carbon fees that our 26 customers might need to pay.

Scenario	Scenario of NGFS	Assumption of carbon price (NTD/metric ton)		Growth rate of carbon emissions (base year: 2021)			
NGFS		2023	2027	2050	2023	2027	2050
А	NDC	300.00	300.00	300.00	0.40%	0.40%	-1.06%
В	Delayed Transition	-	-	11,937.71	-0.52%	-1.64%	-73.59%
С	Net Zero	1,160.61	2,333.52	17,301.28	-6.35%	-16.27%	-80.46%

Quantitative analysis results on financial impacts of transition risk

The potential financial impacts of the 26 customers on the Bank under different carbon fee scenarios are shown in the table below. For detailed countermeasures, please refer to the TCFD report expected to be released by the Bank in 2023.

Scenario	Scenario of NGFS	2023	2027	2050	
А	NDC	Mild	Mild	Moderate	
В	Delayed Transition	No impact	No impact	Moderate	
C Net Zero Moderate Moderate Moderate					
Extremely significant Financial impact or benefit exceeds NT\$1 billion.					

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Significant	Financial impact or benefit is between NT\$500 million (inclusive) and NT\$1 billion (exclusive).
High	Financial impact or benefit is between NT\$100 million (inclusive) and NT\$500 million (exclusive).
Moderate	Financial impact or benefit is between NT\$1 million (inclusive) and NT\$100 million (exclusive).
Mild	Financial impact or benefit is under NT\$1 million (exclusive).

#### B. Analysis of physical risk scenarios

To monitor closely the impacts of physical risks on business locations and activities, the Bank evaluated the probability of flooding and simulated flood depth based on the Taiwan Disaster Risk Map published by the NCDR climate change disaster risk mitigation platform in 2021. To refine the scale of risk identification, disaster types, and the amount of loss caused by disasters, the Bank introduced the United Nations Environment Program Finance Initiative (UNEP FI) approved climate risk analytics databases this year. The physical risk analysis this year includes financial impact assessment regarding real estate collaterals and business locations of branches. The method and conclusion of the assessment are as follows.

- Risk identification
  - Real estate collaterals: A physical risk analysis is performed on all domestic real estate collaterals.
  - Branch locations: A physical risk analysis is performed on all business locations and self-owned real estate in Taiwan.
- Risk Analysis

Forest fire

- Coastal flooding
- Land subsidenceExtreme winds
- Extreme heat
- River flooding

- Scenarios and factors
  - Based on NCDR forecast, RCP 8.5 and RCP 2.6 of the Representative Connection Pathways (RCPs) are used in the assessment:
  - Analysis timing: Short-term (2023), mid-term (2027), and long-term (after 2050).

- Input parameters: Address of real estate, economic service life of building, material of building, coordinates, and year of construction.
- Analysis method
  - The General Circulation Models (GCMs); IPCC CMIP5 and CMIP6 models are selected.
  - The Regional Climate Models (RCMs), which analyze specific physical risks and disasters.
- Quantitative analysis result of financial impacts of physical risk

The result of the physical climate risk analysis shows that, the 2050 RCP 8.5 is the most severe scenario and the frequency of risk incidents and the amount of expected losses are higher in the long-term (2050) compared to the short- and mid-term (2023 and 2027). For details and countermeasures, please refer to the TCFD Report that the Bank plans to release in 2023.

Real estate collaterals: The potential financial impacts on real estate collaterals in the 2050 RCP8.5 and RCP2.6 scenarios and changes in the loan-to-value (LTV) ratio after impairment of real estate collaterals are shown in the table below.

Scenario	RCP8.5	RCP2.6	
Financial impact	5,519.25	4,864.19	
(NTD mn)	Extremely significant	Extremely significant	
Change in LTV ratio (%)	0.40%	0.35%	
	Mild impact	Mild impact	

Change in LTV ratio = (Initial LTV ratio - LTV ratio after impairment) / Initial LTV ratio

Value after impairment = Initial appraised value × (1 - 2050 real estate value impairment %)

Real estate value impairment (%): based on climate risk analytics databases recommended by UNEP FI.

Although the assessment of overall financial impact on the Bank is extremely significant in both scenarios, the Bank has well-established collateral review, appraisal and pricing management, and other lending procedures in place for individual cases. Going forward, the Bank will continue to refine climate risk assessment in order to closely monitor impacts of physical climate risk on real estate collaterals at the Bank

Branch locations: Business locations and self-owned real estate of the Bank under the 2050 RCP8.5 and RCP2.6 scenarios may have a financial impact on total assets. A physical risk assessment of the Bank as a whole or any single location indicates all potential physical risks of the Bank's business locations are mild

Scenario	RCP8.5	RCP2.6	
Financial impact	42.86	37.83	
(NTD mn)	Moderate	Moderate	
Potential physical risk	Mild	Mild	

#### 4. The Bank's achievements in promoting sustainable development in 2022, divided into categories of Environmental, Social and Corporate Governance (ESG), are described below:

#### (1) Environmental

- A. Extension of Environmentally Friendly Enterprise Project Loans
  - a. In its advancement toward such sustainable environment goals as lowering energy consumption and reducing pollution, in addition to including the sustainable development and implementation of corporate environmental protection in its loan business, the Bank continuously promotes project loans under the "Preferential Loans for the Procurement of Renewal Energy Equipment," "Green Energy Sustainable Project Loans," "Machinery and Equipment Upgrading Loans," and the "Preferential Loans for 6 Core Strategic Industries." The Bank also cooperates with external counseling institutions and held several lectures on "green finance" related topics to provide guidance to enterprises in upgrading and transforming. Furthermore, through the credit granting model of "Sustainability Indices Linked", the Bank guides enterprises to pay attention to green development issues, in the hope of establishing a low-carbon economy, achieving the goal of sustainable social development, and generating a win-win for economic development and environmental protection.

- b. The Bank has developed the Innovative Urban Renewal 2.0 by combining urban renewal and green energy (generation of electricity on-farm and energy storage) and target the old factories in the industrial zones for renovation and reconstruction as their buildings can be designed to be more three-dimensional to increase the usable area and solar power generation and storage facilities can be installed on the rooftop of buildings to generate electricity on their own, which, at the same time, can solve the problems of land and power shortages in Taiwan.
- B. Implementation of Carbon Reduction and Energy Conservation Policy to Stimulate Sustainable Environmental Development
  - a. The Sustainable Life Card advocates vegetarian diet and carbon reduction as well as green energy and the sharing economy. The card also offers 10% cash back on green channels. Green spending brings cardholders into environmental efforts by allowing cardholders to combine sustainability and spending. In addition, the Sustainable Life Card is made of environmentally friendly PETG material and does not emit poisonous gas during destruction, thereby reducing its environmental impact. Sustainability campaigns are offered from time to step up the Bank's ESG efforts and sustainability performance.
  - b. The Bank has established the "Environmental Sustainability Management Handbook" and "Measures for Water and Electricity Conservation" to monitor regularly water and power consumption by each unit. The Bank also actively implements energy saving and improvement programs to improve energy efficiency and reduce carbon emissions.
  - c. The Bank has five solar powered branches, which are Ta Fa, Ta Yuan, Ming Hsiung, Tainan, and Hsing Chung branches. The Ta Fa Branch and Ta Yuan Branch sold wholesale electricity to Taipower at the early stage, while the other three branches are self sufficient with a total installed capacity of 108.025 kW and expect to generate a total of 134,000 kWh of electricity every year. The Bank will continue to set up self sufficient solar powered branches in the future.
  - d. Waste at the head office building is disposed by a professional vendor who also provides proof of disposal. Statistics show that waste at the head office building reached 83.3 tons with 19.1 tons in recyclable waste. The Bank will continue to raise awareness about reducing food waste and single use utensils and enforce waste sorting.
  - e. The head office building continues to promote ISO50001 and ISO14001 certification for energy and environmental management systems. Action plans will be implemented to improve and strengthen performance in energy efficiency and other environmental issues.
  - f. The Bank continues to promote ISO14064-1 GHG inventory certification, which covers the head office building, the Linkou server rooms, and all domestic branches.
  - g. The old ice water machine at the Zhongnan building was replaced by 120RT Class 1 energy efficient ice water machine and the ice water and cooling pumps were updated (IE3 energy efficient motors) and added with inverters.
  - h. Plans are made to digitize services. Mobile insurance and online insurance were implemented and a paperless process was introduced to save energy and reduce carbon emissions.
  - i. The Bank supported the government in encouraging reading and promoting paperless and energy saving and carbon reduction policies. The Bank also promoted an e-book city reading service inside the head office building.
- C. Superior Performance Record in Implementing Environmental Protection
  - a. The Bank received the "2022 Taipei City Zero Carbon Benchmarking Award" under the Industrial and Commercial Industry Group B Model Award.
  - b. The Bank has been cited by the Environmental Protection Administration and the Taipei City Government's Department of Environmental Protection for "Outstanding Performance in Green Procurement" for 11 years in a row.

#### (2) Social

- A. Promotion of Social Benefit and Participation in Community Development
  - a. To help with the media exposure of charity and public benefit groups, the Bank disclosed information on charitable donations on the Credit Card section of its official website, including donation programs for the Spinal Cord Injury Foundation, Taiwan Fund for Children and Families, World Vision International (Taiwan), Sunshine Social Welfare Foundation, Eden Social Welfare Foundation, Children Are Us Foundation, Genesis Social Welfare Foundation, and Waker Group.
  - b. The Bank participated in the community college seminars co-organized by the Trust Association and the New Taipei City Government as well as financial education campaigns on campus and in the community and trust campaigns for social welfare groups organized by the Banking Bureau. These activities served to make

trust service more accepted by the public and enhance the Bank's brand image as a trust service provider. It is part of the Bank's commitment to implementing the competent authority's Trust 2.0 policy and fulfilling the Bank's corporate social responsibility.

- c. The Bank continued the sponsorship of the Senior Learning Centers to improve the quality of life and care for the disadvantaged elderly in the community. Two new locations in Nuantong Village, Nuannuan District, Keelung City and Wanli Village, New Taipei City were added to the sponsorship in collaboration with community development associations in 2022. There are a total of 20 locations at present, and 284,944 people benefited from the sponsorship in the year. The Bank also partnered with University of Taipei in the USR program to provide physical exercise courses for seniors.
- d. In support of the health status of school children in remote areas, the Bank continued to sponsor free breakfast at Nanfeng, Shuanglong, Duona, and Saijia elementary schools for the 2022 academic year.
- e. The Bank worked with the valued customer, Cona's Chocolate, in organizing the Cona's Choco Adventure for Children that educated children in 8 remote elementary schools in Nantou on cocoa and handmade chocolate classes.
- f. To help farmers alleviate the pressure of agricultural overproduction, the Bank purchased close to 12 tons of custard apples and 1,200 cases of pomelos to give away to all employees of the domestic branches, sponsored elementary school children, seniors at the Senior Learning Centers, and households in need at 3 food banks. The Bank received an appreciation certificate from the Council of Agriculture.
- g. To offer humanitarian aid for Ukraine, the Bank donated NT\$2.8 million to the Taiwan Foundation for Disaster Relief for this specific use.
- h. The Bank sponsored the Sheng-An Yang charity tour hosted by NewArt. All ticket sales after necessary expenses were donated to the rebuilding of St. Camillus Hospital in Penghu.
- i. As part of the commitment to humanitarian efforts and CSR, the Bank purchased 10 anti-tuberculosis 2022 charity stamps sold by the Taiwan Anti-tuberculosis Association in support of their fundraising effort.
- j. The Bank was a sponsor of the Anue annual charity program and took action to help draw attention to difficulties faced by disadvantaged children and seniors in Taiwan.
- k. The Bank organized the TBB Love Earth Green Go mountain cleaning campaign. Environmental education was made a part of the event to encourage employees join the charity effort and support the green lifestyle.
- I. To extend social responsibility, build up capabilities in different areas, and recruit necessary talent, the Bank started working with colleges and universities in 2018 to promote academic-industry partnerships. These programs provide internships for junior and senior university students as well as first year graduate students. Students will be considered for full-time positions at the end of their internships based on an interview and internship evaluation. This is a way of bringing top talent into the Bank.
- m.A total of 91 students participated in the academic-industry partnership program for the second half of the 2021 academic year. A total of 66 students were hired after their performance at their respective units and interviews were considered, leading to a retention rate of 73%. The Bank will continue with the partnership program for the second half of the 2022 academic year. The list of schools in the program is going to be expanded from 8 schools (8 departments) to 15 schools (20 departments), and the number of internships will increase from 91 to 146. The goal is to have the schools put forward outstanding students and help them in career development while the Bank recruits new employees, thereby creating a all-win situation.
- n. The Bank provides summer internships for financially disadvantaged youth to help support financially disadvantaged households. The Bank provides part-time internships for active students and partnership programs with public and private colleges and universities. Courses are organized by both parties to educate top talent and a well constructed workplace experience for students. Job opportunities are offered to students with outstanding performance.
- o. The Bank supports the government's Asian Silicon Valley project to accelerate growth and transformation of startup businesses. The Bank set up an office at the Kaohsiung Yawan Startup Terrace to provide financial services for the long term, and helped create an innovative startup ecosystem to support transformation of local businesses.
- p. The Bank actively participated in events hosted by the Trust Association of the Republic of China and worked together to improve service quality and image of the financial sector through close ties and interaction.
- q. The Public Welfare Trust Senior Carefree Social Welfare Fund, which was established with the Bank as the trustee, continued to donate to communities facing resource shortage. To fulfill CSR, the Bank also conducted Senior Learning Center events on trust education in Nuannuan District, Keelung City and Xinwu District, Taoyuan City.

359

- r. The Bank provided customized financing and dangerous building reconstruction programs and urban renewal trust services for landowners and individuals involved in reconstruction projects. These programs provide landowners and real estate developers with dangerous building reconstruction and urban renewal projects with coordination, building design, construction bidding, and progress management, financing planning, trust and renewal mechanisms and other professional services to help landowners who lack the expertise, experience, and resources to realize their dream of building renewal.
- s. The Bank organized the 4th Dangerous Buildings, Urban Renewal, and Trust Expo at the Taipei Expo Dome. The Expo provided a venue for the public to obtain information on urban renewal and trust service. It was an opportunity for the public to get involved in old building renewal and for the Bank to strengthen its ties to the community, partners, and members of the public, thereby fulfilling its social responsibility and enhancing its image.
- B. Support for Academic, Cultural, and Sports Activities
  - a. The Bank continued to hold Trust 2.0 seminars with schools in the academic-industry partnership program. The Bank also arranged for branch employees to give lectures at National Taipei University and Soochow University and trust courses at I-Shou University and National Taipei University of Business that introduced trust service in the everyday life to the students and advanced trust education to a younger generation.
  - b. In support of the 2030 bilingual policy to start English education at an early age, the Bank partnered with Studio Classroom to write English articles on trust service and publish English videos on Youtube to explain the purpose of trust through everyday examples. The materials help young audience learn English and understand the trust system and benefits at the same time.
  - c. The Bank handled the subsidy trust for domestic feature films subsidized by the Ministry of Culture. The contract was finalized and entered into on December 2, 2022.
  - d. The Bank sponsored the BBC Planet Earth II Live in Concert and the corporate inclusion initiative, and invited teachers and students to free screenings and drew attention to sustainability issues.
  - e. Continuing the art and culture exhibit, Dadaocheng in Images, the Bank organized 4 exhibits in 2022 and invited acrylic and ink painter Wen-Hui Chen and new mineral paint artist Yu-Jie Zhang, and Jia-Wei Ye who is an architecture artist and a member of the Bank's retiree association. In addition, calligraphy masters were invited to write CNY banners that were given away to customers in the branches for celebrating the festival.
  - f. In support of local art and culture, the Bank was a sponsor of the 2022 National Day Celebration in Taoyuan, 2022 National Day Fireworks in Chiayi, 2022 Taiwan Composer League, 2022 Tua-Tiu-Tiann International Festival of Arts, 2023 Taoyuan New Year Countdown Party, and the 2022 GACC National Day Building Projection Mapping and Interview with Masters videos.
  - g. The Bank supported academic exchange by sponsoring the ARDF 34th CPA Elite Debate, the 2022 ESG Summit on Environment, Social & Governance, the 2022 annual conference of the Taiwan Economic Association, the 2022 Wealth Magazine Impact Forum, and the 2023 Business Today Economic Outlook Forum.
  - h. The Bank assisted the Ministry of Finance in organizing the 2022 Unified Invoice Marathon and supported charity and minority groups through the marathon.
  - i. To encourage participation in sports, the Bank sponsored the 2022 TLPGA YTS & Suncity Heritage Tour, the 2022 CTFA TBB 5-a-side Football Tournament, the Keelung Community Basketball Association 31th New Park Basketball Tournament, the 2022 Chiayi City Government Sports Games, the Taichung Real Estate Development Association 16th Golf Tournament, and Australia Open, French Open, Wimbledon Championships and other sports on CSTV Sportcast.
  - j. The Bank allocates 0.3% of the Yilan Affinity Card consumption to donate to National Ilan University and Yilan County Government to facilitate school affairs development and local prosperity.
  - k. The Bank collaborated with Beigang Chaotian Gong in issuing the Beigang Chaotian Gong Affinity Card. The Bank provides the sponsorship and allocates 0.275% of general card consumption amount to Beigang Chaotian Gong every year for organizing the pilgrimage or other public welfare events.
- C. Care for employees

Employees are assets of the Bank, and we spare no effort to take care of our employees. In addition to formulating work rules and various personnel management regulations in accordance with the Labor Standards Act and other relevant labor laws and regulations, we provide labor insurance, national health insurance and pension contributions as per laws and regulations. We regularly hold employee health checks, provide preferential group medical and accident insurance, and protect employees' lives, so that they can leverage their capabilities at work without any concerns.

- a. Enhancement of Employees' Professional Knowledge
  - To enhance our employees' competitiveness and their professional knowledge, we provide education and training courses in different areas of business in accordance with our annual staff training plan and also

offer holiday courses. Meanwhile, in response to the pandemic and e-learning trends, e-learning method was adopted instead. The courses focus on international financial trends, mortgage life insurance products, green industries and financing, metaverse, real estate development trends, electric self-driving car industry, financial digital transformation, and taxation and wealth management, etc., in the hope of enhancing the professional knowledge of the entire staff.

- b. Creation of an excellent workplace
  - In compliance with the Act of Gender Equality in Employment, the Bank has established regulations for sexual harassment measures, complaints, and penalties so that employees will have a work environment free of sexual harassment.
  - 2) The Bank provides its employees with a safe and healthy workplace, equipped with central air conditioning systems, abundant lighting, comfortable and appropriate working space, and emergency evacuation routes and exits. Elevators are maintained on a regular basis, firefighting equipment is available, and regular fire drills are held. Workplaces are disinfected and cleaned regularly, and door access safety controls are in place. Health service and stress-free activity center and first-class facilities (such as AED, first aid kit) are also in place.
- c. Establishment of Smooth Channels for Promotion and Communication
  - The Bank has a comprehensive system of remuneration and rewards as well as the promotion channel, diversified training and welfare measures that attract and retain talents, joining hands for the prosperity of the Bank.
  - 2) The Bank places the utmost emphasis on employee rights and regularly calls labor-management meetings where the two sides can fully communicate and negotiate on employee rights and welfare issues, and sign the Collective Agreement, thereby maintaining harmonious labor-management relations.

## (3) Corporate Governance

- A. Fulfillment of responsibility as a SME specialized bank
  - a. Deep cultivation of the core SME business
    - Support for diversity in the startup market, participation in events hosted by the government and supporting agencies, and information sessions on startup financing and business advice included the following:
      - The MOEA SMEA SME Incubator Development Plan hosted the National Incubator Meet at Chinese Culture University Kaohsiung Campus on February 9, 2022 and February 11, 2022. The Bank presented Preferential Loans for Youth Entrepreneurship and Start-up.
      - The ACFPT held the 2022 Taipei International Chain and Franchise Exhibition (Spring) at TWTC Hall
         1 on March 11, 2022. The Bank arranged for a local branch to set up a stall and provide advice.
      - ③ Junior Chamber International Huwei held the Orientation and Youth Entrepreneurship Financing Information Session at Yunpin Restaurant on March 12, 2022. The Bank presented Preferential Loans for Youth Entrepreneurship and Start-up.
      - ④ The information session for the 17th Warring States Innovation and Entrepreneurship Competition in 2022 took place at the National Dong Hwa University Innovation Incubation Center on March 14, 2022. The Bank presented Preferential Loans for Youth Entrepreneurship and Start-up.
      - (5) The KPPT Regional Branch of the Workforce Development Agency of the Ministry of Labor organized the personnel policy information session for Micro Loans for Female Entrepreneurs on April 27, 2022. The Bank presented Onsite Assessment Key Points and Recommendations for Borrowers.
      - (6) The KPPT Regional Branch of the Workforce Development Agency of the Ministry of Labor organized the Course for Female Entrepreneurs on May 17, 2022. The Bank presented the Startup Financing course.
      - ⑦ The ACFPT held the 2022 Domestic Chain and Franchise Exhibition (Summer) at TWTC Hall 1 on June 10, 2022. The Bank arranged for a local branch to set up a stall and provide advice.
      - ⑧ The YCT Regional Branch of the Workforce Development Agency of the Ministry of Labor organized the Advanced Course for Entrepreneurs on November 17, 2022. The Bank presented the Startup Financing and Incorporation course.
    - Active participation in financing information sessions hosted by the government and supporting agencies and industrial development and investment promotion committees included the following:
      - ① The Credit Guarantee Fund held "Postpandemic Outlook Taipei " at Like Space on January 14, 2022 and invited the Bank to join the panel for the general session and a local branch to set up a stall and provide advice.
      - ② The Bureau of Economic Development of the Taoyuan City Government held the Taiwan Economic Outlook and Business Transition Information Session on April 14, 2022. The Bank sent representatives to provide online advice.

IX.

- ③ National Kaohsiung University of Hospitality and Tourism held the "Academic-Industry Cooperation - Guest Lecturers from Industry" on May 10, 2022. The Bank presented the Financial Credit and Startup Loans course.
- ④ The Bureau of Economic Development of the Taoyuan City Government and Taiwan SMECF held the online Taiwan Economic Outlook and Business Transition Information Session on May 26, 2022 and June 23, 2022. The Bank sent representatives to provide online advice.
- (5) SMEA of MOEA held 6 SME financing matchmaking events in Taichung from July 1, 2022 to September 30, 2022 as part of the 2022 Project for Strengthening SME Solvency. The Bank spoke at the venue and arranged for a local branch to provide onsite financing matchmaking service.
- 3) Taiwan SMECF held the 2022 SME ESG Early Implementation Seminar at Chinese Culture University Daxia Branch on March 22, 2022. The Bank was invited to speak at the event and have a local branch set up a stall and provide advice.
- 4) The Taiwan Real Estate Management Association held an information on urban renewal and dangerous/ old building reconstruction on March 22, 2022. The Bank presented an introduction to urban renewal and old building financing and asked a local branch to set up a stall and provide advice.
- 5) The NKUST Department of Business Administration held the forum, ESG and Challenges and Opportunities for Taiwanese Businesses, on June 23, 2022. The Bank spoke to students at the forum on global ESG trends.
- 6) Wealth Magazine held the 4th Urban Renewal Expo and Seminar at the Taipei Expo Dome from September 17, 2022 to September 18, 2022. The Bank set up a stall and provide advice.
- b. Loan policy

The Bank follows the spirit of the "Equator Principles" in its loan policy.

In its extension of loans, the Bank fulfills its corporate social responsibility by taking the customer's ethical corporate management, corporate governance, environmental protection, social responsibility, food safety, and labor safety into consideration in its loan evaluation and decision making, thereby exerting its influence on corporate social responsibility.

## B. Implementation of consumer protection and reinforcement of customer care

- a. Reinforcement of consumer protection
  - The Bank protects consumer rights through its "Consumer Protection Policy" and "Consumer Protection Operating Procedures," which clearly state the measures to be implemented and designate an exclusive unit to review the effectiveness of the consumer protection mechanism. The Auditing Dept. is responsible for checking on the status of implementation.
  - 2) In line with the implementation of the Consumer Debt Clearance Act, the Bank has set up a single window for taking applications and providing consultation on preliminary negotiations, thereby helping to lighten the debt burden on debtors. To date, this facility has helped 5,648 people to start new lives, which in turn reducing social problems.
  - 3) To protect consumers and comply with the competent authority's regulations, in handling the mediumand long-term secured loan business with houses as collateral, or other real properties as collateral and its actual purpose is to purchase a home, branches have to emphasize the special reminders for mortgages, so as to allow customers to be aware of the risk of changes in loan interest rates.
- b. Implementation of customer service and care
  - The Bank and Taiwan Small & Medium Enterprise Counseling Foundation (Taiwan SMECF) jointly planned the "Project Counseling Plan for Improving the Financial Competitiveness of SMEs", which provides counseling measures such as the diagnosis of SMEs' financing and accounting problems, financial knowledge training courses and financing practices, so as to strengthen the resource integration function, and provide a comprehensive financial counseling service.
  - 2) To take care of young people and disadvantaged groups, the Bank carried out the Ministry of Finance's "Preferential Housing Loan Program for Successful Family Foundation of Youth" and the Construction and Planning Agency, Ministry of the Interior's "Housing Subsidy and Home Improvement Loans." By the end of December 2022, a total of 31,149 and 1,628 of these loans, respectively, had been extended, with the appropriation amount accumulated to NT\$130.772 billion and NT\$3.215 billion, respectively.
  - The Bank established negotiation service windows, provided debt negotiation channels, and renegotiation systems to help relieve the debt burden for borrowers in financial difficulties.
  - 4) To reinforce the interaction between fellow colleagues of all branches and the existing customers of the wealth management business and improve the communication between both parties, the Bank held a total of 119 customer briefing sessions to establish a regular fixed investment concept and provide

quarterly market outlook, so as to develop profound relationships with customers and improve the reputation of the Bank.

- 5) To accord with the governmental policy and fulfill its corporate social responsibilities, the Bank donated the amount equal to the insurance premium to "Chiayi Fu An Sovereign Charity" for it to purchase the "Micro Group Accident Insurance" product from South China Insurance.
- 6) The Bank provided various counseling services (such as counseling high-quality enterprises to participate in the National Award of Outstanding SMEs, the Rising Star Award, the Business Startup Award, or the Taiwan SMEs Innovation Award), helped business owners participate in the management and financial diagnosis project courses organized by counseling institutions, and assisted SMEs in making good use of various government resources and obtaining the necessary funds for operations. We satisfied customers' needs by actively providing thoughtful services to strengthen SMEs' foundation.
- c. Creating financial products that conform to social trends and customer needs
  - In response to Taiwan's aging population and low birth rate, the Bank constantly introduces trust products, including nursing care trust, disability trust, and insurance trust, and has planned out trust services that combine asset management and nursing care. This adds assurance and peace of mind for customers and fulfills the Bank's corporate social responsibility while offering a full range of financial services.
  - 2) In response to the government's policy in encouraging financial institutions to actively participate in urban renewal and hazardous and old buildings reconstruction, the Bank continues to promote its urban renewal and hazardous and old buildings reconstruction trusts, where the Bank would combine financing products with the land and capital trust business to offer the complete financial services for facilitating the development of reconstruction, so as to revitalize urban and community functions and achieve the purposes of city appearance beautification and improvements in living environments.
  - 3) In coordination with the "Loans for Youth Overseas Experience" program of the Youth Development Administration, Ministry of Education, the Bank provides young adults aged up to 35 with loans for overseas study, self-guided travel, and working holidays, helping them to realize their dreams of living overseas. As of the end of December 2022, the Bank had provided NT\$562 million in these loans to 4,732 persons.
  - 4) To help increase birth rates, the Bank continues to extend childbirth consumer loans, lightening the burden on family finances by providing the capital needed to pay for bearing children. As of the end of December 2022, 1,712 of these loans for a total of NT\$669 million had been extended.
  - 5) To help seniors to invigorate their assets and stabilize their livings, the Bank continues to promote the "Joyful Retirement" project. By the end of December 2022, a total of 248 of these loans had been extended, with the contract amount and the appropriation amount accumulated to NT\$1.852 billion and NT\$966 million, respectively.
  - 6) To cooperate with the government's building of properties with the set surface rights on state-owned non-public use land, the Bank formulated the regulations on the surface rights mortgage project to strengthen the development of state-owned non-public use land.
  - A total of 3,716 cases of "Preferential Loans for Youth Entrepreneurship and Start-up" and "Micro-Entrepreneurship Phoenix Loans" were extended in 2022, which can create 14,864 job opportunities.
- C. Upgrading of information transparency, and reinforcement of communication with shareholders and investors The Bank engages in a long-term effort to upgrade its corporate governance, pursue even better operating performance, and constantly enhance asset quality and competitiveness so as to reinforce its operating structure and create greater value for its shareholders. In addition, the Bank works vigorously to reinforce channels of communication with its domestic and overseas shareholders and investors. The concrete methods used to do this are as follows:
  - a. Holding of the Annual Shareholders' Meeting each year (June 17, 2022).
  - b. The Bank held the quarterly online investor's conference on March 24, May 30, September 8, and November 23 in 2022, giving investors a complete picture of the Bank's operations.
  - c. The Bank has setup a point of contact and an email for immediate response to queries raised by shareholders and investors.
  - d. Monthly revenue and financial status information is published on the Bank's official website, and the Bank's material Information and corporate social responsibility implementation are presented in both Chinese and English versions, which helps domestic and overseas investors to understand the Bank's operations.

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## Directory of Head Office and Branch Units

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT CODE
Head Office	No. 30, Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
Banking Department	No. 30, Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	MBBTTWTP010
Trust Department	15F, No. 30, Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
Securities Department (Banking Broker)	4F, No. 30, Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
nternational Banking Department	3F, No. 30, Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	MBBTTWTP
Chung Ho Branch	No. 634-10, Jingping Rd., Zhonghe Dist, New Taipei City, Taiwan, R.O.C.	(02)22427171	MBBTTWTP002
Po Ai Branch	No. 419, Mingcheng 2nd Rd., Zuoying Dist., Kaohsiung City, Taiwan, R.O.C.	(07)5567171	
North Taoyuan Branch	No. 985, Chunri Rd., Taoyuan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3567171	MBBTTWTP004
Nan Ken Branch	No. 381, Zhongzheng Rd., Luzhu Dist., Taoyuan City, Taiwan, R.O.C.	(03)3227171	MBBTTWTP005
Si Tuen Branch	No. 839, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City , Taiwan, R.O.C.	(04)23587171	MBBTTWTP006
Chung Min Branch	No. 301, Zhongming S. Rd., West Dist., Taichung City, Taiwan, R.O.C.	(04)23057171	MBBTTWTP007
Kinmen Branch	No. 116, Minquan Rd., Jincheng Township, Kinmen County, Taiwan, R.O.C.	(082)316871	MBBTTWTP009
Ta Ya Branch	No. 161, Daya Rd., Daya Dist., Taichung City, Taiwan, R.O.C	(04)25687171	MBBTTWTP011
Jen Ta Branch	No. 183, Fengnan Rd., Nanzi Dist., Kaohsiung City, Taiwan, R.O.C.	(07)3537171	MBBTTWTP012
Jen Ai Branch	No. 357, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)27217171	MBBTTWTP020
Sung Shan Branch	No. 147, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City, Taiwan, R.O.C.	(02)27167171	MBBTTWTP021
Chien Cheng Branch (Banking Broker)	No. 76, Nanjing W. Rd., Datong Dist., Taipei City, Taiwan, R.O.C.	(02)25507171	MBBTTWTP022
Shih Lin Branch	No. 601, Zhongzheng Rd., Shilin Dist., Taipei City, Taiwan, R.O.C	(02)28117171	MBBTTWTP023
rung Ho Branch	No. 168, Zhulin Rd., Yonghe Dist., New Taipei City, Taiwan, R.O.C.	(02)29277171	MBBTTWTP024
Hsin Tien Branch	No. 192, Sec. 2, Zhongxing Rd., Xindian Dist., New Taipei City, Taiwan, R.O.C.	(02)29117171	MBBTTWTP025
Hsin Chuang Branch	No. 16, Sec. 1, Zhonghua Rd., Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)29907171	MBBTTWTP026
Hwa Cheng Branch	No. 25, Touqian Rd., Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)29977171	MBBTTWTP027
Sung Kiang Branch	No. 158, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C.	(02)25377171	MBBTTWTP040
Taipei Branch	No. 72, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City, Taiwan, R.O.C.	(02)23717171	MBBTTWTP050
Nan Hua Branch	No. 103, Kangding Rd., Wanhua Dist., Taipei City, Taiwan, R.O.C.	(02)23757171	MBBTTWTP060
South Taipei Branch	No. 93, Sec. 2, Roosevelt Rd., Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)23697171	MBBTTWTP061
Fu Hsin Branch	No. 390, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)27057171	MBBTTWTP070
Chung Shan Branch	No. 17, Changchun Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C.	(02)25517171	MBBTTWTP080
Chien Kuo Branch	No. 4, Sec. 3, Minquan E. Rd., Zhongshan Dist., Taipei Clty, Taiwan, R.O.C.	(02)25097171	MBBTTWTP081
Nai Hu Branch	No. 15, Alley 360, Sec. 1, Naihu Rd., Naihu Dist., Taipei City, Taiwan, R.O.C.	(02)27997171	MBBTTWTP082
Nan King East Road Branch	No. 311, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City, Taiwan, R.O.C.	(02)27127171	MBBTTWTP090
Chung Hsiao Branch	No. 267, Sec. 3, Chung Hsiao E. Rd., Taipei City, Taiwan, R.O.C.	(02)27727171	MBBTTWTP100
Norld Trade Center Branch	No. 547, Guangfu S. Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	(02)23457171	MBBTTWTP102
Yung Trin Branch	No. 552, Sec. 5, Chung Hsiao E. Rd., Taipei City, Taiwan, R.O.C.	(02)23467171	MBBTTWTP103
Nan Kang Branch Sung Nan Branch	<ul> <li>No. 19-2, Sanchong Rd., Nangang Dist., Taipei City, Taiwan, R.O.C.</li> <li>No. 161, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.</li> </ul>	(02)26553771 (02)27647171	MBBTTWTP105 MBBTTWTP110
Dong Hu Branch	No. 152, Sec. 6, Minquan E. Rd., Naihu Dist., Taipei City, Taiwan, R.O.C.	(02)87929771	MBBTTWTP111
Ta An Branch	No. 92, Sec. 2, Dunhua S. Rd. Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)27007171	MBBTTWTP120
Shuang Ho Branch	No. 356, Zhonghe Rd., Zhonghe Dist., New Taipei City, Taiwan, R.O.C.	(02)22327171	MBBTTWTP121

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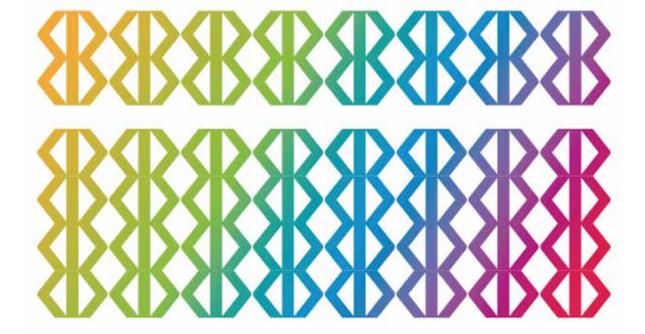
365

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT CODE
Jim Ho Branch	No. 11, Qiaohe Rd., Zhonghe Dist., New Taipei City, Taiwan, R.O.C.	(02)22287171	MBBTTWTP122
Wu Ku Branch	No. 95, Wugong Rd., Wu Ku Industrial Zone, Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)22987171	MBBTTWTP130
in Kou Branch	No. 188, Zhongshan Rd., Linkou Dist., New Taipei City, R.O.C.	(02)26037171	MBBTTWTP131
East Lin Kou Branch	No. 38-11, Wenhua 2nd Rd., Guishan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3287171	MBBTTWTP132
Pan Chiao Branch	No. 2-1, Mingde St., Banqiao Dist., New Taipei City, Taiwan, R.O.C.	(02)29687171	MBBTTWTP140
Shu Lin Branch	No. 217, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City, Taiwan, R.O.C.	(02)26757171	MBBTTWTP141
u Cheng Branch	No. 126, Sec. 2, Zhongyang Rd., Tucheng Dist., New Taipei City, Taiwan, R.O.C.	(02)22737171	MBBTTWTP142
lwei Long Branch	No. 933, Zhongzheng Rd., Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)82097171	MBBTTWTP143
(i Zhi Branch	No. 75, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan, R.O.C.	(02)26987171	MBBTTWTP144
San Xia Branch	No. 31, Daxue Rd., Sanxia Dist., New Taipei City, R.O.C.	(02)26739871	MBBTTWTP148
Kee Lung Branch	No. 9, Ai 3rd Rd., Ren'ai Dist., Keelung City, Taiwan, R.O.C.	(02)24237171	
<sup>p</sup> u Chya Branch Banking Broker)	No. 51, Sec. 1, Wenhua Rd., Banqiao Dist., New Taipei City,Taiwan, R.O.C.	(02)29547171	MBBTTWTP151
North San Chung Branch	No. 137, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City, Taiwan, R.O.C.	(02)22867171	MBBTTWTP152
South San Chung Branch	No. 232, Sec. 1, Ziqiang Rd., Sanchong Dist., New Taipei City, Taiwan, R.O.C.	(02)29827171	MBBTTWTP153
u Chow Branch	No. 42, Yongle St., Luzhou Dist., New Taipei City, Taiwan, R.O.C.	(02)28477171	MBBTTWTP154
Lan Branch	No. 305, Sec. 2, Zhongshan Rd., Yilan City, Yilan County, Taiwan, R.O.C.	(03)9367171	MBBTTWTP160
o Tung Branch	No. 15, Zhongzheng N. Rd., Luodong Township, Yilan County, Taiwan, R.O.C.	(03)9567171	
Su Aw Branch	No. 96-1, Sec. 1, Zhongshan Rd., Su'ao Township, Yilan County, Taiwan, R.O.C.	(03)9965051	
⁄ang Mei Branch	No. 10, Guangfu N. Rd., Yangmei Dist., Taoyuan City, Taiwan, R.O.C.	(03)4786111	MBBTTWTP290
lu Kou Branch	No. 76, Sec. 1, Zhongcheng Rd., Hukou Township, Hsinchu County, Taiwan, R.O.C.	(03)5997171	MBBTTWTP291
āoyuan Branch Banking Broker)	No. 99, Zhonghua Rd., Taoyuan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3317171	MBBTTWTP300
a Yuan Branch	No. 80, Zhongshan S. Rd., Dayuan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3857171	MBBTTWTP301
a Shi Branch	No. 80, Fuxing Rd., Daxi Dist., Taoyuan City, Taiwan, R.O.C.	(03)3887171	MBBTTWTP302
Chung Li Branch	No. 157, Zhongshan Rd., Zhongli Dist., Taoyuan City, Taiwan, R.O.C.	(03)4277171	MBBTTWTP310
lei Li Branch	No. 153, Zhongxiao Rd., Zhongli Dist., Taoyuan City, Taiwan, R.O.C.	(03)4557171	MBBTTWTP311
Isin Ming Branch	No. 282, Minzu Rd., Zhongli Dist., Taoyuan City, Taiwan, R.O.C.	(03)4027171	MBBTTWTP312
ast Taoyuan Branch	No. 1223, Sec. 2, Wanshou Rd., Guishan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3297171	MBBTTWTP313
Isin Wu Branch	No. 257, Zhongshan Rd., Xinwu Dist., Taoyuan Clty, Taiwan, R.O.C.	(03)4777171	
Isin Chu Branch	No. 100, Dongmen St., East Dist., Hsinchu City, Taiwan, R.O.C.	(03)5277171	MBBTTWTP320
Chu Pei Branch Banking Broker)	No. 128, Xianzheng 9th Rd., Zhubei City, Hsinchu County, Taiwan, R.O.C.	(03)5517171	MBBTTWTP321
Isinchu Science Based ndustrial Park Branch	No. 198, Guanxin Rd., East Dist., Hsinchu City, Taiwan, R.O.C.	(03)5637171	MBBTTWTP322
Pa Te Branch	No. 789, Sec. 1, Jieshou Rd., Bade Dist., Taoyuan City, Taiwan, R.O.C.	(03)3767171	MBBTTWTP330
uong Tan Branch	No. 64, Longyuan Rd., Longtan Dist., Taoyuan City, Taiwan, R.O.C.	(03)4807171	MBBTTWTP332
Chu Tung Branch	No. 6, Donglin Rd., Zhudong Township, Hsinchu County, Taiwan, R.O.C.	(03)5947171	MBBTTWTP340
Chu Nan Branch	No. 29, Bo'ai St., Zhunan Township, Miaoli County Taiwan, R.O.C.	(037)467171	MBBTTWTP350
Tou Fen Branch	No. 90, Xinyi Rd., Toufen City, Miaoli County, Taiwan, R.O.C.	(037)687171	MBBTTWTP351
Maio Li Branch	No. 606, Zhongzheng Rd., Miaoli City, Taiwan, R.O.C.	(037)327171	MBBTTWTP360
<sup>-</sup> eng Yuan Branch Banking Broker)	No. 1, Yuanfeng Rd., Fengyuan Dist., Taichung City, Taiwan, R.O.C.	(04)25267171	MBBTTWTP460
ai Ping Branch	No. 27, Zhongxing E. Rd., Taiping Dist., Taichung City, Taiwan, R.O.C.	(04)22707171	MBBTTWTP470

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT CODE
Ta Chia Branch	No. 14, Zhenzheng Rd., Dajia Dist., Taichung City, Taiwan, R.O.C.	(04)26867171	MBBTTWTP480
Sha Lu Branch	No. 1023, Sec. 7, Taiwan Blvd., Shalu Dist., Taichung City , Taiwan, R.O.C.	(04)26657171	MBBTTWTP482
Wu Jih Branch	No. 616, Zhonghua Rd., Wuri Dist., Taichung City, Taiwan, R.O.C.	(04)23387171	MBBTTWTP483
Taichung Branch (Banking Broker)	No. 400, Sec. 1, Taiwan Blvd., Central Dist., Taichung City, Taiwan, R.O.C.	(04)22297171	MBBTTWTP490
Vin Chen Branch	No. 84, Minquan Rd., Central Dist., Taichung City, Taiwan, R.O.C.	(04)22267171	MBBTTWTP491
Hsing Chung Branch	No. 136, Taizhong Rd., South Dist., Taichung City, Taiwan, R.O.C.	(04)22877171	MBBTTWTP500
Pei Tuen Branch	No. 53, Jinhua N. Rd., Beitun Dist., Taichung City, Taiwan, R.O.C.	(04)22307171	MBBTTWTP501
Nan Tou Branch	No. 139, Fuxing Rd., Nantou City, Nantou County, Taiwan, R.O.C.	(049)2237171	MBBTTWTP510
Isao Tuen Branch	No. 604, Zhongzheng Rd., Caotun Township, Nantou County, Taiwan, R.O.C.	(049)2357171	MBBTTWTP511
Pu Li Branch	No. 434, Zhongzheng Rd., Puli Township, Nantou County, Taiwan, R.O.C.	(049)2997171	
Tan Tze Branch	No. 135, Sec. 2, Zhongshan Rd., Tanzi Dist., Taichung City, Taiwan, R.O.C.	(04)25317171	MBBTTWTP521
Chu Shan Branch	No. 919, Sec. 3, Jishan Rd., Zhushan Township, Nantou County, Taiwan, R.O.C.	(049)2637171	MBBTTWTP530
Chang Hwa Branch	No. 61, Guangfu Rd., Changhua City, Changhua County, Taiwan, R.O.C.	(04)7257171	MBBTTWTP540
Ho Mei Branch	No. 8, He'an St., Hemei Township, Changhua County, Taiwan, R.O.C.	(04)7558131	MBBTTWTP541
Yuan Lin Branch	No. 16, Minquan St., Yuanlin City, Changhua County, Taiwan, R.O.C.	(04)8377171	MBBTTWTP550
Pei Tou Branch	No. 62, Gongqian St., Beidou Township, Changhua County, Taiwan, R.O.C.	(04)8877171	MBBTTWTP560
Erh Lin Branch	No. 2, Zhongzheng Rd., Erlin Township, Changhua County, Taiwan, R.O.C.	(04)8957171	MBBTTWTP561
Tou Liu Branch	No. 109, Datong Rd., Douliu City, Yunlin County, Taiwan, R.O.C.	(05)5347171	MBBTTWTP660
Pei Kang Branch	No. 65, Wenhua Rd., Beigang Township, Yunlin County, Taiwan, R.O.C.	(05)7827171	MBBTTWTP670
Hu Wei Branch	No. 45, Heping Rd., Huwei Township, Yunlin County, Taiwan, R.O.C.	(05)6337171	
Chia Yi Branch (Banking Broker)	No. 132, Guanghua Rd., Chiayi City, Taiwan, R.O.C.	(05)2287171	MBBTTWTP680
Ming Hsiung Branch (Banking Broker)	No. 83, Sec. 3, Jianguo Rd., Minxiong Township, Chiayi County, Taiwan, R.O.C.	(05)2207171	MBBTTWTP681
Chia Hsin Branch	No. 766, Hsinming Rd., West Dist., Chiayi City, Taiwan, R.O.C.	(05)2867171	MBBTTWTP686
Hsin Ying Branch	No. 216, Zhongshan Rd., Xinying Dist., Tainan City, Taiwan, R.O.C.	(06)6357171	MBBTTWTP690
Kai Yuan Branch	No. 12, Zhonghua Rd., Yongkang Dist., Tainan City, Taiwan, R.O.C.	(06)3117171	MBBTTWTP691
Yun Kang Branch	No. 79, Zhongzheng S. Rd., Yongkang Dist., Tainan City, Taiwan, R.O.C.	(06)2517171	MBBTTWTP700
Shiue Chia Branch	No. 87, Zhongshan Rd., Xuejia Dist., Tainan City, Taiwan, R.O.C.	(06)7837171	MBBTTWTP701
Shan Hwa Branch	No. 352, Zhongshan Rd., Shanhua Dist., Tainan City, Taiwan, R.O.C.	(06)5816111	MBBTTWTP702
Yung Ta Branch	No. 1532, Sec. 2, Yongda Rd., Yongkang Dist., Tainan City, Taiwan, R.O.C.	(06)2337171	MBBTTWTP703
Fainan Branch Banking Broker)	No. 185, Zhongzheng Rd., West Central Dist., Tainan City, Taiwan, R.O.C.	(06)2247171	MBBTTWTP710
Jen Te Branch	No. 339, Zhongshan Rd., Rende Dist., Tainan City, Taiwan, R.O.C.	(06)2797171	MBBTTWTP711
Cheng Kung Branch	No. 25, Gongyuan Rd., West Central Dist., Tainan City, Taiwan, R.O.C.	(06)2217171	MBBTTWTP720
East Tainan Branch	No. 75, Sec. 2, Zhonghua E. Rd., East Dist., Tainan City, R.O.C.	(06)2687171	MBBTTWTP721
An Ping Branch	No. 67, Sec. 1, Zhonghua W. Rd., South Dist., Tainan City, R.O.C	(06)2657171	MBBTTWTP730
Hua Lien Branch	No. 247, Zhongshan Rd., Hualien City, Hualien County, Taiwan, R.O.C.	(03)8357171	MBBTTWTP760
Tai Tung Branch	No. 335, Sec. 1, Zhonghua Rd., Taitung City, Taitung County, Taiwan, R.O.C.	(089)327171	
East Kaohsiung Branch	No. 249, Zhongzheng 1st Rd., Lingya Dist., Kaohsiung City, Taiwan, R.O.C.	(07)7167171	MBBTTWTP820
Kang Shan Branch (Banking Broker)	No. 412, Gangshan Rd., Gangshan Dist., Kaohsiung City, Taiwan, R.O.C.	(07)6227171	MBBTTWTP830
North Feng Shan Branch	No. 28, Sec. 3, Jianguo Rd., Fengshan Dist., Kaohsiung City, Taiwan, R.O.C.	(07)7767171	MBBTTWTP840

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT CODE
Ling Ya Branch	No. 31, Qingnian 1st Rd., Lingya Dist., Kaohsiung City, Taiwan, R.O.C.	(07)5377171	MBBTTWTP841
Kaohsiung Branch	No. 79, Wufu 3rd Rd., Qianjin Dist., Kaohsiung City, Taiwan, R.O.C.	(07)2717171	MBBTTWTP850
North Kaohsiung Branch (Banking Broker)	No. 90, Fuxing 1st Rd., Xinxing Dist., Kaohsiung City, Taiwan, R.O.C.	(07)2387171	MBBTTWTP851
Ta Chang Branch	No. 116, Dachang 2nd Rd., Sanmin Dist., Kaohsiung City, Taiwan, R.O.C.	(07)3827171	
Chien Chen Branch	No. 378-3, Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan, R.O.C.	(07)5355171	MBBTTWTP853
Jeou Ru Branch (Banking Broker)	No. 255, Jiuru 2nd Rd., Sanmin Dist., Kaohsiung City, Taiwan, R.O.C.	(07)3137171	MBBTTWTP860
San Ming Branch (Banking Broker)	No. 153, Zhongshan 1st Rd., Xinxing Dist., Kaohsiung City, Taiwan, R.O.C.	(07)2867171	MBBTTWTP870
Feng Shan Branch	No. 157, Zhongshan Rd., Fengshan Dist., Kaohsiung City, Taiwan, R.O.C.	(07)7107171	
Ta Fa Branch	No. 5-3, Guanghua Rd., Daliao Dist., Kaohsiung City, Taiwan, R.O.C.	(07)7887171	MBBTTWTP881
Ping Tung Branch (Banking Broker)	No. 7, Hankou St., Pingtung City, Pingtung County, Taiwan, R.O.C.	(08)7327171	
Xiao Gang Branch	No. 718, Hongping Rd., Xiaogang Dist., Kaohsiung City, Taiwan, R.O.C.	(07)8016171	MBBTTWTP891
Chiao Chou Branch	No. 100, Xinsheng Rd., Chaozhou Township, Pingtung County, Taiwan, R.O.C.	(08)7807171	
Offshore Banking Unit	3F, No. 30, Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	MBBTTWTP893
Los Angeles Branch	633, West 5th St. Suite 2280, Los Angeles, CA 90071, U.S.A.	1-213-8921260	MBBTUS6L
Hong Kong Branch	Suite 2705-9, 27F, Tower 6, The Gateway, No. 9 Canton Road, Tsimshasui, Kowloon, Hong Kong	852-29710111	МВВТНКНН
Sydney Branch	Suite 601, Level 6, 60 Carrington Street, Sydney NSW 2000, Australia	61-2-92623356	MBBTAU2S
Brisbane Branch	Suite 903, Level 9, 239 George Street, Brisbane, QLD 4000, Australia	61-7-33173000	MBBTAU2SBRI
Shanghai Branch	Room 3806, 38F, Longemont Yes Tower, 399 Kaixuan Road, Changning District, Shanghai 200051, China	86-21-62627171	MBBTCNSH
Wuhan Branch	17F, Building 2, 108 Zhongbei Road, Wuchang District, Wuhan, Hubei Province 430077, China	86-27-59817171	MBBTCNSHWUH
New York Branch	32 Old Slip, 5F, New York, NY 10005, U.S.A.	1-646-213-3258	MBBTUS33
Tokyo Branch	707, 7F, Tekko Building, 1-8-2 Marunouchi, Chiyoda-Ku, Tokyo 100-0005, Japan	81-3-5220-3918	MBBTJPJT
Yangon Representative Offic	e 422 Strand Road (Corner of Botahtaung Pagoda Road), #04-08, Botahtaung Township, Yangon, Republic of the Union of Myanmar	95-1-202101	





Taiwan Business Bank, Ltd.



Chairman

Chien-has Lin



