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ANNUAL REPORT 2021



E.SUN BANK



Pure as Jade, Sturdy as Mountain.

Spokeperson

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Deputy Spokeperson

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Registered Office and Branches

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Branches	Please refer to the back cover		

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Independent Auditor

Independent Auditor: Yin-Chou Chen and Chen-Hsiu Yang

Accounting Firm: Deloitte Taiwan

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E.SUN BANK 30th

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1. Letter to Shareholders

Dear shareholders,

The development of a vaccine for COVID-19 brought hope for the global economy in 2021. Even though the threat of variants is still full of risks, countries have gradually adapted to the impact and are attempting to co-exist with the virus, beginning the path of recovery amongst the turmoil. Taiwan announced a nationwide Level 3 epidemic alert due to an outbreak of COVID-19, but it further strengthened the resilience of the healthcare system. In 2021, Taiwan's GDP growth rate was at the highest rate over the past 11 years due to the increase in exports and domestic investments, especially the semiconductor, electronics, and ICT industries, in which many hidden champions play an important role in the global supply chain and allow Taiwan's strength to be recognized by international society.

In an era full of challenges and uncertainties, we believe that stable long-term core values and a clear vision will guide our way in the darkness, and precise strategies and quick and effective execution will stably propel us forward through the waves. E.SUN was founded in 1992 and upholds the core values of "honesty, integrity, professionalism, and responsibility" under the vision of "E.SUN of Taiwan, E.SUN of the world" determined to become the most respected company with the best overall performance. In response to the international trends of regional cooperation and competition, digital technology, and climate change, we are actively exerting the influence of our core business and expanding in Asia, helping customers engage in digital transformation and achieve net zero emissions, in order to jointly work towards sustainable development with society.

Glorious 30th Anniversary, Turning the Flywheel of E.SUN

It is as the flywheel effect mentioned by Jim Collins in the book Good to Great, E.SUN has continuously consolidated its capabilities and insisted on making the flywheel spin quickly throughout three decades. E.SUN achieved excellent overall performance in 2021. In terms of financial indicators, E.SUN Bank reported net income of NT\$52.8 billion and after tax earnings of NT\$17.6 billion, achieving an annual growth rate of 6.67% with EPS at NT\$1.77, ROA at 0.58%, ROE at 9.61%, and capital adequacy ratio at 13.97%.

In terms of business indicators, E.SUN Bank's total assets rapidly grew at a compound annual growth rate of higher than 10% over the past decade to NT\$3.2 trillion. As of the end of 2021, total deposits amounted to NT\$2.7 trillion, in which foreign currency deposits were equal to NT\$1.3 trillion and up by 12.9%. The annual net increment of foreign currency deposits exceeded NT\$100 billion for 5 consecutive years. Total loans grew by 9.1% to NT\$1.8 trillion, and asset quality remained at a sound level with an NPL ratio of 0.16% and an NPL coverage ratio of 783.84%. Net fee income grew by 1.4% to NT\$18.3 billion, in which net fee income from wealth management grew by 7.2% to NT\$9.9 billion, which was also a record high. In 2021, E.SUN was selected as a constituent stock of the Dow Jones Sustainability Index (DJSI) for 8 consecutive years for excellent performance in ESG management. It was also recognized with the best performance in Taiwan's banking industry by international ESG institutions, including MSCI ESG and FTSE4Good, and won the Best Bank in Taiwan Award from Forbes and The Asset.

As we begin our fourth decade of operation, members of E.SUN come together to jointly plan goals and strategies for the next decade, and will aim to become a regional financial institution in Asia by focusing on business expansion in Asia, technology investment, and ESG development.

E.SUN Bank's Credit Ratings

Category	Credit Rating Agency	Long-Term Ratings	Short-Term Ratings	Outlook	Effective Date
International Ratings	Moody's	A2	P-1	Stable	2022.02
	S&P	A-	A-2	Positive	2021.07
Domestic Ratings	Taiwan Ratings	twAA+	twA-1+	Stable	2021.07

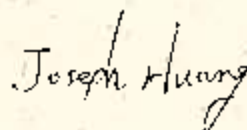
E.SUN has established 28 overseas business locations in 9 countries and regions, and overseas branches and subsidiaries collectively accounted for 20% of after tax earnings of E.SUN Bank in 2021. In the future, we will continue to expand service presence in Asia, integrate the service network in Taiwan and overseas, build a team of international experts, and establish a complete financial services platform in Asia to become the first choice of customers.

In the aspect of technology, E.SUN uses technology as an accelerator with information at the core, and assembled a technology team with IT experts, responsible for overall digital development, artificial intelligent(AI) applications, IT development, and information security management. E.SUN is the first bank in Taiwan to establish a core system with microservices and cloud native technology. In the future, we will continue to incorporate AI into our business processes and actively develop digital banking, which will improve our service efficiency and customer experience, and help drive the digital transformation and innovation of society.

In the development of ESG, E.SUN continues to align with international standards and best practices, and is the first financial institution in Taiwan and the second in Asia to pass the review of carbon reduction targets by SBTi. We have already set mid- and long-term goals, including renovating all our buildings in Taiwan into green buildings by 2027, domestic operating sites using 100% renewable energy by 2030, and becoming a bank with net zero carbon emissions by 2050. Aside from our own operations, we also actively engaged with business partners and co-organized ESG initiatives with outstanding companies in Taiwan to take action on climate change. In the future, E.SUN will continue working on alignment with global best practices, creating sustainable value, and exerting influence in key areas, aiming to become customers' best partner in sustainable development.

Towards a Sustainable Future of Mutual Prosperity

The motto of the Tokyo Olympics in 2021 was "Faster, Higher, Stronger, Together," which symbolizes that we live in an interdependent world, and from individuals and companies to society and countries, working together will improve the well-being of all. E.SUN insists on its original intentions, and generations of E.SUN employees have passed the torch in bravely pursuing highly challenging goals, climbing the mountains of "overall performance, corporate social responsibility, and sustainable development." We are actively incorporating ESG into our financial services and operations, and also working together with government, companies, and individuals to expand our influence. We are grateful for the support and feedback provided by all stakeholders to E.SUN over the years. Looking towards the future, we hope to work towards a sustainable future of mutual prosperity through planned, systematic, and disciplined actions. Together we are one!



Joseph N.C. Huang
Chairman



Mao-Chin Chen
President

2. Company profile



2.1 Introduction



2.1.1 Date of Establishment: January 16, 1992

Date of Opening: February 21, 1992

2.1.2 Company Development

E.SUN Bank was founded in 1992. Under the leadership of the founder and the incumbent Chairman of E.SUN Financial Holding Company, Mr. Yong Ren Huang, a team of financial elites had a shared vision– to build a bank with international standard. E.SUN is led by professional bankers and managers, and they are committed to rendering it the most respected bank with excellent overall performance, corporate social responsibility, and sustainability.

The first decade: Establishing the Foundation

E.SUN upholds a long-term business philosophy of honesty and integrity, as well as sincere and professional brand image since the beginning. "Building system, cultivating talent, and developing IT" are the three main infrastructure for E.SUN's lasting mission. E.SUN actively takes part in encouraging technological development and providing professional and thoughtful service. In the first decade, E.SUN was awarded the first National Quality Award in financial industry.

The second decade: Organic Growth and Strategic Alliance

E.SUN FHC was founded in 2002 under the Financial Holding Act, and E.SUN Bank was transformed into a subsidiary 100% owned by E.SUN FHC. Through organic growth, strategic alliance and prudent M&A, business grew in all product lines and domestic branches ranked third. E.SUN was honored the second National Quality Award during the second decade.

The third decade: Overseas Expansion and Fintech Development

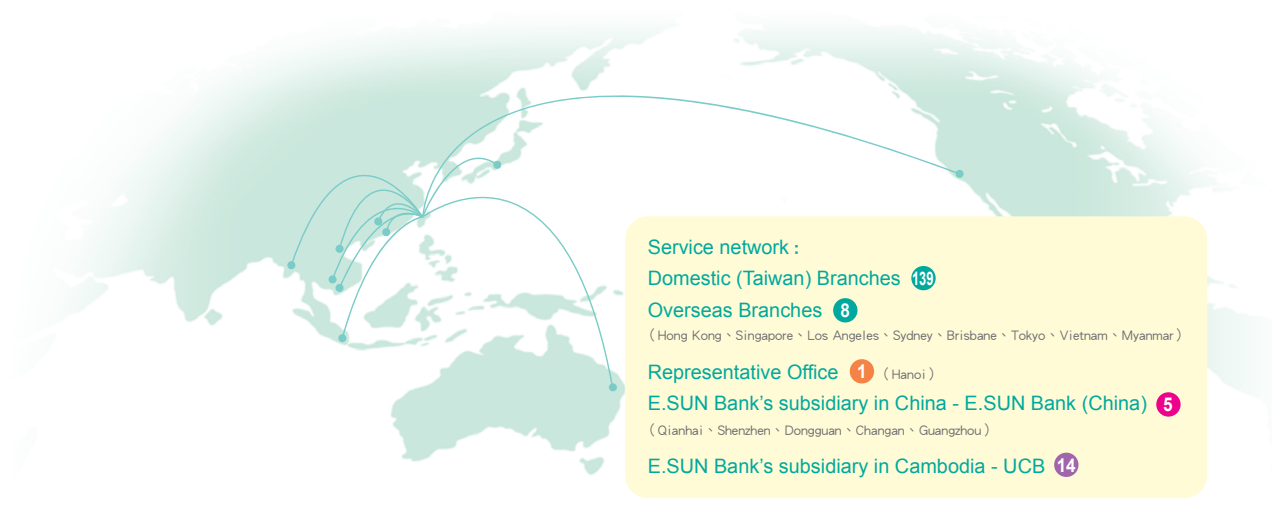
E.SUN aims to establish first choice financial platform in Asia, by expanding business to other Asian countries. There are 28 operational sites in 9 countries and regions covering China, Hong Kong, Japan, Singapore, Vietnam, Cambodia, Myanmar, Australia and the United States. With respect to Fintech, E.SUN is undergoing digital transformation by cultivating technological personnel, incorporating AI into its business, and optimizing customer experience, with a aim of being the leading company in digital banking.

Distinguished E.SUN Creates Bright Future

E.SUN is committed to being a distinguished bank ever since the establishment in 1992. E.SUN will continue cultivating talents and broadening the stage and dedicate to the society for a brighter future. A brief review of the Bank's history is as follows:

- (1) On January 28, 2002, E.SUN Bank became a subsidiary of E.SUN Financial Holding Co., Ltd.
- (2) In 2004, E.SUN Bank absorbed Kaohsiung Business Bank, setting a world record for the fastest consolidation of information and operational systems between two financial institutions.
- (3) On March 18, 2011, E.SUN Bank Chunan Credit Cooperative signed contracts on general transfer and assumption. Both parties agreed that July 9 of the same year would be the record date for the Bank's general assumption of the latter's assets, liabilities, and operations.

- (4) On March 16, 2012, E.SUN Bank Chiayi Fourth Credit Cooperative signed contracts on general transfer and assumption. Both parties agreed that November 3 of the same year would be the record date for the Bank's general assumption of the latter's assets, liabilities, and operations.
- (5) The Board of Directors approved to invest 70% shares of Union Commercial Bank PLC. in Cambodia on March 22, 2013, and the record date for the Bank's general assumption of the latter's assets, liabilities and operations was on the August 28, 2013. Furthermore, on December 29, 2015, E.SUN Bank increased shareholding of UCB to 75%, and, on August 25, 2017, E.SUN Bank increased shareholding of UCB to 100%. Union Commercial Bank now has in total 14 branches, providing financial service including deposits, loans and credit cards etc.
- (6) On January 24, 2014, E.SUN Bank received approval from the Board of Directors to establish a subsidiary in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone in Shenzhen of China. On January 12, 2016, the Beijing Banking Regulatory Commission officially approved the opening of E.SUN Bank (China), E.SUN Bank (China) Shenzhen Branch, E.SUN Bank (China) Dongguan Branch, and E.SUN Bank (China) Dongguan Chang an Sub-branch.
- (7) On November 13, 2015, E.SUN Bank received approval from the Board of Directors to invest BankPro e-Service Technology Co. Ltd., acquiring a total of 7,875,000 shares (accounting for 58.33% of its total shares), which were transferred on January 11, 2016.
- (8) The consolidation by merger of E.SUN Bank and E.SUN Insurance Brokers was passed on August 21, 2015. E.SUN Bank was the continuing company. The effective date was set on March 25, 2016.
- (9) In July 2018, E.SUN Bank established Brisbane Branch in Australia. In November 2018, E.SUN Bank (China) established Guangzhou Branch.

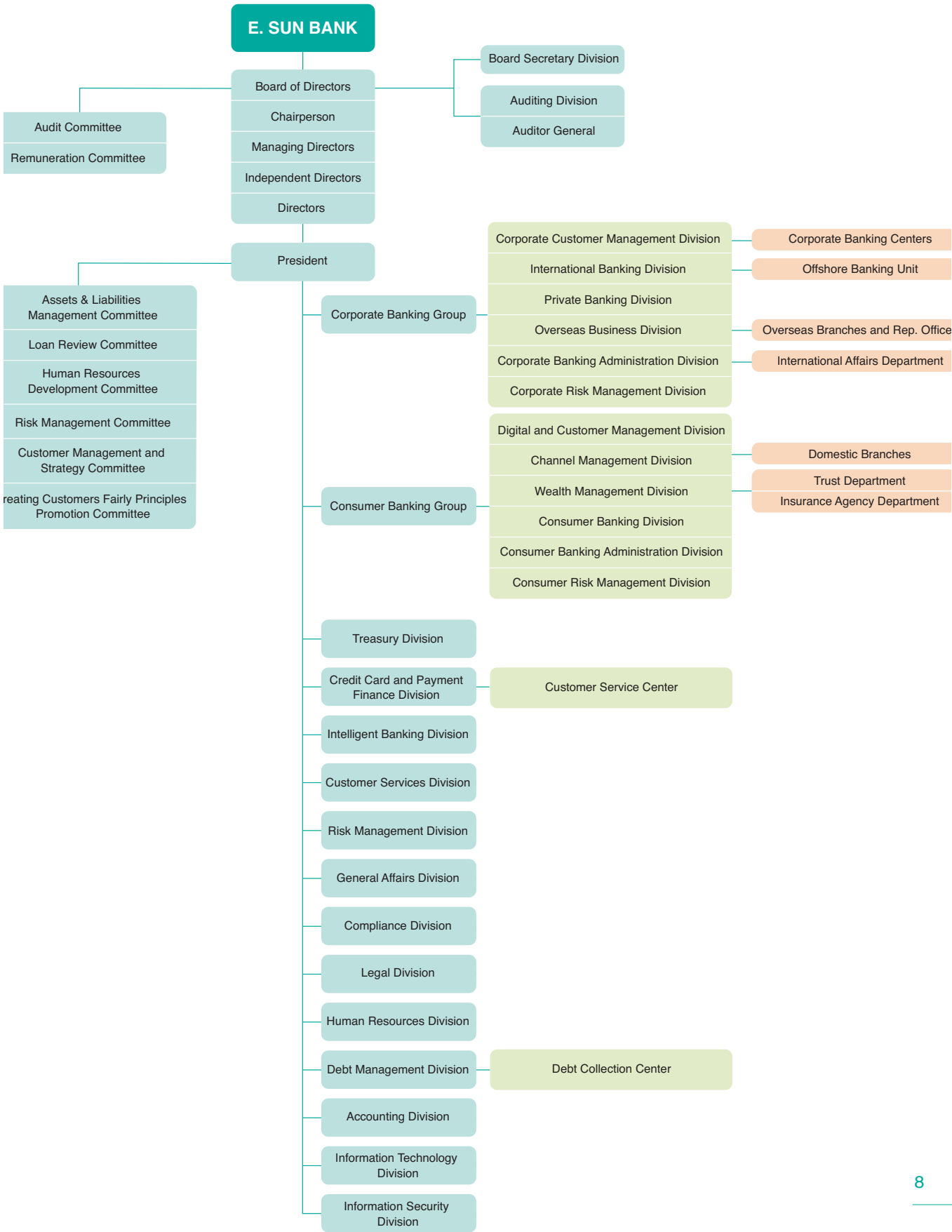


3. Corporate Governance Report



3.1 Organization

3.1.1 Organization Chart



3.2 Directors, Independent Directors and Management Team

3.2.1 Directors and Independent Directors



December 31, 2021 Unit: shares;%

Position	Nationality or place of incorporation	Representative (Name)	Gender Age	Date of Election	Term (years)	Date of First Elected	Shareholding When Elected		Shareholding in E.SUN FHC							Education (Experience)	Current Position with Other Company	Spouse or Relatives within the 2nd Degree of Kinship who is a Member of the Management Team, Directors or Supervisors		
									Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name					Position	Name	Relation
							Shares	Ratio	Shares	Ratio	Shares	Ratio	Shares	Ratio						
Chairman	R.O.C	Representative of E.SUN Financial Holding Company Joseph N.C. Huang	Male 50-59 years old	2020.06.12	3	2008.6.13	9,524,100,000	100	9,893,700,000	100	0	0	0	0		MBA of the City University of New York, 29 years in Financial Industry	- Director of E.SUN FHC and Rock Biomedical, Inc.	None	None	None
Managing Director	R.O.C	Representative of E.SUN Financial Holding Company Jackson Mai	Male 70-79 years old	2020.06.12	3	1991.12.16	9,524,100,000	100	9,893,700,000	100	0	0	0	0		Kai-Nan Commercial & Technical High School	<div>- Chairman of Hsin Tung Yang Co., Ltd., Shang Yang Investment Co., Ltd., Ding Yang Investment Co., Ltd., Cheng Yang Investment Co., Ltd., Hsin Tung Yang Real Estate Broker Co., Ltd., Yuan Sheng Co., Ltd., Sheng Yang Construction Co., Ltd., Sin Yang Investment Co., Ltd., and Mai's Hsin Tung Yang foundation.</div> <div>- Director of Hsin Tung Yang Construction Co., Ltd., Hua Yang Logistics Co., Ltd., Tao Garden Hotel Co., Ltd., Great Harbor Limited and Tunghsu Asset Management Co., Ltd..</div> <div>- Director of E.SUN FHC.</div> <div>- Supervisors of Mai Kee property Co., Ltd.</div>	None	None	None
Independent Director (Managing Director)	R.O.C	Representative of E.SUN Financial Holding Company Ryh-Yan Chang	Male 60-69 years old	2020.06.12	3	2020.06.12	9,524,100,000	100	9,893,700,000	100	0	0	0	0		<div>- Master of Finance, EMBA, National Taiwan University</div> <div>- Bachelor of Accounting, National Taipei University</div>	<div>- Independent Director and member of remuneration committee of Panion & BF Biotech Inc., Ctoi Advanced Systems Inc., Savior Lifetec Corporation.</div> <div>- Chairperson of Chin Jheng Financial Advisory Co., Ltd.</div> <div>- Director of Foundation of Taiwan Radiological Medicine for Cancer.</div> <div>- Member of remuneration committee of Super Dragon Technology Co., Ltd., Joinsoon Electronics Mfg. Co., Ltd., E.SUN FHC, and E.SUN Bank.</div> <div>- Independent Director of E.SUN FHC and E.SUN Bank(China).</div>	None	None	None
Independent Director	R.O.C	Representative of E.SUN Financial Holding Company Chun-Yao Huang	Male 50-59 years old	2020.06.12	3	2017.06.23	9,524,100,000	100	9,893,700,000	100	0	0	0	0		<div>- Ph.D. of Department of Marketing at London Business School</div>	<div>- Professor of Department of Business Administration at National Taiwan University.</div> <div>- Independent Director of E.SUN FHC and 91APP, Inc.</div> <div>- Member of remuneration committee of E.SUN FHC and E.SUN Bank.</div>	None	None	None

Position	Nationality or place of incorporation	Representative (Name)	Gender	Date of Election	Term (years)	Date of First Elected	Shareholding When Elected		Shareholding in E.SUN FHC							Education (Experience)	Current Position with Other Company	Spouse or Relatives within the 2 nd Degree of Kinship who is a Member of the Management Team, Directors or Supervisors		
									Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name					Position	Name	Relation
							Shares	Ratio	Shares	Ratio	Shares	Ratio	Shares	Ratio						
Independent Director	R.O.C	Representative of E.SUN Financial Holding Company Ying-Hsin Tsai	Female 50-59 years old	2020.06.12	3	2020.06.12	9,524,100,000	100	9,893,700,000	100	0	0	0	0		<div>- LLM and Ph.D. in Law, University of Tokyo</div> <div>- LLB and LLM, National Taiwan University</div>	<div>- Professor of College of Law National Taiwan University .</div> <div>- Independent Director and member of remuneration committee of Cho Pharma Inc.</div> <div>- Member of remuneration committee of E.SUN FHC and E.SUN Bank.</div> <div>- Independent Director of E.SUN FHC.</div>	None	None	None
Independent Director	R.O.C	Representative of E.SUN Financial Holding Company Hung-Chang Chiu	Male 50-59 years old	2020.06.12	3	2020.06.12	9,524,100,000	100	9,893,700,000	100	0	0	0	0		<div>- Ph.D. of Business and Administration, National Taiwan University</div> <div>- Bachelor and Master of Industrial Engineering, National Tsing Hua University</div>	<div>- Professor of Institute of Technology Management National Tsing Hua University.</div> <div>- Member of remuneration committee of E.SUN FHC and E.SUN Bank.</div> <div>- Independent Director of E.SUN FHC.</div>	None	None	None
Independent Director	R.O.C	Representative of E.SUN Financial Holding Company Ruey-Lin Hsiao	Male 50-59 years old	2020.06.12	3	2020.06.12	9,524,100,000	100	9,893,700,000	100	0	0	0	0		<div>- Ph.D. of Industrial and Business Studies, Department of Information Systems & Management, Warwick Business School, University of Warwick</div> <div>- Master of Science, Engineering Business Management, Warwick Manufacturing Group, University of Warwick</div> <div>- M.Phil, Information Systems School of Management Cranfield University</div>	<div>- Professor of Institute of Technology , Innovation & Intellectual Property Management National Chengchi University.</div> <div>- Member of remuneration committee of E.SUN FHC and E.SUN Bank.</div> <div>- Independent Director of E.SUN FHC.</div>	None	None	None
Director	R.O.C	Representative of E.SUN Financial Holding Company Ron-Chu Chen	Male 70-79 years old	2020.06.12	3	2005.06.10 Resigned on 2008.11.04	9,524,100,000	100	9,893,700,000	100	0	0	0	0		Junan Junior High School	<div>- Chairman of Ron Yuan Investment Co., Ltd., Fu Yuan Investment Co., Ltd., Jia Tien Sia Investment Co., Ltd., and Panda Investment Co., Ltd.</div> <div>- Director or E.SUN FHC.</div>	None	None	None
Director	R.O.C	Representative of E.SUN Financial Holding Company Chien-Li Wu	Male 60-69 years old	2020.06.12	3	1995.04.17	9,524,100,000	100	9,893,700,000	100	0	0	0	0		Chung Jung High School	<div>- Chairperson of Shang Li Car Co., Ltd., Shen Li Investment Co., Ltd., Shang Li Transportation Co., Ltd., Shan Ben Intl. Investment Co., Ltd., Sunlit Investment Pty., Ltd., Shen Li Transportation Co., Ltd., and Sin Yi Li Investment and Development Co., Ltd.</div> <div>- Director of Guang Yuan Investment Co., Ltd., Genius Technology Co., Ltd., Keeper Technology Co., Ltd., Tong Lit Logistics Co., Ltd., Tong Chun Co., Ltd., E.SUN FHC, Yung Feng Shun Construction Co., Ltd., and Fu Lun Motors CO., Ltd.</div>	None	None	None
Director	R.O.C	Representative of E.SUN Financial Holding Company Magi Chen	Female 60-69 years old	2020.06.12	3	2011.07.07	9,524,100,000	100	9,893,700,000	100	0	0	0	0		MBA. The University of Tennessee, 44 years of experience in financial industry	<div>- President of E.SUN FHC.</div> <div>- Director of E.SUN FHC.</div> <div>- Chairman of E.SUN Bank(China).</div>	None	None	None
Director	R.O.C	Representative of E.SUN Financial Holding Company Ben Chen	Male 60-69 years old	2020.06.12	3	2014.06.26	9,524,100,000	100	9,893,700,000	100	0	0	0	0		Department of Business Administration, Soochow University, 32 years experience in financial industry	<div>- CEO of Consumer Banking Group of E.SUN Bank.</div> <div>- Deputy President of E.SUN FHC.</div>	None	None	None
Director & President	R.O.C	Representative of E.SUN Financial Holding Company Mao-Chin Chen	Male 50-59 years old	2020.06.12	3	2011.07.07	9,524,100,000	100	9,893,700,000	100	0	0	0	0		Master of Economics, National Taiwan University, 30 years of experience in financial industry	<div>- Director, Deputy President, and CSO of E.SUN FHC.</div> <div>- Chairman of Union Commercial Bank Plc.</div>	None	None	None

Note:the Company's Chairperson and President (or person with equivalent position, like the top manager) are same person, spouses, or first-degree consanguinity: None.

3.2.2 Major Shareholders of the Institutional Shareholders

December 31, 2021

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
E.SUN.Financial Holding Co.,Ltd.	<p>Ron-Yuan Investment Co.,Ltd. (4.41%)</p> <p>E.SUN Commercial Bank Trust Fiduciary trust account (3.86%)</p> <p>Morgan Stanley & Co. International Plc (2.48%)</p> <p>Bank J. Safra Sarasin Ltd--Singapore Branch - For Clients' account (1.36%)</p> <p>Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.32%)</p> <p>Norges Bank - internal - NBIM PF EQ INTERNAL CFD (1.27%)</p> <p>JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.25%)</p> <p>Government of Singapore (1.20%)</p> <p>Allcan Investment Co.,Ltd. (1.11%)</p> <p>Labor Pension Fund (New Scheme) (1.06%)</p>

3.2.3 Professional Qualifications and Independent Analysis of Directors

(1) Disclosure of Information on the Professional Qualifications of Directors and Independence of Independent Directors:

Criteria Name	Professional Qualifications and Experience	Information on the Independence of Directors	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Joseph N.C. Huang	<ul style="list-style-type: none"> - Main area of expertise: Financing and operations management. - Joseph N.C. Huang, Chairman of E. SUN Commercial Bank, is committed to making E.SUN Commercial Bank the best bank in Taiwan with his exceptional profession, passion, and persistence. He guides E. SUN in local development, Asia expansion, and in its efforts to differentiate itself from market competitors. Under his management, E.SUN has been awarded the "Best Bank in Taiwan" for many times, including Dow Jones Sustainability Index (DJSI) 6 years in a row. Joseph himself has received several awards and recognitions, including "Best CEO in Asia Pacific" from The Asian Banker, "Best CEO in Asia" from The Asset 6 years in a row, and awarded the "Best CEO in Taiwan" from The Institutional Investor for three years in a row. - Not been a person of any conditions defined in Article 30 of the Company Law. 	<ul style="list-style-type: none"> - Not an employee of the Company or its affiliates - Not a spouse, or a relative within the second degree of kinship to any other director of the Company. - Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an amount of 1% of the shares of the Company or ranks as one of its top ten shareholders. 	0
Managing Director Jackson Mai	<ul style="list-style-type: none"> - Main area of expertise: Knowledge of the industry and operations management. - Serve as a director in the financial industry for nearly 30 years Jackson Mai is a well-known entrepreneur in Taiwan, who is deeply involved in the food and construction industry for many years. He is a rigorous and solid person with extensive knowledge of industries and outstanding leadership skills, making him a comprehensive operations manager. - Not been a person of any conditions defined in Article 30 of the Company Law. 	<ul style="list-style-type: none"> - Not an employee of the Company or its affiliates. - Not a spouse, or a relative within the second degree of kinship to any other director of the Company. - Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an amount of 1% of the shares of the Company or ranks as one of its top ten shareholders. 	0

Independent Director/ Managing Director Ryh-Yan Chang	<ul style="list-style-type: none"> - Main area of expertise: Accounting, auditing, and financial management. - Chairman of Chin Jheng Financial Advisory Co., Ltd. Ryh-Yan Chang is a financial and accounting expert with extensive experience as an accountant. He has been in the financial industry for a long period, serving as a financial reporting accountant for financial holdings and banks, and has obtained the qualification of certified public accountant in China. - Not been a person of any conditions defined in Article 30 of the Company Law. 	When the parent company E.SUN Financial Holdings Company nominated independent directors, the Company fills out the qualification checklist item by item, examines their professional qualifications, and relevant work experiences, and ensures their eligibility. The independent director should not be a person of any conditions defined in Article 30 of the Company Law after inquiring into the Judicial Yuan Law and Regulations Retrieving System and the declaration given by the independent director. The independent director should comply with Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies (hereinafter referred to as The Regulations.) two years before the election. The Company's independent directors may be exempted from Article 3, Paragraph 1 if he/she/its serve concurrently as E.SUN Financial Holdings Company's independent director during his/her/its term of office and is not a person of any conditions defined in the following: <ul style="list-style-type: none"> - An employee of the Company or its affiliates. - A director and supervisor of the Company or its affiliates. - A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an amount of 1% or more of the shares of the Company or ranks as one of its top ten shareholders. - Managers listed in Paragraph 1 or a spouse, second degree kin or closer, or a direct blood relative of third degree or closer to anyone listed in Paragraphs 2 and 3. - Serve as a director, supervisor, manager, or shareholder holding 5% or more shares of a specified company or institution that has a financial or business relationship with the Company. - A professional who provides auditing services or provides commercial, legal, financial, accounting services, for which a cumulative compensation of over NT\$500,000 is obtained in the past two years, to the Company or its affiliates, and is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or institution that provides such services to the Company or its affiliates. 	3
Independent Director Chun-Yao Huang	<ul style="list-style-type: none"> - Main area of expertise: Digital business and customer analysis. - Professor of Graduate Institute of Business Administration at National Taiwan University. Chun-Yao Huang is an expert in digital marketing, new product development, and e-commerce. His research fields include quantitative modeling in marketing, customer analysis, sales forecasting, and Web browsing behavior analysis. He has extensive market consulting experience covering retail, finance, technology, and the Internet. - Not been a person of any conditions defined in Article 30 of the Company Law. 		1
Independent Director Ying-Hsin Tsai	<ul style="list-style-type: none"> - Main area of expertise: Law and corporate governance. - Professor of Law at National Taiwan University. Ying-Hsin Tsai was formerly a practicing lawyer of Formosa Transnational Attorney at Law and specializes in Electronic Payment Law, Securities, and Exchange Act, Company Law, and other relevant financial regulations. She assists in strengthening regulatory compliance and connecting global corporate governance. - Not been a person of any conditions defined in Article 30 of the Company Law. 		1
Independent Director Hung-Chang Chiu	<ul style="list-style-type: none"> - Main area of expertise: Marketing of Technology, Strategy, and Service. - Professor of Graduate Institute of Technology Management at National Tsing Hua University. Hung-Chang Chiu specializes in the three major marketing fields, which are technology, strategy, and service. He emphasizes the balance between theory and application. He is one of the few professors in Taiwan who has published corporate cases in the Harvard Business School cases database. - Not been a person of any conditions defined in Article 30 of the Company Law. 		0
Independent Director Ruey-Lin Hsiao	<ul style="list-style-type: none"> - Main area of expertise: Technological innovation and knowledge management. - Professor of Graduate Institute of Technology Innovation and Intellectual Property Management at National ChengChi University Ruey-Lin Hsiao specializes in analyzing complex corporate issues using various qualitative research methods. His main research includes context of innovation, technological and organizational innovation, innovation under disadvantages, open innovation, and action research. He is also an expert at conducting interdisciplinary research in science and technology. - Not been a person of any conditions defined in Article 30 of the Company Law. 		0
Director Ron-Chu Chen	<ul style="list-style-type: none"> - Main area of expertise: Knowledge of the industry and operations management. - Serve as a director in the financial industry for nearly 17 years Ron-Chu Chen founded Nien Hsing Textile Co., Ltd., with factories in Mexico, Lesotho, Vietnam, and other countries. He has extensive knowledge of industries and multinational enterprise management experience, making him a comprehensive operations manager. In addition, he also promoted the recycle denim bag project by collecting old jeans and denim. He established the Chen Qingbo Cultural and Educational Foundation to assist economically disadvantaged students in Miaoli County and has rich ESG concepts. - Not been a person of any conditions defined in Article 30 of the Company Law. 	<ul style="list-style-type: none"> - Not an employee of the Company or its affiliates. - Not a spouse, or a relative within the second degree of kinship to any other director of the Company. 	0

Director Chien-Li Wu	<ul style="list-style-type: none"> - Main area of expertise: Global market perspective and operations management. - Serve as a director in the financial industry for nearly 27 years Chien-Li Wu established Sunlit Motors Company Limited and acted as an agent for Ford Motor, selling in the Taichung area. They cooperate with Ford Lio Ho Motors to design and develop models suitable for domestic and foreign consumer markets. He has extensive knowledge of industries and outstanding leadership skills, making him a comprehensive operations manager. - Not been a person of any conditions defined in Article 30 of the Company Law. 	<ul style="list-style-type: none"> - Not an employee of the Company or its affiliates. - Not a spouse, or a relative within the second degree of kinship to any other director of the Company. - Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an amount of 1% of the shares of the Company or ranks as one of its top ten shareholders. 	0
Director Magi Chen	<ul style="list-style-type: none"> - Main area of expertise: Financing and crisis management. - Magi Chen, President of E. SUN FHC, has a forward-looking perspective and professional financial expertise. With both rapid and precise strategic planning and execution abilities, she has surpassed many goals along with the teams and aims to lead the organization toward its long-term vision. She is the winner of awards such as "Best CEO in Asia" by The Asset, "Asia's Best CEO" by Corporate Governance Asia, "Asia's 25 Most Influential Women in Treasury" by The Corporate Treasurer, "Best CFO in Asia" by the Institutional Investor, and "National Manager Excellence Award" by the Chinese Professional Management Association, and the "Best CFO in Taiwan" by Finance Asia. - Not been a person of any conditions defined in Article 30 of the Company Law. 	<ul style="list-style-type: none"> - Not a spouse, or a relative within the second degree of kinship to any other director of the Company. - Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an amount of 1% of the shares of the Company or ranks as one of its top ten shareholders. 	0
Director Mao-Chin Chen	<ul style="list-style-type: none"> - Main area of expertise: Risk management and strategic management. - Mao-Chin Chen, President of E.SUN Commercial Bank, is equipped with financial profession, interdisciplinary thinking, and profound experience in cross-border management. He has insights into the organization's internal and external environment and sets up long-term vision and development strategies for the organization. With a group of like-minded financial professionals, he aims to unify teams to create a future. Under his leadership, E. SUN Commercial Bank received the Credit Guarantee Award by the S&M Enterprise Credit Guarantee Fund of Taiwan, MOEA, for the 17th consecutive year, Best SME Bank in Taiwan 4 times in a row by Asiamoney, and Best Oversea Development Award by TABF. - Not been a person of any conditions defined in Article 30 of the Company Law. 	<ul style="list-style-type: none"> - Not a spouse, or a relative within the second degree of kinship to any other director of the Company. - Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an amount of 1% of the shares of the Company or ranks as one of its top ten shareholders. 	0
Director Ben Chen	<ul style="list-style-type: none"> - Main expertise: Business management, operational judgment. - Executive Vice President, assists in management decisions; demonstrates remarkable leadership; has led the credit card division and the consumer banking general division; is committed to establishing systems, boosting IT information development, laying crucial infrastructure for E.SUN, creating new milestones for channel management and customer management, and achieving exceptional business performance. - Not been a person of any conditions defined in Article 30 of the Company Law. 	<ul style="list-style-type: none"> - Not a spouse, or a relative within the second degree of kinship to any other director of the Company. - Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an amount of 1% of the shares of the Company or ranks as one of its top ten shareholders. 	0

(2) Board Diversity and Independence:

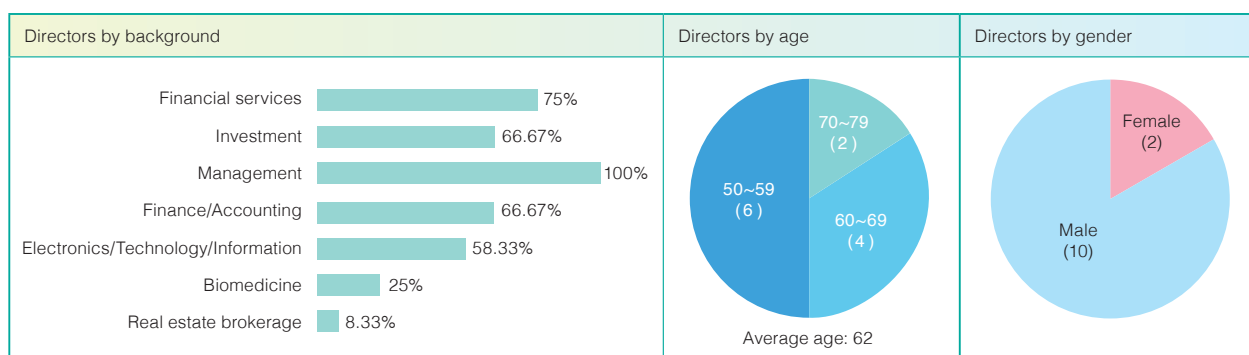
A. Board Diversity:

The Bank's directors are appointed by the parent company, E.SUN FHC. The Company has implemented a well designed director election system. All directors are elected through a fair, open and just process that complies with the Articles of Incorporation, the Director Election Rules, and the Corporate Governance Best Practice Principles.

The Company has adopted Rules for Director Election, E. SUN has established rules and made mid- and long-term plans for director structure and diversification according to the Company's industry characteristics and future development strategies. The rules specify the basic qualities (gender, integrity, continuous pursuit of excellence), professional knowledge and skills (at least Finance, Accounting and auditing, Marketing management, Strategic management, Corporate management, Information technology, Digital banking, Risk management, and Laws relating to finance and corporate governance), and overall capabilities required of directors (Ability to make sound business judgments, Ability to conduct accounting and financial analysis, Ability to manage a business (including the operation and management of subsidiaries), Ability to respond to a crisis, Industry knowledge, An understanding of international markets, Leadership ability, Decision making abilities, Risk management knowledge and skills). The Company also encourages the referral of excellent external candidates. It believes that bringing together a Board of Directors with diverse perspectives and opinions from the financial industries, industries, and scholars will improve the quality of decision-making. The members perform

their function to guide the management team, supervise the Board of Directors, and benefit the Company's shareholders and other interested parties to ensure corporate sustainability. During the directors' term of office, they work as a whole to make plans for the Company's future in areas such as organizational development, performance enhancement, business development, risk management, and corporate governance through extended discussions and deliberations. They make decisions that have a material impact on the company and perform their functions to guide the management team and supervise the Board of Directors. In addition, the Company also evaluates and reviews the structure and composition of every newly elected director.

The Company focuses on gender equality in the composition of the board members, with female directors accounting for 16.67% (over 1/6 of the goal), and will continue to strive to increase the proportion of female directors in the future. 16.67% of the Company's directors are employees. The Company also focuses on the diversity of composition of board members with industry experiences. The goal is that each term of the Board of Directors should have at least 5 directors with expertise in banking, and 3 directors with expertise in trust enterprise. The current Board of Directors has 8 and 5 directors, respectively, meeting the aforementioned diversity objectives.



Based on their education background, working experience, fields of expertise and relevant backgrounds, the overall capabilities the directors are equipped with are as follows:

Diversity Name of director	Independent director Tenure			Ability to make sound business judgments	Ability to conduct accounting and financial analysis	Ability to manage a business	Ability to	Industry knowledge	An understanding of international markets	Leadership ability	Decision making abilities	Risk management knowledge and skills
	Less than 3 years	3 - 9 years	9 years									
Joseph N.C. Huang	-	-	-	v	v	v	v	v	v	v	v	v
Jackson Mai	-	-	-	v		v		v	v	v	v	
Ron-Chu Chen	-	-	-	v		v		v	v	v	v	
Chien-Li Wu	-	-	-	v		v		v	v	v	v	
Magi Chen	-	-	-	v	v	v	v	v	v	v	v	v
Mao-Chin Chen	-	-	-	v		v	v	v	v	v	v	v
Ben Chen	-	-	-	v		v	v	v	v	v	v	v
Ryh-Yan Chang	v			v	v	v	v		v	v	v	v
Chun-Yao Huang		v						v	v	v	v	v
Ying-Hsin Tsai	v				v				v	v	v	v
Hung-Chang Chiu	v			v			v		v	v	v	
Ruey-Lin Hsiao	v			v		v		v	v	v	v	

B. Board independence:

The parent company, E.SUN FHC, appointed 12 directors, 5 of whom were independent directors, accounting for 41.67%, to the 11th Board of Directors of the Bank on June 12, 2020.

Not having a spouse, or a relative within the second degree of kinship to any other director of the Company meets Article 26-3, Paragraph 3 of Securities and Exchange Act. Each director signed a nominee declaration, stating that there were no matters related to Article 30 of the Company Law. The Company obtained a written statement and reviewed information on each director according to the Department of Commerce, Ministry of Economic Affairs, Stock Exchange, and Financial Supervisory Commission's relevant procedures for change of directors.

To help directors clearly understand the relevant rights and responsibilities when they take office, the Company has compiled important regulations that directors should abide by into the Director manual, which will be delivered to the directors after they take office. Regarding the remuneration of directors, it includes remuneration, bonus, and payments for business performed. The relevant remuneration criteria are disclosed in this manual. Others include but are not limited to the directors' confidentiality obligations, director and supervisor insurances, evaluation of directors' performances, and training for directors are also clearly regulated.

3.2.4 Executive Officers



March 20, 2022

Title	Nationality	Name	Gender	Date of Appointment	Personal Shareholding (Note)		Shareholding of spouse and minor children		Shareholding of nominees			Experience (Education)	Positions taken concurrently at ESB and other companies	Spouse or Relatives within the 2 nd degree of kinship serving as an E.SUN manager		
					Number held	%	Number held	%	Number held	%				Position	Name	Relation
President	Taiwan R.O.C	Mao-Chin Chen	Male	2020.07.30	-	-	-	-	-	-		CSO/Corporate Banking CEO, ESB	CSO, E.SUN FHC Director/Director of COVID-19 Response Team, E.SUN FHC Director, ESB Chairman, Union Commercial Bank (Cambodia)	None	None	None
Deputy President	Taiwan R.O.C	Ben Chen	Male	2015.02.06	-	-	-	-	-	-		SEVP, ESB	Deputy President, ESUN FHC Director, ESB	None	None	None
CEO of Corporate Banking Division	Taiwan R.O.C	L.C. Lin	Male	2021.01.27	-	-	-	-	-	-		SEVP, ESB	Chairman, E.SUN Venture Capita	None	None	None
Chief Information Officer / SEVP	Taiwan R.O.C	Wan-Li Hsieh	Male	2020.01.15	-	-	-	-	-	-		SEVP, ESB	CIO, ESUN FHC	None	None	None
Chief Human Resources Officer / SEVP	Taiwan R.O.C	J.C. Wang	Male	2012.01.07	-	-	-	-	-	-		SEVP, ESB	CHRO, ESUN FHC	SVP	Pei-Hua Wang	Younger Sister
SEVP	Taiwan R.O.C	Louis Chang	Male	2018.01.31	-	-	-	-	-	-		EVP, ESB	SEVP, ESUN FHC	None	None	None

Title	Nationality	Name	Gender	Date of Appointment	Personal Shareholding (Note)		Shareholding of spouse and minor children		Shareholding of nominees			Experience(Education)	Positions taken concurrently at ESB and other companies	Spouse or Relatives within the 2 nd degree of kinship serving as an E.SUN manager		
					Number held	%	Number held	%	Number held	%				Position	Name	Relation
SEVP	Taiwan R.O.C	Wu-Ming Hsieh	Male	2018.01.31	-	-	-	-	-	-		EVP, ESB	SEVP, ESUN FHC	None	None	None
SEVP	Taiwan R.O.C	Jung-Hua Lin	Male	2020.01.15	-	-	-	-	-	-		SEVP, ESB	SEVP, ESUN FHC Director, EasyCard Investment Holdings Corp	None	None	None
Chief Risk Officer / SEVP	Taiwan R.O.C	Oliver Hsieh	Male	2016.01.20	-	-	-	-	-	-		EVP, ESB	CRO, ESUN FHC	None	None	None
Chief Financial Officer / SEVP	Taiwan ROC	Cheng-Chou Hsu	Male	2014.01.24	-	-	-	-	-	-		SEVP, ESB	Chief Financial Officer , ESUN FHC Director, ESB (China)	None	None	None
SEVP	Taiwan R.O.C	Jyh-Shing Roger Jang	Male	2020.08.18	-	-	-	-	-	-		Professor, Department of Computer Science, NTU	CTO, ESUN FHC	None	None	None
Chief Digital Officer / SEVP	Taiwan ROC	Danny Tang	Male	2021.07.26	-	-	-	-	-	-		IBM Director of Global Banking Solutions	SEVP, ESUN FHC	None	None	None
General Auditor	Taiwan R.O.C	Yao-Pin Lin	Male	2022.01.22	-	-	-	-	-	-		Auditor General, ESUN FHC	None	None	None	None
General Auditor	Taiwan R.O.C	Chung-Chen Sun (Note)	Male	2012.04.26	-	-	-	-	-	-		Auditor General, ESB	None	None	None	None
Deputy Chief Information Officer / SEVP	Taiwan ROC	Jeff Liu	Male	2022.01.19	-	-	-	-	-	-		EVP, ESB	Chief Information Security Officer, ESUN FHC	None	None	None
SEVP	Taiwan R.O.C	Cathy Kuo	Female	2016.01.20	-	-	-	-	-	-		SEVP, ESUN FHC	Director, Union Commercial Bank (Cambodia)	None	None	None
SEVP	Taiwan R.O.C	Chi-Kan Chung	Male	2015.02.06	-	-	-	-	-	-		EVP, ESB	President, Union Commercial Bank (Cambodia) Director, Union Commercial Bank (Cambodia)	None	None	None
SEVP	Taiwan R.O.C.	Kenneth Tsao	Male	2016.12.16	-	-	-	-	-	-		SEVP, ESB	President, ESB (China) Director, ESB (China)	None	None	None
SEVP	Taiwan R.O.C	Te-Ming Chung	Male	2019.01.24	-	-	-	-	-	-		EVP, ESB	SEVP, ESUN FHC	None	None	None

Title	Nationality	Name	Gender	Date of Appointment	Personal Shareholding (Note)		Shareholding of spouse and minor children		Shareholding of nominees			Experience(Education)	Positions taken concurrently at ESB and other companies	Spouse or Relatives within the 2 nd degree of kinship serving as an E.SUN manager		
					Number held	%	Number held	%	Number held	%				Position	Name	Relation
SEVP	Taiwan ROC	Tony Wan	Male	2009.05.08	-	-	-	-	-	-		EVP, ESB	None	None	None	None
SEVP	Taiwan ROC	Tsun-Jen Ko	Male	2020.01.15	-	-	-	-	-	-		EVP, ESB	None	None	None	None
Chief Compliance Officer / Legal Compliance Head	Taiwan ROC	Fion Ouyang	Female	2015.02.06	-	-	-	-	-	-		SVP, ESB	CCO, ESUN FHC	None	None	None
Chief Information Security Office	Taiwan ROC	Huai-Tsung Liu	Male	2020.01.15	-	-	-	-	-	-		SVP, ESB	CISO, ESUN FHC	None	None	None
Chief Marketing Officer / Special Assistant	Taiwan ROC	Chun-Yu Lin	Male	2022.01.19	-	-	-	-	-	-		SVP, ESB	CMO, ESUN FHC Director, ESB (China)	None	None	None
Corporate Governance Officer / SVP	Taiwan ROC	Mei-Cheng Chu	Female	2014.01.24	-	-	-	-	-	-		VP, ESB	Corporate Governance Officer, ESUN FHC	None	None	None
Chief Accountant Officer /SVP	Taiwan ROC	Jhy-Hung Ke	Male	2017.01.20	-	-	-	-	-	-		VP, ESB	CAO, ESUN FHC	None	None	None

Note:

1. Because E.SUN Bank is a wholly-owned subsidiary of E.SUN FHC, this column is not applicable.
2. The president or person of an equivalent position (the highest level manager) of a company and the chairperson of the board of directors are the same person, spouses, or relatives within the first-degree kinship: none.
3. Chung-Chen Sun, Chief Auditor of E.SUN Bank, will retire on April 29, 2022.

3.2.5 Remuneration of Non-Independent/Independent Directors, President, and Senior Executive Vice Presidents

(1) Remuneration of Non-Independent/Independent Directors

December 31, 2021 Unit: NT\$ thousand

Title	Name	Remuneration of Directors								Total remuneration (A+B+C+D) and the ratio of Total Remuneration to Net Income (%)					Remuneration of Directors Concurrently Serving as Employees								Total remuneration (A+B+C+D+E+F+G) and the ratio of Total Remuneration to Net Income (%)				Remuneration paid to directors by invested companies or parent company other than the Company's subsidiaries
		Base Remuneration (A)		Severance Pay (B)		Bonus (C)		Allowance (D)							Salary, Bonus, and Allowance (E)		Severance Pay (F)		Employee Profit Sharing Plan (G)								
		The company	Companies in consolidated financial statements	The company	Companies in consolidated financial statements	The company	Companies in consolidated financial statement	The company	Companies in consolidated financial statements	The company	Companies in consolidated financial statements	The company	Companies in consolidated financial statements		The company		Companies in consolidated financial statements		The company	Companies in consolidated financial statements							
															Cash	Stock	Cash	Stock			Total	Ratio	Total	Ratio			
E.SUN FHC		0	0	0	0	54,222	54,222	0	0	54,222	0.31%	54,222	0.31%		0	0	0	0	0	0	0	0	54,222	0.31%	54,222	0.31%	None
Directors	(Names listed below)	10,576	10,576	0	0	13,778	13,778	480	480	24,834	0.14%	24,834	0.14%		22,156	25,132	0	0	4,023	0	4,023	0	51,013	0.29%	53,989	0.31%	32,296
Independent Directors	(Names listed below)	0	0	0	0	0	0	1,110	1,110	1,110	0.006%	1,110	0.006%		0	0	0	0	0	0	0	1,110	0.006%	1,110	0.006%	42,638	

※ E.SUN FHC Representatives: Chairman Joseph N. C. Huang, Executive Director: Jackson Mai.
Directors: Ron-Chu Chen, Chien-Li Wu, Magi Chen, Mao-Chin Chen and Ben Chen.
Independent Directors: Ryh-Yan Chang (Executive Director), Chun-Yao Huang, Ying-Hsin Tsai, Hung-Chang Chiu, Ruey-Lin Hsiao.

※ All bonuses for directors have been paid to E.SUN FHC.

※ Joseph N.C. Huang succeeded as chairman of E.SUN Bank on June 12, 2020. The total amount of remuneration listed in the table above includes the long-term incentives awarded as president of both E.SUN FHC and E.SUN Bank and realized in 2021. In light of risk considerations and to tie executive remuneration to the Company's business performance, his long-term incentive shall be disbursed in stages over the 2021-2023 and the exercise price shall not surpass the average closing price for the 30 trading days prior to June 12, 2020 (the exercise price shall be the average closing price for the 30 trading days prior to June 12, 2020 or the originally set strike price, whichever is lower).

※ On top of the items disclosed above, remuneration collected by directors for rendering services to companies included in the Bank's consolidated financial statements (such as acting as non-employee advisors) during the most recent year: None.

※ The policy, system, criteria, and structure concerning remuneration of independent directors, and correlation with their powers and duties, risk assumed, and time devoted:

- A.Set in accordance with the Bank's Rules for Remuneration of Directors, all the remuneration criteria have undergone deliberations of the Remunerations Committee and secured approval of the Board of Directors.
- B.Remuneration of independent directors, the setting of which is based on the Bank's business performance, includes pay, recompense, and payments for business performed. In accordance with Article 40 of the Bank's Articles of Incorporation, the earnings of the Bank in a given year (pretax profit before distribution of employee and director compensation) shall be reserved to cover the losses accumulated from previous years. Of the subsequent balance, 3% shall be allocated as employee compensation while not more than 0.6% shall be allocated as director remuneration. Every year the Bank's Remuneration Committee and Board of Directors shall consider and determine the weighting of such remuneration each director is entitled to. On top of the fundamental weighting, independent directors shall be assigned a weighting different from that given to non-independent directors commensurate with their powers and duties, risk assumed, and time devoted. Also taken into account shall be each director's attendance rate and concrete contribution to the operations of the Bank (results from evaluation of director performance). Ultimately the Board of Directors shall adopt a resolution on assigning an exclusive remuneration weighting commensurate with performance individually.
- C.With remuneration granted by industry peers also taken into account, the Bank's director remuneration is closely tied to the performance of both directors and the Bank and the risk that may emerge in the future. The Bank shall refrain from inducing directors to act in excess of its risk appetite simply to pursue higher remuneration. In the event of a major decline in the Bank's net income, the growth rate of director remuneration for the year in question shall not exceed that posted a year earlier. If any director violates the Bank's Code of Ethical Conduct for Directors or commits an offense that undermines the Bank's public image and reputation, future risk shall be incorporate into the deliberations of director remuneration and the Board of Directors may also resolve on reducing or recovering director remuneration.

(2) Remuneration Bracket

December 31, 2021 Unit: NT\$ thousand

Bracket	Name of Directors			Name of Directors	
	Total of (A+B+C+D)			Total of (A+B+C+D+E+F+G)	
	The company	Companies in consolidated financial statements (H)		The company	Parent company and invested companies(I)
Under NT\$ 1,000,000	Jackson Mai, Rong-Chu Chen, Chien-Li Wu, Magi Chen, Mao-Chin Chen, Ben Chen, Independent Director Ryh-Yan Chang, Independent Director Chun-Yao Huang, Independent Director Ying-Hsin Tsai, Independent Director Hung-Chang Chiu, Independent Director Ruey-Lin Hsiao	Jackson Mai, Rong-Chu Chen, Chien-Li Wu, Magi Chen, Mao-Chin Chen, Ben Chen, Independent Director Ryh-Yan Chang, Independent Director Chun-Yao Huang, Independent Director Ying-Hsin Tsai, Independent Director Hung-Chang Chiu, Independent Director Ruey-Lin Hsiao		Jackson Mai, Rong-Chu Chen, Chien-Li Wu, Magi Chen, Independent Director Ryh-Yan Chang, Independent Director Chun-Yao Huang, Independent Director Ying-Hsin Tsai, Independent Director Hung-Chang Chiu, Independent Director Ruey-Lin Hsiao	Jackson Mai, Rong-Chu Chen, Chien-Li Wu
NT\$ 1,000,000 (inclusive) ~ 2,000,000 (not inclusive)					
NT\$ 2,000,000 (inclusive) ~ 3,500,000 (not inclusive)					
NT\$ 3,500,000 (inclusive) ~ 5,000,000 (not inclusive)					
NT\$ 5,000,000 (inclusive) ~ 10,000,000 (not inclusive)					Independent Director Ryh-Yan Chang, Independent Director Chun-Yao Huang, Independent Director Ying-Hsin Tsai, Independent Director Hung-Chang Chiu, Independent Director Ruey-Lin Hsiao
NT\$ 10,000,000 (inclusive) ~ 15,000,000 (not inclusive)				Ben Chen	Ben Chen
NT\$ 15,000,000 (inclusive) ~ 30,000,000 (not inclusive)	Joseph N. C. Huang	Joseph N. C. Huang		Joseph N. C. Huang, Mao-Chin Chen	Magi Chen, Mao-Chin Chen
NT\$ 30,000,000 (inclusive) ~ 50,000,000 (not inclusive)					Joseph N. C. Huang
NT\$ 50,000,000 (inclusive) ~ 100,000,000 (not inclusive)	E.SUN FHC	E.SUN FHC		E.SUN FHC	E.SUN FHC
Over NT\$ 100,000,000					
Total	13	13		13	13

※ The percentage of total profits distributed to directors as remuneration is based on regulations set forth in Article 40 of the Company's Articles of Incorporation. The ratio and adjustment of remuneration for the chairman and directors are based on regulations set forth in Article 22. The remuneration reflects the level of participation in and contribution to the company's operations. At the same time, industry standards are considered. The board is authorized to decide the level of this compensation.

※ According to the note of director remuneration bracket in annex 1-2 of the report, if the compensation paid to directors came from the parent company or invested companies other than the company's subsidiaries, the remuneration should be counted in column I and renamed it as 'parent company and invested companies'.

- (3) Comparison of Remuneration and the ratio of total Remuneration paid by the Company and by all companies included in the consolidated financial statements for the most recent two years to Directors, Independent Directors, President and Senior Executive Vice Presidents of the Company, to the net profit after tax.

Unit: NT\$ thousands

Year Title	2021						2020					
	The company			Companies in consolidated financial statements			The company			Companies in consolidated financial statements		
	No. of persons	Amount	Ratio to Net profit after tax	No. of persons	Amount	Ratio to Net profit after tax	No. of persons	Amount	Ratio to Net profit after tax	No. of persons	Amount	Ratio to Net profit after tax
Directors	13	106,345	0.61%	13	109,321	0.62%	18	130,584	0.79%	18	133,396	0.81%
President and SEVPs	23	158,802	0.90%	23	177,652	1.01%	26	213,497	1.30%	26	233,311	1.42%

※ 2021 Bank Net Profit after tax was 17,558,577 thousand dollars ; 2020 Bank Net Profit after tax was 16,464,910 thousand dollars.

(4) The Policies, Standards, and Portfolios for the Payment of Remuneration, the Procedures for Determining Remuneration, and the Correlation with Business Performance:

- A. The percentage of total profits distributed to directors as remuneration is based on regulations set forth in Article 40 of the Company's Articles of Incorporation. The ratio and adjustment of remuneration for the chairman and directors are based on regulations set forth in Article 22. The remuneration reflects the level of participation in and contribution to the company's operations. At the same time, industry standards are considered. The board is authorized to decide the level of this compensation.
- B. To motivate managers to achieve and exceed corporate goals, create earnings, and advance business performance, the Company evaluates the remuneration of managers on a regular basis, during which the correlation with future risk is also taken into account. With salary levels of the Company, industry peers, and the market at large taken into account, such remuneration is granted on the basis of managers' professional experience and in accordance with the Company's Guidelines for Remuneration of Managers. Meanwhile, a reward deferral mechanism is implemented in accordance with the Bank's Guidelines for Long-Term Incentives so that the remuneration of managers can be linked to the Company's business performance more closely. In addition to the Company's overall performance, the granting of bonuses also takes into account the performance of the relevant business department, individual contribution, and personal performance with regard to fulfilling the Company's core values and demonstrating leadership and management capacity, as well as the correlation with future risks. Assessment of manager performance covers both management performance (such as financial goals, business goals, customer goals, departmental growth/market share/asset quality, etc.) and management quality (brand management, human resources management, innovation and integrated marketing, internal control, etc.). The performance review of the Bank's senior managers and the policy, system, criteria, and structure with regard to their remuneration are subject first to deliberations of the Remuneration Committee and then to approval of the Board of Directors. On the other hand, bonuses for managers are bound to be adversely affected in the event of any major risk event that threatens to undermine corporate reputation, management deficiencies, abuses of various sorts, etc. Bonuses may be slashed or suspended. Meanwhile, the Company will conduct stress tests and scenario simulations to gauge risk that is likely to emerge in the future, based on which the Risk Management Committee will submit a risk exposure report to the Board of Directors every quarter.

(5) Name of Managers who received dividend/bonus and the distribution thereof

March 20, 2022 Unit: NT\$ thousand

Position	Name	Stock Amount	Cash Amount	Total	Ratio of Total to Net Income (%)
President	Mao-Chin Chen	0	14,890	14,890	0.08%
Deputy President	Ben Chen				
CEO of Corporate Banking Division	L.C. Lin				
Chief Information Officer / SEVP	Wan-Li Hsieh				
Chief Human Resources Officer/ SEVP	J.C. Wang				
SEVP	Louis Chang				
SEVP	Wu-Ming Hsieh				
SEVP	Jung-Hua Lin				
Chief Risk Officer/ SEVP	Oliver Hsieh				
Chief Financial Officer/ SEVP	Cheng-Chou Hsu				
Chief Digital Officer / SEVP	Danny Tang				
General Auditor	Yao-Pin Lin				
General Auditor	Chung-Chen Sun				
Deputy Chief Information Officer	Jeff Liu				
SEVP	Cathy Kuo				
SEVP	Chi-Kan Chung				
SEVP	Kenneth Tsao				
SEVP	Te-Ming Chung				
SEVP	Jyh-Shing Roger Jang				
SEVP	Tony Wan				
SEVP	Tsun-Jen Ko				
Chief Compliance Officer / Legal Compliance Head	Fion Ouyang				
Chief Information Security Officer	Huai-Tsung Liu				
Chief Marketing Officer / Special Assistant	Chun-Yu Lin				
Corporate Governance Officer / SVP	Mei-Cheng Chu				
Chief Accountant Officer / SVP	Jhy-Hung Ke				

※ General Auditor Yao-Pin Lin transfer to E.SUN Bank on 2022.1.22. General Auditor Chung-Chen Sun will retire on 2022.4.

3.2.6 Information on retired chairmen and presidents serving as advisors

Title	Nationality	Name	Gender	Position upon Retirement	Date of Appointment as Advisor	Purpose of Appointment	Division of Authority and Responsibility	Remuneration	Ratio of Remuneration to Net Income
None.									

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 12 (A) meeting of the board of directors were held in the previous period. Director and supervisor attendance was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) [B / A]	Remarks
Chairman	E.SUN FHC representative Joseph N.C.Huang	12	0	100	Newly appointed
Managing Director	E.SUN FHC representative Jackson Mai	12	0	100	Re-elected
Independent Director	E.SUN FHC representative Ryh-Yan Chang	12	0	100	Newly appointed
Independent Director	E.SUN FHC representative Chun-Yao Huang	12	0	100	Re-elected
Independent Director	E.SUN FHC representative Ying-Hsin Tsai	12	0	100	Newly appointed
Independent Director	E.SUN FHC representative Hung-Chang Chiu	12	0	100	Newly appointed
Independent Director	E.SUN FHC representative Ruey-Lin Hsiao	12	0	100	Newly appointed
Director	E.SUN FHC representative Ron-Chu Chen	12	0	100	Re-elected
Director	E.SUN FHC representative Chien-Li Wu	12	0	100	Re-elected
Director	E.SUN FHC representative Magi Chen	12	0	100	Re-elected
Director	E.SUN FHC representative Mao-Chin Chen	12	0	100	Re-elected
Director	E.SUN FHC representative Ben Chen	12	0	100	Re-elected

Note: All independent directors attended the board meetings in person.

Annotations:

1. If there are the circumstances referred to the following issue, the Company should specify the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion.
 - A. Article 14-3 of Securities and Exchange Act: Not applicable as the Company has set Audit Committee.
 - B. In addition to matters above, other dissenting opinions or qualified opinions from the independent directors on written or recorded resolutions made by the Board of Directors: None.
2. Practice of Directors' avoidance of motions in conflict of interest:

Director Name	Content of Motion	Cause of Avoidance	Voting
Magi Chen, Mao Chin Chen, Ben Chen	Amendment to the Director Remuneration Policy for the Company	Motion concerning personal interests of the directors	Refrained from participation in discussions and voting
Mao Chin Chen, Ben Chen	Establishment of the Bank's Guidelines on the Health Check Subsidies for Managers	Motion concerning personal interests of the directors	Refrained from participation in discussions and voting
Mao Chin Chen, Ben Chen	Amendment to the Bank's Rules for Long-Term Incentives and Rewards	Motion concerning personal interests of the directors	Refrained from participation in discussions and voting
Mao Chin Chen, Ben Chen	Motion on remuneration adjustment to senior managers	Motion concerning personal interests of the directors	Refrained from participation in discussions and voting
Mao Chin Chen, Ben Chen	Making of 2020 year-end bonus and Long Term Incentive Remuneration Practice	Motion concerning personal interests of the directors	Refrained from participation in discussions and voting
Joseph N.C. Huang, Jackson Mai, Ryh-Yan Chang, Chun-Yao Huang, Ying-Hsin Tsai, Hung-Chang Chiu, Ruey-Lin Hsiao, Ron-Chu Chen, Chien-Li Wu, Magi Chen, Mao-Chin Chen, Ben Chen	Proposal on the Company's 2020 remuneration of directors along with evaluation of rationality of remuneration and assessment standard of board performance	Motion concerning personal interests of the directors	The proposal was discussed in stages and directors recused themselves from discussion and voting if matters involving personal interests: 1. Independent directors did not participate in discussions or voting when directors discussed the independent director compensation distribution plan. Non-independent directors approved the proposal. 2. Non-independent directors did not participate in discussions or voting when independent directors discussed the director compensation distribution plan. Independent Director Ryh-Yan Chang was appointed as Acting chairman by Chairman Yung-Jen Huang and independent directors approved the proposal.
Mao Chin Chen, Ben Chen	Motion on 2020 employees remuneration	Motion concerning personal interests of the directors	Mao Chin Chen excused himself from discussion after the proposed employees remuneration of senior managers on the levels below senior executive vice presidents. Ben Chen refrained from participation in discussions and voting
Mao Chin Chen	Lending to UCB	Motion concerning a business in which the directors serve as a responsible person	Refrained from participation in discussions and voting
Magi Chen, Ryh-Yan Chang	Motion on deciding on an interbank lending quota for the Mainland China's subsidiary	Motion concerning a business in which the directors serve as a responsible person and independent director	Refrained from participation in discussions and voting
Mao Chin Chen, Ben Chen	Motion on remuneration adjustment to senior managers	Motion concerning personal interests of the directors	Mao Chin Chen excused himself from discussion after the proposed remuneration adjustment to senior managers on the levels below senior executive vice presidents. Ben Chen refrained from participation in discussions and voting
Mao Chin Chen, Ben Chen	Making of 2021 year-end bonus and Long Term Incentive Remuneration Practice	Motion concerning personal interests of the directors	Mao Chin Chen excused himself from discussion after the proposed 2021 annual bonus and Long Term Incentive Remuneration Practice on the levels below senior executive vice presidents. Ben Chen refrained from participation in discussions and voting.
Mao Chin Chen	Proposal on the establishment of annual performance indicators for the President of the Company.	Motion concerning personal interests of the directors	Refrained from participation in discussions and voting

Director Name	Content of Motion	Cause of Avoidance	Voting	
Joseph N.C. Huang, Jackson Mai, Ryh-Yan Chang, Chun-Yao Huang, Ying-Hsin Tsai, Hung-Chang Chiu, Ruey-Lin Hsiao, Ron-Ch u Chen, Chien-Li Wu	Proposal on the Company's 2021 remuneration of directors along with evaluation of rationality of remuneration and assessment standard of board performance	Motion concerning personal interests of the directors	The proposal was discussed in stages and directors recused themselves from discussion and voting if matters involving personal interests: 1.Independent directors did not participate in discussions or voting when directors discussed the independent director compensation distribution plan. Non-independent directors approved the proposal. 2.Chairman Joseph N.C. Huang and directors Jackson Mai, Rong-Chu Chen and Chien-Li Wu did not participate in discussions or voting when other directors discussed the director compensation distribution plan. Independent Director Ryh-Yan Chang was appointed as Acting Chairman by Chairman. Independent directors and directors who did not receive the director compensation approved the proposal.	
3. Board evaluation status.				
A. The 8th board of directors approved the "Board of Directors Performance Evaluation Policy" in its 13th meeting on February 1, 2013. The evaluation procedures are as follows:				
Frequency	Period	Scope	Method	Description
Internal Evaluation: Conducted in the first quarter of every year for the performance of the previous year	In January 2022, the company evaluated performance of the board of directors and the functional committees for the period between January 1, 2021 and December 31, 2021. The results were submitted to the board of directors and the functional committees for approval or presented to the board of directors as appropriate in January 2022.	Evaluation of performance of the board of directors as a whole, that of individual board members, and that of the functional committees.	1.Board performance evaluation 2.Director self-assessment and overall evaluation 3.Functional committee performance evaluation	1.Board performance evaluation covers 5 aspects (47 indicators): degree of participation in company operations; quality of board decisions; board composition and structure; selection of suitable board directors and continuing professional education; and internal control. 2.Functional committee performance evaluation covers 5 aspects (24 indicators): degree of participation in company operations, awareness of functional committee responsibilities, improvement in the quality of decision making by the functional committee, composition and structure of the functional committee, and internal control. 3.Director self-assessment and overall performance evaluation covers 6 aspects (25 indicators): grasp of company targets and missions, understanding of the director's role and responsibilities, level of participation in company operations, internal relationship management and communication, director's specialty and continued development, and internal controls.
External Evaluation: Once every three years	In October 2020, E.SUN commissioned the Taiwan Corporate Governance Association, an external independent agency, to conduct board performance evaluation.	Composition, leadership, authorization, supervision, communication, and self-regulation of the board of directors, internal control, and risk management	Performance evaluation to be conducted by an external independent agency or external experts at the company's commission. Having a professional agency review the activities of the board and the functional committees gave E.SUN the opportunity to receive instructions from and exchange views with the inspectors and obtain reports that were professional and impartial.	TCGA conducted the board performance evaluation in 8 aspects, including composition, leadership, authorization, supervision, communication, and self regulation of the board of directors, internal control, and risk management, and others such as board meetings and support systems. The evaluation was carried out in the forms of questionnaires and onsite interviews. [Summary of General Evaluation] 1. Regarding the composition of the Board of Directors, the "Rules for the Election of Directors" was provided as a reference to the parent company for appointing directors of the Bank. In June 2020, the parent company considered development requirements and selected five independent directors who have expertise in accounting, law, digital marketing technology, and innovation. The selection of these independent directors aims to improve diversity in the Company's Board of Directors, which will help the Board of Directors perform their functions. 2. The composition of independent directors meets professionalism and gender parity. In addition to performing their supervisory functions in the Board of Directors and functional committees, the independent directors proactively participate in strategy-related meetings of the Company and fully help the Company by providing guidance on corporate governance and business strategies. 3. The Bank values and implements talent cultivation mechanisms. The Corporate Governance and Nomination Committee of the parent company regularly supervise the implementation status of the Bank's Senior Manager Successor Plan that continuously accumulates momentum of sustainable succession for the Bank.

- B. Starting in 2019, the Board Performance Evaluation Scorecard is changed from a yes/no system to a 5-point scale with "excellent", "good", "satisfactory", "unsatisfactory", and "needs improvement" for quantified evaluation. In 2021, indicators relevant to the roles, functions, and responsibilities in providing assistance and instructions on three lines of defense, and "when a significant deficiency occurs in the company, specific risk matters shall be included in the overall performance assessment." were added. E.SUN has incorporated commitments, community participation, and environmental policies into its business strategies. Evaluation of the performance of the board of directors and the functional committees for 2021 was completed on January 14, 2022 and January 12, 2022, respectively. All areas were rated excellent.
- (a) The board of directors participated actively in company operations and performed their duties in advising and overseeing business strategies, major operations, and risk management and establishing an adequate internal control system. 45 items were rated "excellent" and 2 "good". The score is 99.15%.
- (b) The overall performance of the functional committees was in line with corporate governance principles. The functional committees served their purposes as intended and effectively made the board more effective.
- The results of the Audit Committee evaluation had 22 items rated "excellent", and 2 not applicable. Overall result: Excellent.
 - The results of the Remuneration Committee evaluation had 19 items rated "excellent", and 5 not applicable. Overall result: Excellent.
- (c) In addition, on March 11, 2022, the company presented the results of the 2021 director performance evaluation based on self-assessments by the directors and peer reviews.
- Self-assessment score: 99.40%
 - Overall self-evaluation score: 99.60%
- C. Regarding the board performance evaluation conducted by the Taiwan Corporate Governance Association (TCGA), the overall comments of the evaluation show that the composition of independent directors meets professionalism and gender parity. Such composition increases diversity in the Board of Directors and helps the Board to perform their functions. Moreover, the Bank values and implements talent cultivation. The Corporate Governance and Nomination Committee of the parent company regularly supervise the implementation status of the Bank's Senior Manager Successor Plan that continuously accumulates momentum of sustainable succession for the Bank. The TCGA suggests the Bank submit the performance evaluation results of functional committees to the Board of Directors to jointly review and improve the operational performance of the functional committees authorized by the Board with an aim to enhance the overall performance of the Board. The TCGA also suggests the Remuneration Committee of the Bank review and discuss the remuneration policy, system, standards, and structure for every term of directors and managers, as well as the system and indicators of performance evaluation in hopes of complying with current operations and taking advantage of the benefits of evaluation. The Remuneration Committee is also advised to regularly evaluate the performance of the Company's President and senior managers in order to review their remuneration, with an aim to motivate the management team and achieve sustainable management. The Bank submitted the overall assessment report to the 7th meeting of the 11th Board of Directors on January 22, 2021. The Bank has listed relevant audit recommendations as priority areas for improvement in corporate governance and will continue making improvements accordingly.
4. Evaluation of the goals (e.g., set up an audit committee, enhance information transparency) and implementation status of strengthening the duties and functions of the Board of Directors during the most recent year:
- A. In June 2008, the Bank established the Audit Committee to implement the system and spirit of sound corporate governance and improve supervisory functions. The Audit Committee comprises entirely of independent directors and establishes relevant organization rules to strengthen the functions of the Board of Directors.
- B. In 2020, the Corporate Governance Association in Taiwan was commissioned to conduct board performance evaluation. The Association is an independent body that has no business relationship with the Company. The professional agency examines the operation of the board of directors and functional committees. The evaluation committee's guidance and exchange provided the Company with professional and objective medical examination report.
- C. In 2021, the Company organized three director training courses for a total of 9 hours, on "International Trends in Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)," "Post-Pandemic Digital Governance Trends," and "On Financial Consumer Protection based on the Principle of Treating Customers Fairly and Evaluation Mechanisms for the Principle of Treating Customers Fairly." In addition, directors will be provided with a variety of external courses that help them to gain a better understanding of their fields and fulfill their duties of loyalty and due diligence as business decision makers and leaders.
- D. E.SUN assigns an appropriate number of suitable corporate governance staff to be responsible for corporate governance practices. On January 18, 2019, E.SUN appointed Senior Manager Mei-Cheng Chu, who had more than 10 years of experience in legal affairs and business meetings, to be the corporate governance officer. The establishment of the Board Secretary Division under the board of directors was approved by the board of directors on January 10, 2020. The Board Secretary Division reports directly to the board of directors and handles general meeting administration for the board of directors.
- E. On March 15, 2019, the Bank established the Remuneration Committee to improve the remuneration system of the Bank's directors and managers. The Remuneration Committee comprises entirely of independent directors.
- F. To assist directors in obtaining a clear understanding of their rights and duties at the time of their appointment, the Bank established the Director Manual in 2020. The manual contains the internal rules the directors should follow when performing their duties.

3.3.2 Audit Committee

A total of 11(A) Audit Committee meetings were held in the previous period. The attendances of Independent Directors were as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【B / A】	Remarks
Independent Director	Ryh-Yan Chang	11	0	100	Newly appointed
Independent Director	Chun-Yao Huang	11	0	100	Re-elected
Independent Director	Ying-Hsin Tsai	11	0	100	Newly appointed
Independent Director	Hung-Chang Chiu	11	0	100	Newly appointed
Independent Director	Ruey-Lin Hsiao	11	0	100	Newly appointed

Annotation:

1. In the event of any of the circumstances occurring while the Audit Committee conducts its activities, details including the date, session, and agenda of the Audit Committee meeting, the objections, reservations, or major recommendation items of independent directors, all resolutions of the Audit Committee, and the company's responses to the Audit Committee's opinions should be provided:

A. Matters listed in Article 14-5 of the Securities and Exchange Act:

Date	Terms	Agenda	Resolution
2021.01.20	4 th session of 5 th Audit Committee	AML/CFT Programs of 2021	Audit Committee: Approved by committees attending the meeting and will be proposed to the Board of Directors.
		As an issuer and underwriter of corporate bonds of E.SUN FHC for the year 2021, we plan to purchase the corporate bonds on the date of issuance and resell them on the date of purchase to professional investors	
		Amendment of internal control system of custodian for overseas mutual fund	
2021.03.03	5 th session of 5 th Audit Committee	Amendment of Internal Control System for the bank's cooperating insurance brokerage	
		Renewal of contract with accounting firm	
2021.03.09	6 th session of 5 th Audit Committee	Financial statement (standalone and consolidated) of 2020	
		Recapitalization by retained earnings	
		Audit confirmation report and statement of AML and anti-terrorism financing for the bank's cooperating insurance brokerage 2020	
		Statement of Internal control System of 2020	
		Statement of status of information security execution	
2021.04.21	7 th session of 5 th Audit Committee	Amendment of Practice for Stock Affairs	The Board of Directors: Approved by Directors attending the meeting. Some directors are excused from the meeting due to personal interest.
		Signed the Agreement for Change of IBM Mainframe System Resources Supply and Operation and Maintenance Service Contract and the IBM Mainframe System Resources Supply Service Contract with IBM	
2021.05.12	8 th session of 5 th Audit Committee	Amendment of guidelines of strategies and operation for derivatives	
		Amendment of Internal Control System for the bank's cooperating insurance brokerage	
2021.08.18	10 th session of 5 th Audit Committee	Financial statement (standalone and consolidated) of 2021 Q2	
		Amendment of the "Items, Procedures, and Key Control Points of the Internal Control System for Securities Business"	
		Loan to Union Commercial Bank PLC	
2021.11.10	12 th session of 5 th Audit Committee	Amendment of internal control system	
		Increment of interbank line of credit for E.SUN China	
		Acquired 35F-1, 35F-2, and 10 parking spaces in the basement of No. 98, Shizheng N. 7th Rd., Xitun Dist., Taichung City, Taiwan, and its landholding for the future relocation of Taichung private banking office and Central Huanjin Center	
		Nomination of new chief auditor for the Company	
2022.01.12	13 th session of 5 th Audit Committee	AML/CFT Programs of 2022	
		Financial statement (standalone and consolidated) of 2021	
2022.03.09	14 th session of 5 th Audit Committee	Recapitalization by retained earnings	
		Change of auditor	
		Amendment of the Company's Asset Acquisition or Disposal Procedures	
		Amendment of the Company's Property Acquisition or Disposal Procedures	
		Audit confirmation report and statement of AML and anti-terrorism financing for the bank's cooperating insurance brokerage 2021	
		Statement of Internal control System of 2021	

B. In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: None.

2. If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified:

Independent Director	contents of motions	causes of avoidance	voting
Ryh-Yan Chang Chun-Yao Huang Ying-Hsin Tsai Hung-Chang Chiu Ruey-Lin Hsiao	As an issuer and underwriter of corporate bonds of E.SUN FHC for the year 2021, we plan to purchase the corporate bonds on the date of issuance and resell them on the date of purchase to professional investors	Acting as the independent director of E.SUN FHC	The directors in this motion had no "personal interest in the matter under discussion at a meeting, which may impair the interest of the company", and in consideration of the membership structure and the conduct of business, they were not recused
Ryh-Yan Chang	Motion on deciding on an interbank lending quota for the Mainland China's subsidiary	Acting as the independent director of the company	Refrained from participation in discussions and voting

3. Communications between the independent directors, the Company's Chief Internal Auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)

Date	Method	Object of Communication	Subject of Communication	Result
2021.01.20	Audit Committee	General Auditor of E.SUN Bank	Report of the 2020 Q4 auditing work of E.SUN	1. Questions raised by the independent directors were answered and opinions exchanged 2. Proceed as recommended
2021.03.09	Audit Committee	Appointed accountant of E.SUN Bank	CPA report of the result for auditing of 2020 Financial Statements	1. Questions raised by the independent directors were answered 2. Proceed as recommended
2021.04.21	Audit Committee	General Auditor of E.SUN Bank	Report of the 2021 Q1 auditing work of E.SUN	1. Questions raised by the independent directors were answered 2. Duly noted and no other recommendation
			Submission of the 2021 amended audit plan	Executed by the Board
2021.08.18	Audit Committee	Appointed accountant of E.SUN Bank	Report on the 2021 Q2 financial statement audit results	1. Questions raised by the independent directors were answered 2. Proceed as recommended
		General Auditor of E.SUN Bank	Report of the 2021 Q2 auditing work of E.SUN	1. Questions raised by the independent directors were answered 2. Duly noted and no other recommendation
2021.11.10	Audit Committee	General Auditor of E.SUN Bank	Report of the 2021 Q3 auditing work of E.SUN	Acknowledged
			Submission of the Company's 2022 audit plan	Executed by the Board
2021.11.12	Committee	General Auditor and auditors of E.SUN Bank	Discussion related to internal auditing work of E.SUN Bank	Executed with the suggested matter
2022.01.12	Audit Committee	Appointed accountant of E.SUN Bank	Report on the 2021 financial statement audit plan	Acknowledged
		General Auditor of E.SUN Bank	Report of the 2021 Q4 auditing work of E.SUN	1. Questions raised by the independent directors were answered 2. Duly noted and no other recommendation
2022.03.09	Audit Committee	Appointed accountant of E.SUN Bank	Interview with new accountant	Questions raised by the independent directors were answered
			CPA communicate with independent directors individually	Questions concerning the report on preliminary audit results as raised by the independent directors were answered and opinions exchanged
			CPA report of the result for auditing of 2021 Financial Statements	1. Questions concerning the report on the audit conclusion and response to behavioral risks as raised by the independent directors were answered and opinions exchanged 2. Proceed as recommended

- The chief auditor of the Company reports regularly the audits performed and the results and follow-up to the independent directors during quarterly meetings of the Audit Committee.
- Independent directors meet with the chief auditor and auditors at least once every year to fully communicate and document issues relevant to the Company's internal and external audits. Meeting minutes are included as part of the audit working papers.
- The CPA attends at least three Audit Committee meetings every year during the review of second-quarter financial report and annual financial reports, to explain the method and scope of financial statement auditing as well as relevant statutory updates, to talk about international trends, and to engage in in-depth discussions with independent directors.
- The chief internal auditor, CPA, and independent directors shall maintain an unimpeded two-way communication, and each of the parties can contact one another directly, when it is deemed necessary.

4. The Main Function of the Audit Committee

- Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- Assessment of the effectiveness of the internal control system.
- Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures such as acquisition or disposal of assets, derivatives trading.
- A matter bearing on the personal interest of a director.
- A material asset or derivatives transaction.
- The offering, issuance, or private placement of any equity-type securities.
- Appointment, discharge, or remuneration of CPA.
- Appointment or removal of chief officers of finance, accounting and internal audit.
- Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairperson, managerial officer, and accounting officer.
- Any other material matter so required by the company or the Competent Authority.

3.3.3 Corporate Governance Guidelines and Regulations

Please refer to the Bank's website at : <https://www.esunbank.com.tw/bank/about/announcement/legal-disclaimers/report>

3.3.4 Other Important Information Enhancing Understanding of the State of the Company's Corporate Governance

The parent company E.SUN FHC treats the disclosure of corporate governance information in prudent manner, and strives to ensure the correctness, integrity, and timeliness of all matters reported by subsidiaries' public information stations, major announced information, company websites, external news announcements, the production of annual reports, and various information that must be disclosed in accordance with law. Relevant disclosed matters are regularly reviewed and updated in accordance with the clearly-delineated duties of the responsible units. When major events or news are announced, the Bank will quickly report its response. The E.SUN FHC spokesperson shall oversee all external information disclosure, including responsible units' media contact, and issuance of news or important information. With regard to the disclosure of information concerning the board of directors and audit committee, business integrity guidelines, procedures for the acquisition or disposition of assets, the internal audit organization and its operation, and other major information, as well as shareholders meeting information, distribution of dividends, and financial service information, all such information shall be disclosed in detail in the E.SUN FHC annual report or website.

3.3.5 Internal Control

E.SUN Commercial Bank, Ltd. Internal Control System Statement

To: Financial Supervisory Commission

On the behalf of E.SUN commercial Bank, Ltd., we hereby declare that in the period from January 1, 2021 to December 31, 2021, the Bank duly complied with "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing an internal control system, implementing risk management processes. In the meantime, an impartial and independent unit was designated to conduct audits and report regularly to the Board of Directors and Audit Committee. The Bank actually abide by Articles 38 No. E, 38-1 of "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" and the "Information Security Self-Regulatory Rules" stipulated by The Bank Association of the Republic of China. With respect to concurrent operation of securities agent business, the Bank assessed the effectiveness of the design and execution of its internal control system based on the evaluation criteria set forth in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets". The Bank found that, except for the items enumerated in the attached table, the internal control, legal compliance systems and information security of all units were effectively implemented during the year.

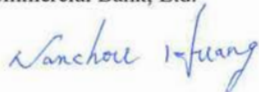
With respect to concurrent operation of insurance agent business, firstly, the Bank assessed the effectiveness of the design and execution of its internal control system based on the evaluation criteria set forth in the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies". According to this Regulations, the internal control system judgment items shall contain at least the following components: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications, 5. Monitoring activities. Secondly, the Bank has adopted the judgment items listed above to check the effectiveness of the design and execution of its internal control system. Thirdly, based on the results of the internal control inspections, the Bank believes that the design and execution of the internal control system (including knowing the soundness of operations, the reliability of reports, and the compliance with relevant laws and regulations) during the period is effective. Therefore, it can reasonably ensure the above objectives to be achievable.

This statement will be included as the primary content of the Bank's annual report and any prospectuses, and made available to the public. Any information in this statement found to be falsified, concealed, or otherwise illegal shall be subject to the legal liabilities prescribed by Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

We also hereby declare that this statement has been approved by the board of directors of the Bank on March 11, 2022.

Declarant: E.SUN Commercial Bank, Ltd.

Chairman:



(Signature/ Seal)

President:



(Signature/ Seal)

Chief Auditor:



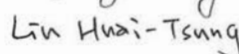
(Signature/ Seal)

Chief Compliance Officer:



(Signature/ Seal)

Chief Information Security Officer:



(Signature/ Seal)

Date: March 11, 2022

(As of December 31, 2021)

Item for Improvement	Improvement Measures	Target Date
For the customer who declares the settlement on surrender foreign currency in the nature of " repayments of overseas borrowing", the Bank should handle in accordance with the relevant regulations of the Central Bank.	<ol style="list-style-type: none"> 1. Designed the checklist for the front counter staff to examine the compliance with related regulations. 2. Processed bank-wide education and training. 3. Posted bank-wide announcement. 4. Planned the system reminder for transaction examination. 	The improvement measures 1 to 6 was completed while improvement measures 4 will be completed in the end of April.
For the customer who frequently declares the remittance of purchased foreign currency in the nature of " repayments of overseas borrowing", the Bank should handle the subsequent New Taiwan Dollar settlement in accordance with the relevant regulations of the Central Bank.	<ol style="list-style-type: none"> 1. Improved the process of outward and inward overseas loan and repayment. 2. Processed bank-wide education and training. Posted bank-wide announcement. 	Completed.
ATM transaction time overran because the loading of format conversion table in the database was slow.	<ol style="list-style-type: none"> 1. Optimize database access performance in order to reduce the access loading. 2. Adjusted the memory resource allocation of the database and increased server memory resources to ensure database access performance. 3. Adjusted database function syntax by the original manufacturer's recommendations. 	Completed.
Because of the Network switch failed of the exclusive network environment of Taiwan Financial Information Service, inter-bank transaction service abnormally	<ol style="list-style-type: none"> 1. Replace the faulty hardware of the network switch, and adjust the settings to complete the monitoring. 2. Performed backup switch to ensure high availability and perfect structure. 	Completed.
When the Bank invests in overseas structured commodities, it does not accurately assess and disclose the possible risks of the investment before the transaction, and the credit rating of the linked target is not included in the investment approval authority.	<ol style="list-style-type: none"> 1. The financial engineering model has been improved and upgraded. 2. The financial engineering model verification have been updated in the bank's internal regulations. In addition to increasing the frequency of model verification, the verification method has also been updated and the verification analysis method has been specified in detail. 	Completed.
Due to the erroneous system configuration for a new email notification function and an incomplete prelaunch user test, the wealth management system of Hong Kong Branch accidentally sent e-mail to unintended clients.	<ol style="list-style-type: none"> 1. The Branch has made a full-scale review of all the systems with email notification function to customers to ensure no other similar errors in those systems. 2. The Information Technology Division and Hong Kong Branch have jointly design various testing cases to validate changes made and assess adherence to the branch's business requirements before the new function goes live. 	Completed.

3.3.6 Penalties imposed against the Bank, the weaknesses found and improvements made in the last 2 years

- (1) Prosecution against the person-in-charge or staff for criminal conduct: None.
- (2) Disclose any fine imposed by the FSC for violation of a law or regulation, any deficiency for which an official reprimand was issued by the FSC, any matters in which sanctions were imposed by the FSC pursuant to Article 61-1 of the Banking Act, any punishments imposed by the Bank to internal personnel for violation of the Internet control system. In case the punishment results may pose material impacts on shareholders' equity or share price or violate the regulations prescribed in Article 2 of the Financial Supervisory Commission Regulations Governing Public Announcement and Explanation of Major Sanctions and Disciplinary Actions for Violations of Financial Laws, the punishment contents, major deficiencies, and status of improvements shall be clearly described:
- A. E.SUN Bank was fined NT\$12,000,000 by the competent authority for misappropriation of customers' funds committed by a former financial advisor with the bank. E.SUN Bank has conducted a complete review of the processes, and improved transaction monitoring mechanisms and account controls. Telephone confirmation, interview, and system controls have been put in place to strengthen compliance throughout processes including new account, foreign currency purchase and transfer, in-branch withdrawal, and early termination of term deposit. (2020.02)
- B. E.SUN Bank was given a warning by the competent authority for errors in the pre-update test and inspection procedures for the e-Filing and Tax Payment Service of the Ministry of Finance. E.SUN Bank has made improvements and checked all related transactions. E.SUN Bank also installed an automated test platform to create more management controls and alerts. Transaction results are checked daily in batches. (2020.02)
- C. E.SUN Bank has been fined a NT\$ 20 million administrative penalty by the regulator for the misappropriation made by a former financial consultant at Feng-Shan Branch. A 3-month suspension of duty was exercised to the SEVP of Wealth Management Division and Chief Executive of Individual Banking Division. E.SUN Bank responded to the incidence immediately after the occurrence and has reexamined operational procedures of the transactions involved in the case. E.SUN also mandated consultant to improve on weaknesses, including procedures of followings: account opening, arranged account transfer, debit card application, verification of online banking or mobile banking application, enhancement of over-the-counter cash withdraw or early termination of time-deposit, un-notified mandatory leaves for financial consultants, control of system and transactions. Control mechanisms were also improved to ensure customer's rights intact, including: confirmation by a third person for transactions relating to high-net-worth clients or clients served by a long-serving financial consultant, delivery or return for transaction statements, monitoring list of risk modalities.(2020.11)
- (3) Losses, of any, resulting from events of corruption of personnel, serious accidents or incidents (fraud, theft, embezzlement and misappropriation, false transactions, falsified certificate or negotiable securities, receiving kickbacks, losses from natural disasters, losses from external forces, data hacked or stolen, or leaking business secrets and client data) or the security incidents caused by failure to comply with the Notices for Financial Institution Security Maintenance resulting in actual losses exceeding NT\$50 million individually or in total, the nature of the security incident and the amount of losses shall be disclosed: None.
- (4) Other Disclosures, if any, designated by the Financial Supervisory Commission: None.

4. Capital Overview



4.1 Shares and Dividends

4.1.1 Source of Capital

March 20, 2022 Unit: thousand shares, NT\$ thousands

Month/Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Source	Others
2007.1.1		2,890,991	28,909,905	2,890,991	28,909,905		
2007.6.5 (note1)	10	29,009	290,095	2,920,000	29,200,000	Retained Earnings	
2007.6.21 (note2)	20	200,000	2,000,000	3,120,000	31,200,000	Rights offering	
2009.6.26 (note3)	10	62,400	624,000	3,182,400	31,824,000	Retained Earnings	
2009.12.4 (note4)	14	180,000	1,800,000	3,362,400	33,624,000	Rights offering	
2010.6.3 (note5)	10	147,600	1,476,000	3,510,000	35,100,000	Retained Earnings	
2011.6.13 (note6)	10	210,600	2,106,000	3,720,600	37,206,000	Retained Earnings	
2011.11.22 (note7)	15	500,000	5,000,000	4,220,600	42,206,000	Rights offering	
2012.6.8 (note8)	10	151,900	1,519,000	4,372,500	43,725,000	Retained Earnings	
2012.11.30 (note9)	15.5	200,000	2,000,000	4,572,500	45,725,000	Rights offering	
2013.6.6 (note10)	10	412,500	4,125,000	4,985,000	49,850,000	Retained Earnings	
2014.3.21(note11)	15	140,000	1,400,000	5,125,000	51,250,000	Rights offering	
2014.5.19(note12)	10	435,000	4,350,000	5,560,000	55,600,000	Retained Earnings	
2014.5.23(note13)	16.6	576,000	5,760,000	6,136,000	61,360,000	Rights offering	
2015.5.25(note 14)	10	408,000	4,080,000	6,544,000	65,440,000	Retained Earnings	
2015.6.3(note15)	17	140,000	1,400,000	6,684,000	66,840,000	Rights offering	
2016.5.27(note16)	10	44,183	441,830	6,728,183	67,281,830	Share conversion	
2016.7.6(note17)	10	534,700	5,347,000	7,262,883	72,628,830	Retained earnings	
2017.6.20(note18)	17.38	604,000	6,040,000	7,866,883	78,668,830	Rights offering	
2017.6.20(note18)	10	445,217	4,452,170	8,312,100	83,121,000	Retained earnings	
2018.6.15(note19)	10	324,900	3,249,000	8,637,000	86,370,000	Retained earnings	
2019.6.20(note20)	10	411,100	4,111,000	9,048,100	90,481,000	Retained earnings	
2020.6.18(note21)	10	476,000	4,760,000	9,524,100	95,241,000	Retained earnings	
2021.6.16(note22)	10	369,600	3,696,000	9,893,700	98,937,000	Retained earnings	

Note1 : The Securities and Futures Bureau of the Financial Supervisory Committee on June 5, 2007 granted approval for issuance in its letter Zidi 0960027542.

Note2 : The Banking Bureau of the Financial Supervisory Committee on June 21, 2007 granted approval for issuance in its letter Zidi 09600256501.

Note3 : The Securities and Futures Bureau of the Financial Supervisory Committee on June 26, 2009 granted approval for issuance in its letter Zidi 0980030711.

Note4 : The Banking Bureau of the Financial Supervisory Committee on December 4, 2009 granted approval for issuance in its letter Zidi 09800558761.

Note5 : The Securities and Futures Bureau of the Financial Supervisory Committee on June 3, 2010 granted approval for issuance in its letter Zidi 0990027492.

Note6 : The Securities and Futures Bureau of the Financial Supervisory Committee on June 13, 2011 granted approval for issuance in its letter Zidi 1000025959.

Note7 : The Banking Bureau of the Financial Supervisory Committee on November 22, 2011 granted approval for issuance in its letter Zidi 10000401021.

Note8 : The Securities and Futures Bureau of the Financial Supervisory Committee on June 8, 2012 granted approval for issuance in its letter Zidi 1010024779.

Note9 : The Banking Bureau of the Financial Supervisory Committee on November 30, 2012 granted approval for issuance in its letter Zidi 10100388601.

Note10 : The Banking Bureau of the Financial Supervisory Committee on June 6, 2013 granted approval for issuance in its letter Zidi 1020021282.

Note11 : Ministry of Economic Affairs on March 21, 2014 granted approval for issuance in its letter Zidi 10301045950.

Note12: The Financial Supervisory Committee on May 19, 2014 granted approval for issuance in its letter Zidi 1030016610.

Note13: The Financial Supervisory Committee on May 23, 2014 granted approval for issuance in its letter Zidi 10300140571.

Note14: The Financial Supervisory Committee on May 18, 2015 granted approval for issuance in its letter Zidi 1040016102.

Note15: The Financial Supervisory Committee on May 22, 2015 granted approval for issuance in its letter Zidi 10400115520.

Note16: Ministry of Economic Affairs on May 27, 2016 granted approval for issuance in its letter Zidi 10501108510.

Note17: Ministry of Economic Affairs on July 6, 2016 granted approval for issuance in its letter Zidi 10501143410.

Note18: Approved under Letter No. Jing-Shou-Shang-10601076060 issued by the Ministry of Economic Affairs on June 20, 2017; Approved under Letter No. Jin-Guan-Yin-Kong-10600164770 issued by the Financial Supervisory Commission on July 5, 2017.

Note19: Approved under Letter No. Jing-Shou-Shang-10701062380 issued by the Ministry of Economic Affairs on June 15, 2018; Approved under Letter No. Jin-Guan-Yin-Kong-10702139000 issued by the Financial Supervisory Commission on July 10, 2018.

Note20: Approved under Letter No. Jing-Shou-Shang-10801068080 issued by the Ministry of Economic Affairs on June 20, 2019; Approved under Letter No. Jin-Guan-Yin-Kong-10802124700 issued by the Financial Supervisory Commission on July 12, 2019.

Note21: Approved under Letter No. Jing-Shou-Shang-10901098290 issued by the Ministry of Economic Affairs on June 18, 2020; Approved under Letter No. Jin-Guan-Yin-Kong-1090219407 issued by the Financial Supervisory Commission on Sep 14, 2020.

Note22: Approved under Letter No. Jing-Shou-Shang-11001098950 issued by the Ministry of Economic Affairs on June 16, 2021; Approved under Letter No. Jin-Guan-Yin-Kong-1100218665 issued by the Financial Supervisory Commission on Jul 26, 2021

4.1.2 Type of Shares

March 20, 2022 Unit: Share

Type of Shares	Authorized Capital			Remark
	Issued Shares *	Un-issued Shares	Total Shares	
Common Shares	9,893,700,000	0	9,893,700,000	

Note: The bank is a public company and the stock is not belong to listed or OTC stock.

4.1.3 Structure of Shareholders

The Bank is a wholly owned subsidiary of E.SUN FHC.

4.1.4 Shareholding Distribution

The Bank is a wholly owned subsidiary of E.SUN FHC.

4.1.5 List of Major Shareholders

The Bank is a wholly owned subsidiary of E.SUN FHC.

4.1.6 Dividend Policy and Implementation Status

(1) Dividend Policy

According to the Article 40-1 of the statute, if the final accounting of the Company shows profit, after having paid all taxes and duties, the losses accumulated in the preceding years shall be first covered before the remaining amount is appropriated as legal reserve and special reserve in accordance with the law. If necessary, a special reserve may also be appropriated. The distribution of remaining profits together with the reversal of special reserve as well as the retained earnings accumulated from previous years shall then be proposed by the board of directors and submitted for resolution at shareholders' meetings. For a sound financial structure, according to the Banking Act of the Republic of China and regulatory policies of the authorities, the Bank shall maintain adequate regulatory capital and set dividend payout policy based on its future business plan. The maximum cash dividend shall not exceed the statutory limit unless the legal reserve fund reaches the registered capital. The distribution of dividends shall be conducted based on the shareholdings of shareholders as recorded in the shareholders register on the dividend distribution baseline date.

(2) Proposed Distribution of Dividend

It was proposed at the 2022 shareholders' meeting that shareholders would be entitled to a stock dividend of NT\$0.48 per share, totaling NT\$4,700,000,000, as well as a cash dividend of NT\$0.73 per share, or a total of NT\$7,172,932,500. Combined, the Company was to pay out NT\$11,872,932,500, or NT\$ 1.21 per common share in dividends, accounts for 99.92% of the surplus available for distribution.

4.1.7 The impact of the stock dividend distribution for the latest year on the Company's business performance and earnings per share:

In line with the Regulations Governing the Publication of Financial Forecasts of Public Companies and In line with the Regulations Governing the Publication of Financial Forecasts of Public Companies and Criteria for the Compulsory Publication of Complete Financial Forecasts by TWSE-Listed Companies, the Company did not publish such forecasts for 2022. This item of disclosure is not applicable as the Company cannot disclose predictive information on its finances.

4.1.8 Profit-Sharing for Employees and Compensation for Directors

(1) Percent age or scope of employee compensation and directors' compensation specified in the Articles of Incorporation:

According to the Article 40 of the statute, the Bank in a given year (pretax profit before distribution of employee and director compensation) shall be reserved to cover the losses accumulated from previous years. 3% of the balance from the above shall be allocated as employee compensation, while not more than 0.6% shall be allocated as director compensation. Recipients of employee compensation shall include employees of affiliate companies who fulfill certain criteria. Proposals of employee and director compensation distribution shall be presented to shareholders' meetings.

(2) In the event current bases of estimation for employee and directors' compensation, share number calculation bases for allotment of stock compensation and actual allotted amounts are at variance with estimated amounts:

- Employee and directors' compensation shall be calculated according to the percentage of their pretax profit as specified in the Articles of Incorporation and previous distributions.
- All distributed as cash bonus.
- In the event actual allotted amounts are at variance with estimated amounts due to changes in estimation, there sulding differences shall be listed as losses for the 2022 fiscal year.

(3) Board of directors approved proposals for the allocation of employee compensation and other relevant information:

- A. Allocation of employee cash compensation, and amount of directors' compensation. Employee cash compensation is NTD 636,351,617, and directors' cash compensation is NTD 68,000,000. Compensation distribute to directors is NTD 21,000,000 lower than estimated amount. The difference was due to the change of accounting estimate and will reflect on 2022 profit and loss account.
- B. Ratio between proposed stock remuneration given out to employees and capital increments from retained earnings: All distributed as cash bonus.

(4) Actual allocations of employee compensation and directors' compensation for the preceding fiscal year:

This Company's surplus earnings allocation for the preceding year amount to NTD 553,275,075 in employee cash compensation, and NTD 60,000,000 in directors' compensation. Compensation distribute to employees is NTD 10,679,945 lower than estimated amount ; Cash remuneration to directors is NTD 35,000,000 lower than estimated amount. This difference was incurred by changes in accounting estimations and has been listed as losses for the 2021 fiscal year.

4.1.9 Share Repurchase: None.

4.2 Preferred Shares Issuance: None.

4.3 GDR Issuance: None.

4.4 Status of Employee Stock Option Plan and Restricted Stock Awards

4.4.1 Status of unexpired employee subscription warrants issued by the Bank in existence as of the date of printing of this annual report and the effect of such warrants upon shareholders' equity: None.

4.4.2 Names of top-level executives holding employee share subscription warrants as of the date of printing of the annual report and the names of the 10 employees holding employee subscription warrants authorizing purchase of the most shares for a value in excess of NT\$30 million, along with the status of actual exercising: None.

4.4.3 Status of offering restricted stock awards: None.

4.5 Basic Information of Other Financial Institutions Acquired or Transferred: None.

4.6 Merger and Acquisition

4.6.1 Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio for mergers & acquisitions or sale of banking institutions over the past year: None.

4.6.2 State of mergers & acquisitions or sale of banking institutions over the most recent season: None.

4.6.3 In the most recent financial year and up to the printing of this annual report, disclosure of the basic data of mergers & acquisitions or sale of other banking institutions in which the Board of Directors has approved such M&D or sale that involves the issuance of new shares: None.

5. Business Operation



5.1 Business Scope

Key business area	Key business services
Corporate banking services	Provide products and services for companies in need, including corporate lending, syndicated loans, trade finance, cash management, cross-border banking services, and corporate succession consultation.
Consumer banking services	Provide retail banking services, mortgage loans, small business loans, business start-up loans, and ESG loans, such as green building loans, reconstruction of urban unsafe and old buildings loans, etc.
Wealth management services	E.SUN provides financial products and services, including NTD and foreign currency deposits, wealth management, insurance, trust and family legacy planning services.
Credit card and payment services	E.SUN Bank provides credit card and debit card issuing services, contracted store acquiring services, electronic payment services and other payment services.

Primary Business Indicators

Unit: NT\$ billion

Item	2021/12	Annual growth%	2020/12
Total deposits	2,442.2	19.4%	2,045.5
TWD Demand deposits	1,013.5	24.4%	814.9
Foreign currency deposits	843.9	14.2%	739.1
Total loans	1,612.0	12.3%	1,437.5
Foreign currency loans	241.6	-2.0%	246.6
Corporate loans	769.5	8.9%	706.7
SME loans	428.1	17.3%	365.0
Consumer loans	829.7	15.7%	717.3
Mortgage loan	407.6	25.6%	324.4
Unsecured personal loan	120.9	10.5%	109.4
Credit card revolving balance	12.8	-5.2%	13.5
Credit cards			
Card in circulation (Thousand cards)	6,346.3	9.0%	5,824.1
Active cards (Thousand cards)	4,488.3	7.5%	4,173.8
Card consumption	472.7	9.8%	430.5
The assets of securities investment trust funds under custody	557.6	8.4%	514.2
Net income	51.3	-0.4%	51.5
Net interest income	19.6	7.7%	18.2
Net fee income	17.9	2.3%	17.5
Net fee income of wealth management	9.9	7.1%	9.2
Net fee income of credit card	6.5	33.4%	6.8
Foreign exchange, Fixed income, and others	13.8	24.4%	15.8

Note 1: Above data are individual information of E.SUN Bank.

Note 2: Total deposits include demand deposits, fixed deposits, and deposits from Chunghwa Post.

5.2 Business Plan

Key business area	Annual business plan
Corporate banking services	To accomplish the goal of "First Choice for Businesses and Premier Cross border Platform", E.SUN Bank follow government policies, and adopt the Investment via Taiwan's Three Major Programs to guide Taiwanese businesses return from overseas and support Taiwanese enterprises develop innovation and transformation. Also strengthens overseas and domestic risk control mechanisms and maintains asset quality by using information technology, professionalism, as the base as well as team core. E.SUN apply integrated services and innovation to fulfill cross-border enterprise's needs, develop sustainable finance services, fulfill corporate social responsibility and move toward sustainability together with customers.
Consumer banking services	Consumer banking business focuses on credit risk management and operational efficiency. It enhances credit risk management through data integration and utilizes information technology and digital channels to provide convenient and flexible consumer banking services. Besides, the service team also offers a variety of services, including small business loans, mortgage loans, and business start-up loans and ESG loans, such as green building loans, reconstruction of urban unsafe and old buildings loans, etc.
Wealth management services	E.SUN provides comprehensive wealth management services, including NTD and foreign currency deposits, financial management, insurance and trust, etc. We will continue to innovate products, optimize processes, implement risk control and improve customer experiences based on market trends and customer needs, along with the assistance from in-house experts and well-developed digital finance tools. We are committed to creating value for customers and becoming the most trusted wealth management bank.
Credit card and payment services	E.SUN bank combines digital technology and big data analysis to offer customers complete automated innovation digital service experiences, and to further meet the needs of our customers across all the segments, creating customer values. Meanwhile, we'll integrate the resources from different industries, and connect our payment service-chain to channel partners to expand the diversity payment scenarios. We believe E.SUN Credit Card is the best choice for daily life and customer's favorite brand.

5.3 Market Analysis

5.3.1 Region

Key business area	Region
Corporate banking services	E.SUN operates the services primarily in Taiwan. To meet the demand of cross-currency for Taiwanese businesses, E.SUN provides cross border banking services in financial hubs in Asia Pacific, Greater China, and ASEAN countries. The network covers 28 offices in 9 countries and regions offering services for Taiwanese and local customers through the integration of overseas branches.
Wealth management and consumer banking services	E.SUN Bank operates the services primarily in Taiwan with 139 domestic branches. To meet the demand of customers overseas, it is also provides wealth management services in Hong Kong and Singapore, as well as consumer banking services in Cambodia.
Credit card and payment services	Taiwan is our primary served area and the UCB subsidiary which located in Cambodia is developing a local credit card and debit card service as well. E.SUN has also expanded the electronic payment business and cooperated with strong channel partners such as Paypal, Alipay, Tencent(Tenpay), and Razer Merchant Services. We continually develop overseas markets for new opportunities and composing to global cross-border financial services.

5.3.2 Market landscape and opportunities for growth

- (1) Low interest rate environment: With the slowdown of global economy and the impact of the pandemic in 2020, major central banks will maintain a low interest rate environment, which will affect the interest spread of banking business. Risk and cost management capabilities and flexibility will be the key to the business growth.
- (2) Since COVID-19 outbreak in 2020, as vaccination rate increases for each country, main countries adjust their policies toward the viruses and turn to coexistence by releasing border control and disease measures. This reflects in global economy recovery and momentum is expected to rise with catering, hotel, tourism, gymnasium, recreation, air flight, and other retail industries and supply chains gradually recover.

However, the congestion of ports and shortage of container caused by the disease and the material bottleneck caused by supply and demand's mismatch will cause the impact of inflation to continue including the price fluctuations of metal, plastic, food and energy to rise. Considering that U.S. is expected to enter interest rate rising cycle and the uncertainty between U.S. and China exists, the impact on material supply, demand and price should be paid close attention.
- (3) Facing global ESG and sustainable issues and under the of climate summit COP26's resolutions, carbon reduction and fossil fuel's elimination have become the consensus for most countries and will become an issue taken in high regard for government's policies and company's decisions. Industries like green energy, EV, green steel, hydrogen energy and sustainable agriculture will become the future stars whereas high energy consumption industries like steel, petrochemical, plastic, cement, semiconductor and pollution-related transportation and waste recycle should be scrutinized on their improvement plan toward ESG trend.
- (4) Business opportunities from wealth management for high-end customers: With the trend of transparency in overseas income around the world and the needs of family inheritance, second-generation succession, and asset allocation of Taiwanese business owners, the competent authority has launched policies to promote returning investment of overseas Taiwanese companies and upgrade of wealth management service. By meeting the needs of high-end customers, the operational quality and competitiveness of financial institutions can be further enhanced.
- (5) Development of financial technology: With the development of science and technology and the loosening of laws and regulations, pure online banks started operations in Taiwan, and more and more companies have entered the financial service field and established an ecosystem through cross-industry cooperation. As more participants join, financial services will become more diverse, which promotes the digital transformation of financial institutions, accelerates the development of inclusive finance and scenario-based finance, and further enhances customer experience and creates long-term social value.

5.3.3 Challenges in the Future and in the External Environment

Challenges in the future and in the external environment
<p>A. The rising popularity of fintech, new technologies, and new business models are rapidly changing the borders between industries and fueling competition between industries.</p> <p>B. Economic development around the world is exposed to the prevailing volatility, changes in cooperation and competition relationships among major economies, and geopolitical risks.</p> <p>C. Regulatory changes, anti-money laundering practices, privacy protection, and tax return filing requirements in different countries are leading to higher costs in cross border financial services and compliance.</p>
Countermeasures and E.SUN's competitive advantages
<p>A. Talents cultivation. Invest in professionals in financing industry.</p> <p>B. Technology development. Invest in technology, and deepen the connection between business and technology by strong enforcement.</p> <p>C. Cross boarder business. Invest in oversea infrastructure and develop a distinguished cross boarder platform.</p> <p>D. Risk management. Invest in IT security, AML, compliance and internal control to incorporate risk management into corporate culture.</p>

5.4 Financial Products R&D and Business Status

Key business activity	R&D Results in Last Two Years and Future Directions
Corporate banking services	<p>A. In 2021, following the "Green Finance Action Plan 2.0" policy instructed by FSC, E.SUN kept supporting the development of renewable energy industry in Taiwan by providing green loan and financial services. E.SUN has been providing the "Solar Rooftop" project financing since 2014 to support SME to invest in solar power project, and after that we also provide other renewable project financing service for such as ground-mounted solar PV, offshore wind and onshore wind power plants.</p> <p>B. Cross-border finance platform: In response to the needs of cross-border customers, E.SUN Corporate Online Banking platform (E.SUN eBanking) provide customers with cross border capital management and account information integration services. The platform integrates the resources of different product lines, creates special financial services, and offers total solutions. In addition, due to the impact of the Covid-19 pandemic on banking services, we accelerate the development of online banking services to solve customer pain points. Our customer centric model let us receive multiple international awards and recognitions. (E.SUN Bank has received the Asset's the Best Trade Finance Solution in Taiwan award, the Asian Banker's the Best Corporate Trade Finance Deal in Taiwan award, the Asset's the Best Cash Management Bank in Taiwan award, Asiamoney's Taiwan Best Service (Domestic Banks))</p>
Consumer banking services	<p>A. Reverse Mortgage Loans: To meet the diverse needs of silver-haired people, E.SUN provided a onestop service of "Reverse Mortgage Trust" in 2021. Moreover, E.SUN assists customers in pre-planning the application of funds, and regularly allocates money to the trust account to ensure that the funds are used exclusively for retirement to make life more secure by Reverse Mortgage Trust.</p> <p>B. Green Building Loans: E.SUN has launched the "Green Building Loan", for the houses are EEWHcertified of "Taiwan Architecture & Building Center" can enjoy interest rate reduction and discount on fees.</p> <p>C. Reconstruction of urban unsafe and old buildings loans: In 2020, E.SUN provided reconstruction of urban unsafe and old buildings loans to help customers improve building safety and living environment. Nowadays, E.SUN constantly cooperates with well-known real estate management companies to create one-stop financial services.</p> <p>D. Unsecured personal loan: A. E-lending services: We adopt IRB credit score model to implement risk pricing, pricing model and proxy income model, to expend appropriate customer base.</p>
Wealth management services	<p>A. ESG-themed products: E.SUN launches the first Environmental & SRI Multi-Asset Fund that complies with the latest ESG regulation in Taiwan, and provide sustainable investment opportunities for customers. By promoting diversified trust services, including innovative services such as pre-opening trust, foreign currency trust, real estate and senior trust combo, etc., we not only comply with the Trust 2.0 policy, but also strengthen the protection to elderly customers as well as the development of ESG.</p> <p>B. Intelligent asset allocation system: E.SUN leverages Fintech to deliver a better customer experience. Customers can have a quick access of the consulting services from our experts who offer tailor-made investment strategies with integration of big data and AI technology.</p> <p>C. Upgrading digital wealth management services: To meet our customers' needs for wealth management transactions and consultation under epidemic period, and at the same time implementing environmental protection and paper reduction, E.SUN keeps expanding the service of digital wealth management, and improves and optimizes the mobile insurance to provide a more efficient service.</p>
Credit card and payment services	<p>A. E.SUN Wallet: In order to create a digital platform that integrates payment, lifestyles, and financial services, E.SUN not only keeps optimizing the existing functions, but also providing innovative services by developing personalized interfaces and self-management functions. For instance, installment plan and reward points redeemed functions were added to the app. Moreover, E.SUN Wallet offers various insurance choices, customers now are able to set up insurance online by their personal needed. We also established a financial user-friendly area to improve customers' experience and the usability of the digital services.</p> <p>B. Electronic Payment Business: Customers are available to go shopping(consume) at 200,000 contracted shops which cooperated with Taiwan pay company by link E.SUN account.</p> <p>C. Demon Slayer Debit Card: E.SUN is the first bank got IP authorization in Taiwan, we combine anime with financial services into daily life, and create interaction with digital and young groups.</p> <p>D. Digital quintuple stimulus vouchers: To provide convenience to consumers, E.SUN launched a self-services platform for assisting customers to check the information and the usage conditions of digital quintuple stimulus vouchers and foodlover voucher.</p>

5.5 Short-term and Long-term business development plan

Long-term business development plan

Key business area	Long-term business development plan
Corporate banking services	Integrate cross-border banking platforms and improve product integration capabilities to expand the international customer base and provide diverse banking services. Expand overseas by resource integration; start locally in Taiwan and go forward and work with overseas offices to develop localized products to effectively meet local demands. In addition, E.SUN continues to leverage the influence of the ESG, assist enterprises from reduce carbon emission to net zero and support sustainable industries, in order to make constant efforts to contribute environment sustainability. E.SUN continues to refine operating procedures to provide convenient channels and fast services that create optimal customer experiences for enterprises.
Consumer banking services	With innovative applications on digital platforms, E.SUN aims to provide fast and seamless service experience. Besides, E.SUN will expand channels through cross-industry cooperation, and integrate the UN's SDGs into business to provide responsible and sustainable financial services.
Wealth management services	Focusing on customer needs, E.SUN will exert influence on sustainable finance and concentrate on serving wealth management customers. By connecting and integrating cross-unit resources, E.SUN will be able to provide consulting services by strengthening the professionalism of wealth management team, and constructing cross-border wealth management platform to meet comprehensive customers' wealth management needs through complete product map, digital transaction services and solid risk management.
Credit card and payment services	Take customer experience as the core, we integrate technologies, data analysis and cross-domain resources to enhance our customer-oriented services. Furthermore, E.SUN alliances with important strategic partners to develop the payment ecosystem and explore premium customer groups. Meanwhile, we are committed to strengthen relationships across all customer segments to create high customer value.

Short-term business development plan

Key business area	Short-term business development plan
Corporate banking services	Improve business efficiency through regional integration and "detailed customer classification, and focused operation;" Apply integrated service to manage jumbo's customer; seize the business opportunity of ESG and develop sustainable finance services. SMEs towards ESG integrations and IPO incubator for hidden champion companies to fortify stronger customer relations; focus on improving product processes for SMEs to serve customers efficiently; SME focuses on improving product processes to serve customers efficiently; continue to improve risk management mechanisms and implement internal control; and help businesses to develop sound business practices and achieve success. Become the partner of corporate succession and sustainability.
Consumer banking services	Deploying FinTech to improve Omni-Channel customer experience while simplifying the operation process and increasing the level of risk control. The self-help on-line service is available for the customers. E.SUN Bank makes it to improve service experience for both the employees and the customers, overcome the opposable mind of being efficient or being considerate.
Wealth management services	Cultivate high-quality wealth management personnel and cross-field expert teams, enhance product diversification and service differentiation, and strive to provide customers with comprehensive asset allocation and consulting services. In addition, by using data analysis and financial technology, E.SUN can further improve the efficiency of transaction processes, and optimize the end-to-end customer experience with customized services.
Credit card and payment services	E.SUN bank provides the most suitable products and services by segmenting customer into group to satisfy the needs of different customers. We create digital service platform and connected our payment service-chain to channel partners to explore diversity of lifestyles and scenarios. Meanwhile, applying AI models to strengthen risk control and enhance consumption security, we expect E.SUN credit card can be the main credit card for customers.

5.6 Human Resource

“E.SUN 30”: March toward Asia with hope and determination

“Together we are one.” A group of ordinary people form an extraordinary team. E.SUN has thus been able to accomplish one feat after another. In the days ahead, E.SUN is set to further sharpen its competitive edge by building systems, growing talent, and developing information as well as taking in diverse competent people and nurturing their innovative thinking and international perspectives. Combined, advances in fintech, the advent of the post-pandemic era, and many other accelerating changes in the broader environment mean an increasingly daunting challenge for businesses to transform themselves digitally. E.SUN has long committed itself to fintech development. Its collaboration with institutions of higher learning on this front takes the form of contests, internships, and lectures. Resources are pooled across industry, government, and academia. Internal financial expertise is leveraged to solicit external technological support. In so doing, E.SUN aims to help promote more innovative fintech applications, thereby creating a brighter digital future for Taiwan's financial services industry.

Given its bid for a greater overseas presence, E.SUN is also keen to foster talent in the Asia Pacific. Scholarships are offered to young aspirants in ASEAN countries. Through interdepartmental rotation, experience sharing, and engagement in major projects or operations, E.SUN seeks to help outperforming employees both at home and abroad move up another rung and become visionary multinational managers. With “Build on Taiwan's home base to expand in Asia” as its core strategy, E.SUN aims to rally all employees for the ultimate goal of creating a unique bellwether bank in Asia through precise stratagems, swift action, and solid teamwork.

E.SUN Dream, Taiwan Dream

Young people are a world-changing power. E.SUN is committed to creating a cross-border financial platform and making a unique bellwether bank in Asia. E.SUN's workforce averages 34.7 in age, with holders of master's or higher degrees accounting for 27.4%. To ensure a sustainable talent pool, E.SUN promotes itself across campuses through internships, industry-academia collaboration, and field visits. Equal emphasis is placed on optimizing the selection process and offering differentiated selection tools to attract and identify promising aspirants. Coupled with the Bank's comprehensive career development program, E.SUN is thus able to cultivate an army of top-tier financial professionals and keep up its leading edge in human capital.

Talent cultivation is a cornerstone for any company aspiring for sustainable development. E.SUN recognizes talent as the very core of its competitiveness. As such, a well-rounded career development program is put in place to provide employees with any number of learning opportunities and potential for career growth. During 2021, E.SUN organized 378 internal education and training classes of various types, and sent personnel to 442 external training sessions offered by professional organizations. The total of 2021 trainees came in at 177,553; every employee thus attended an average of 20.1 training sessions. To foster talent for the future, E.SUN makes it a point to have key personnel undergo rotation across headquarters and branches, different lines of work, and domestic and overseas operations. Given such diverse learning opportunities and career possibilities, all career-minded employees will have a chance to chart their own future. E.SUN has vowed to walk a path of its own since inception. Sustainability starts with leadership and heritage. Generations of E.SUN employees have all done their share to help achieve a common cause. In turn, E.SUN has thus been able to fare admirably in the three key gauges of business success—overall performance, corporate social responsibility, and sustainable development—as it stays on track to assert itself in Asia.

5.6.1 Breakdown of employees

Year		Current year to March 20, 2022	2021	2021
Item				
No. of Employees		8,511	8,593	8,874
Average Age		34.7	34.1	33.4
Average Years of Service		9.2	9.1	8.3
Educational background (%)	Master's	27.4	27.4	26.9
	Bachelor's	68.2	68.2	68.6
	Junior college	3.9	3.9	3.9
	High School (Vocational)	0.5	0.5	0.6
Number of professional licenses held by employees	Banking	29,763	29,492	28,190
	Insurance	10,493	10,514	10,597
	Securities	6,745	6,788	6,927
	Others	1,387	1,353	1,466

Note: The number of employees includes all employees of overseas branches.

5.6.2 Continuing education and training for employees

- (1) The Company systematically plans and implements continuing education and training in accordance with the applicable annual plan and Employee Training Guidelines for E.SUN and Its Subsidiaries.
- (2) In accordance with Employee Continuing Education and Inspection Tour Guidelines for E.SUN and Its Subsidiaries, the Company assigns its staff, recommended by their supervisors and selected by relevant departments, to participate in continuing education, inspection tours, and workshops both in Taiwan and abroad.
- (3) The Company provides employees with diverse learning and development opportunities in different phases of their career. Training modules and course design undergo adaptation and innovation whenever needed on all fronts—industry trends, organizational strategy, customer needs, and professional competence..In response to the epidemic in 2020 and 2021, to allow colleagues to continue learning and make effective use of time, E.SUN digitized the original physical training courses, using digital teaching media, platforms and tools to assist physical training so that employees can apply what they have learned to practice in real time. Besides, E.SUN encourages employees to participate in quality training courses offered by external institutions to keep up to date with the latest knowledge in international finance, corporate sustainability, fintech development, and risk management.
- (4) During 2021, the Company and its subsidiaries held 394 internal education and training classes of various types, and sent personnel to participate in 378 training sessions held by external professional organizations. As a result, our colleagues took part in training a total of 177,553 person-times.
- (5) The Company's education and training funding accounted for 0.67% of operating revenue in 2021.

5.6.3 Number of fulltime employees serving in non-supervisory positions, average and median salary of such employees during the year, and differences from the previous year

Unit NT\$ thousand; persons

	2021	2020	Growth Rate
Number of employees serving in non-supervisory positions	7,599	7,612	(0.17%)
Average salary of employees serving in non-supervisory positions	1,154	1,093	5.58%
Median salary of employees serving in non-supervisory positions	1,068	1,018	4.91%

Note: The above statistics were compiled in accordance with the explanation on reporting the salaries of fulltime employees serving in non-supervisory positions jointly promulgated by Taiwan Stock Exchange and Taipei Exchange.

5.6.4 Promotion and enforcement of employee conduct and ethics rules

- (1) All employees of the Bank must sign and pledge to uphold the bank's employee service regulations and rules of conduct.
- (2) The Bank posts its employee service regulations and rules of conduct on E.SUN's internal and external websites in order to facilitate browsing and familiarization by employees.
- (3) To ensure that all executives and employees have correct awareness and faithfully uphold regulations in their conduct and work, all units' legal compliance managers shall promote awareness of employee conduct and relevant regulations on a regular basis and when needed.
- (4) E.SUN Bank holds online tests on its employee service regulations and rules of conduct on an annual basis, and all personnel must take part. E.SUN personnel are also asked to visit the system and study online materials. All units' legal compliance test participation, test results, and status of make-up test implementation are taken into account when their legal compliance performance is assessed and scored.
- (5) In accordance with the Personal Information Protection Act and the Personal Information File Security Regulations for Non-Governmental Institutions Designated by the Financial Supervisory Commission, the Bank has strengthened management mechanisms in order to fully implement the protection of personal information and information security.



5.7 Corporate Responsibility and Ethics

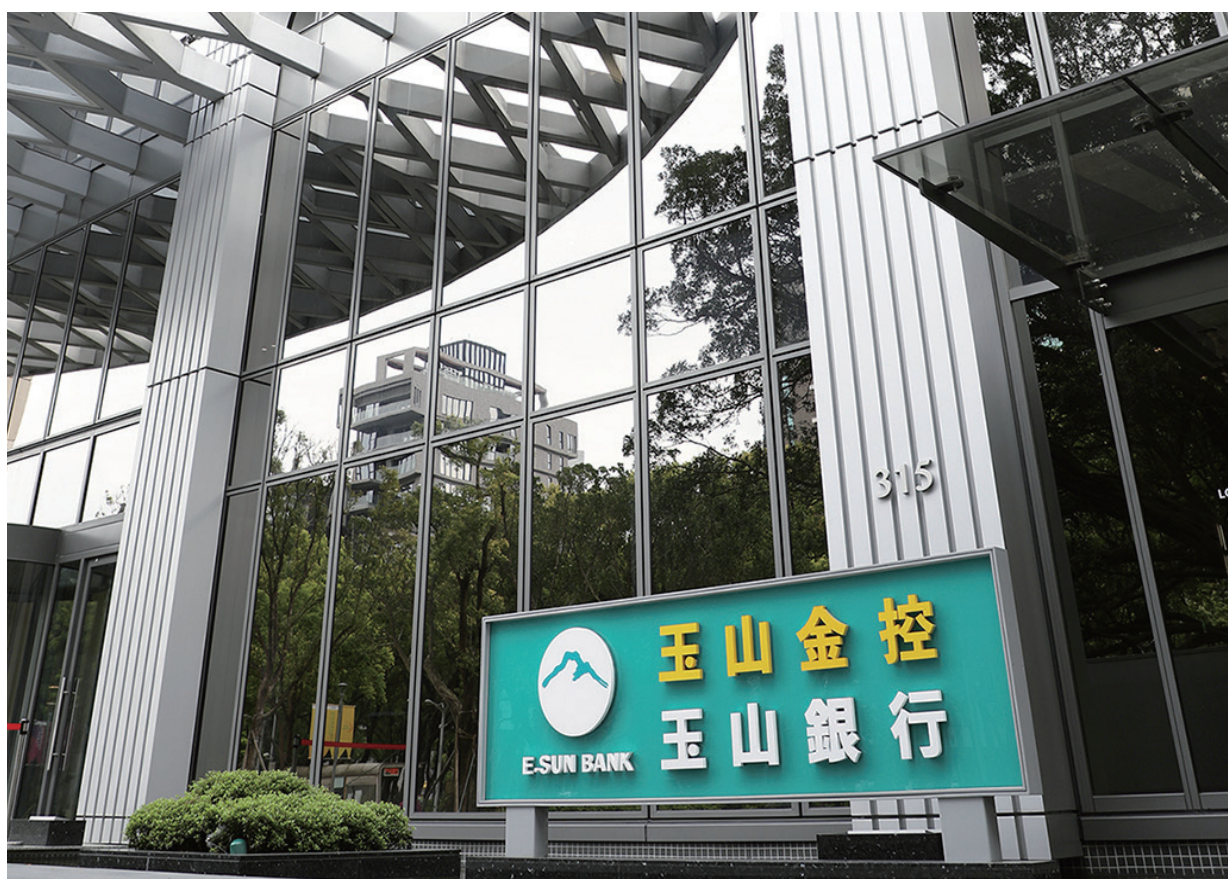
Corporate social responsibility has been one of the top priorities for E.SUN for years. On our road to sustainability, E.SUN insists on starting from its core banking businesses, incorporates CSR into its business strategies, and implements practices to follow international trends in sustainability. By making a long-term commitment and adopting systematic methods to improve performance in the economic, environmental, and social aspects of its business activities, E.SUN takes action and makes constant progress in business, environmental, and social aspects.

5.7.1 Corporate governance aspect

- (1) E.SUN builds its corporate governance practices on honesty, integrity and professionalism. Under the leadership of the management team, E.SUN has been rated "Excellent" in Corporate Governance Certification by Taiwan Corporate Governance Association, and ranked in the top 5% of TWSE Corporate Governance Evaluation for 6 consecutive years. E.SUN is also the first listed financial institution in Taiwan to create a corporate governance and nomination committee. It currently has 5 independent directors, accounting for more than 40% of board membership. E.SUN tries to make the board of directors better trained and more independent by having independent directors with different academia, industry, and government backgrounds.
- (2) A bank is a business that manages risks. Believing that no business operations can be considered beyond risk, E.SUN continues to reinforce the three lines of defense, establish a complete set of handbook and process, and implement them in a disciplined manner. E.SUN also strengthens its skills to combat money laundering and enhances its system surveillance.

5.7.2 Environmental Aspect

- (1) E.SUN continues to work on the green building project and build solar-powered branches. As of the end of 2020, E.SUN has 2 server rooms with LEED Gold international certification (Hope Building and Technology Building), 1 green building with LEED Gold international certification (E.SUN HR Development Center - Dengfeng Building), 1 green building with EEWB Gold certification (Hope Building), 8 offices with green building certification (Chiayi, Daya, Yuanlin, Toufen, Changhua, Annan, eastern Tainan, and Shalu Branches), 14 solar-powered branches (Toufen, Daya, Dali, Taiping, Shalu, Changhua, Yuanlin, Douliu, Chiayi, Jen-Teh, eastern Tainan, Annan, Jinhua, and Houzhuang Branches), and 2 solar-powered buildings (Dengfeng Building and Technology Building).



- (2) E.SUN continues to implement the ISO14001 environmental management system and the ISO50001 energy management system and complete taking inventory of ISO14064-1:2018 greenhouse gases, ISO 14046:2014 water footprint assessment, and ISO 14064-3:2006 carbon emission (from employee commuting and business travel as well as waste from operation) for the Taipei headquarter building, Boai Building, Technology Building, Dengfeng Building, E.SUN Securities, and all offices in and outside Taiwan.
- (3) E.SUN is no longer financing coal-fired power generation facilities, nor renewing contracts following their expiration. This is aimed at working together with other parts of the world to maintain the sustainable development of the environment and society.

5.7.3 Social aspect

- (1) As part of its commitment to education, E.SUN continues to promote the E.SUN Golden Seed Project. It has made contributions and donated more than 370,000 books to 158 E.SUN Libraries by the end of 2020. More than 106,000 students have benefited from the program. This charity project has been certified by the Social Value International (SVI), in compliance with their SROI guidelines and criteria. According to comprehensive calculation analysis, for every NT\$1 to the E.SUN Golden Seed Project, NT\$28.74 social value is generated. This project is the first SVI-certified educational SROI in Taiwan with the highest social value in the Taiwan educational SROI report. E.SUN will be moving on to building its next 100 E.SUN Libraries. E.SUN keeps cultivating excellent students. The E.SUN Outstanding Management Talent Scholarship was rewarded to 19 outstanding students in the field of management, technology, and humanities and arts. The E.SUN ASEAN Scholarship was rewarded to 8 students from ASEAN countries. The E.SUN Nursing Talent Scholarship was rewarded to 9 students in the field of nursing. E.SUN teams up with National Taiwan University, National Chengchi University, National Tsing Hua University, and National Chiao Tung University to offer the E.SUN Academic Award and help raise the standards of management research in the country. 39 teachers have received the award so far. For 6 years in a row, E.SUN has worked with the College of Management of National Taiwan University in running the Hope Seedling Program. The program is designed to train talent in digital banking and help students build up key skills in digital banking.
- (2) In supporting Taiwan's junior baseball as part of our efforts in sports development, E.SUN has systematically established the E.SUN Junior Baseball Fund and planned a series of junior baseball events, including E.SUN National Junior Baseball Tournament, E.SUN Junior Baseball Camp, and E.SUN Junior Baseball Protection Camp, among other seminar and health-related activities for 14 consecutive years. Over 3,000 baseball players have received training. Through the Remote Caring Program, E.SUN has supplied appropriate sports aids to over 30 schools in remote areas and in need of resources, creating a performance stage in Taiwan that encourages young adults to pursue their dream.
- (3) E.SUN is continuing to hold regular "One simple act of love can inspire others to love" blood donation activities, where 6,979 bags (250 ml per bag) of blood were donated in 2020. Thanks to the commitment of E.SUN personnel and E.SUN volunteers nationwide, we are helping even more people in need and spreading love everywhere it is needed. We will continue to plant the seeds of love and concern throughout the country, and ensure that E.SUN volunteers can achieve even greater results.



"A love can draw more loves"



5.8 Environmental protection expenditure information

During the most recent year and until the publication date of this annual report, losses (including compensation) and penalties due to environmental pollution totaled 0.

5.9 IT Facilities

The majority of E.SUN FHC's IT Facilities are owned and operated by its subsidiary E.SUN Bank. Details are as below.

5.9.1 Current IT system's hardware/software configuration and maintenance

E.SUN Bank's IT systems for Accounting, Deposits, Loans, Remittance, Foreign Exchange, Wealth Management, Treasury Service, Credit Cards and E-Commerce, as well as its Customer Relationship Management, Risk Management and Business Intelligence Analysis systems are all built upon the most optimal system architecture based on each business needs. The underlying operating systems range from z/OS, OS/400, UNIX, Linux, Windows and other operating platforms. With the change of financial services, software and hardware are gradually transformed into a virtualized architecture, and more effective resource management is carried out through the private cloud management mechanism to improve the efficiency of resource using.

5.9.2 Future development and procurement plans

In 2022, we will continue to focus on digital transformation and overseas business expansion. Through the application of technology and the power of big data integration, intelligent decision-making can be accurately penetrated into the lives of customers and provide in-depth and extensive financial services. In addition, we also strengthen risk discipline control processes to provide customers with more robust and secure services. See below for E.SUN Bank's major information systems development projects for 2022:

(1) Global Financial Services

- Core Banking System Migration for Overseas Branch
- Account Opening System Development for Overseas Branch
- Data Warehouse Development for Overseas Branch

(2) Technology Driven Digital Transformation

- Private Banking Customer Relationship Management System Development
- Next Generation Call Center System Development
- Trust Business System Development
- Data Middleware Platform Development and Data Warehouse Reengineering

(3) Regulation Technology with Risk Discipline

- Capital Adequacy Ratio System Development
- Customer Due Diligence Platform Development
- Supervision Report Automation Platform Development
- Minimum capital requirements for market risk system Development

(4) Operational optimization and System Integration

- Core Banking System Migration for Credit Card and Payment Division
- New Branch System Reengineering
- System re-planned for Individual Banking and Wealth Management
- Murex System Upgrade
- Machine Learning as a Service Platform Upgrade

5.9.3 Emergency Recovery

- (1) E.SUN Bank's Technology Data Center is designed and built according to the concept of Uptime Institute Tier III, which can maintain operation and provide stable hardware resources in the event of a power outage, without affecting the operation of the enterprise. The air-conditioning equipment in Data Center uses a natural cooling system to improve air-conditioning efficiency and to reduce energy consumption and greenhouse gas emissions from power generation, not only to avoid the immediate temperature rise in the event of a power failure causing the computer system to heat up, but also to maintain the energy-saving index PUE (Power Usage Effectiveness) value less than 1.5. This green Data Center practices the promise of sustainable environmental management.
- (2) With respect to business continuity measures, except for data protection and local system backup, E.SUN Bank performs drills at least once a year in accordance with the disaster recovery procedures of the Bank's core business systems in order to ensure the effectiveness of business continuity plan.
- (3) In response to the epidemic situation and considering the flexibility of team work, plan a safe and fully supervised remote office connection plan, and moderately open it according to business attributes, provide more flexible remote office capabilities, increase the digital resilience of enterprises, and reduce the impact of the epidemic.

5.9.4 Security Measures

- (1) According to ISO 27001 standard to manage data center security, we use two-factor authentication and monitor system to strictly control the entry and exit of equipment and people in the data center.
- (2) The three core systems of power, air conditioning, and fire protection in the data center provide a good operating environment and service quality for information equipment through regular maintenance and maintenance.

5.10 Cyber Security Management

5.10.1 Cyber Risk Management Strategies and Policies

- (1) E.SUN Bank continues to enhance its information security system and strengthen the defense capabilities by the following mechanisms: by promoting information security governance, establishing a consistent information security policy, and creating information security operating plans and procedures; all of the above are of "E.SUN FHC's Information Security Management Committee's" responsibilities. E.SUN strives to not only achieve local and international regulatory compliance, but to also expand the scope of international standard certifications, and ultimately incorporate information security to every staff's daily routine.
- (2) Since 2021, E.SUN Bank has added information on the status of cyber security implementation into the banking industry's internal control statement; this statement is issued jointly by the Chairman, the President, the Chief Audit Executive, the Chief Legal Officer, and the Chief Information Security Officer. The Bank's board of directors include members who have information technology backgrounds; the board of directors and senior management together are obligated to supervise and improve information security governance. The company also has a Chief Information Security Officer (CISO), who is the highest executive responsible for ensuring the effectiveness of the organization's information security operations and risk management mechanisms. He also needs to report regularly to the board of directors- risk management committee on the results and the overall status of the organization's information security implementations.
- (3) E.SUN Bank has obtained "Information Security Management System ISO/IEC 27001: 2013" certification, and has passed the recertification in May 2021; the certificate is continually maintained. In 2021, the scope has expanded to not only include the Information Technology Division and the Information Security Division, but also all of the credit card related information systems; the merchant acquiring system has passed the "Payment Card Industry Data Security Standard" (PCI DSS) certification and its validity has also been maintained since 2017.

5.10.2 Management Strategies

- (1) A defense-in-depth security architecture is adopted to protect all aspects of an information system, starting with network, servers, applications, databases, and endpoints. Numerous security controls are implemented such as firewall, intrusion prevention system, anti-virus, anti-spam, and web browsing management etc. to reduce the impact of security threats. Furthermore, vulnerability scanning, penetration testing, red team and blue team simulation, and vulnerability patching are regularly conducted to be certain that the current defense mechanisms are intact and effective. By having security assessments, an integrated security information alerting system, and a joint defense mechanism with other financial institutes, the company's current incident response capabilities can be evaluated.
- (2) Security controls and monitoring mechanisms for the IoT devices are constantly being enhanced so to create a more secured office environment. The measures taken include implementing access controls, applying patches regularly, and enabling strict authentication policies etc.
- (3) The completeness and applicability of existing security measures are verified through information security assessments performed by independent third parties; in 2021, E.SUN Bank conducted a white hat hacker penetration test to ensure its security defenses and business continuity plans are effective.

5.10.3 Cyber Security Management Investments

- (1) E.SUN Bank continues to invest resources in information security. Total investment in 2021 had amounted to 285 million dollars; efforts were put in to increase the company's defense capabilities, such as improving information security governance, information system infrastructure, security systems, threat intelligence analysis, incident response, drills, trainings etc.
- (2) Security awareness trainings and social engineering exercises are conducted regularly to raise employees' cyber security awareness; programmers' secure coding skills are strengthened through secure software development lifecycle trainings and having consulting channels.
- (3) E.SUN Bank has been purchasing information security insurance to reduce the impact and loss of profits in case of a business interruption, and to also ensure customers' personal data are well protected.

5.10.4 Major Losses from Cyber Security Incidents

- (1) E.SUN Bank has established cyber incident response processes; when a cyber incident happened, its risk level is determined and the whole handling process is documented by the communication personnel from all subsidiaries' information technology divisions. Major cyber incidents are reported to the second and third line of defense, top management, as well as "FHC/Main Branch Major Incident Communication Personnel." Subsidiaries' information technology divisions must handle and resolve cyber incidents in a timely manner; corrective actions need to be proposed after performing root cause analysis so to prevent the same incident from re-occurring.
- (2) In 2021, an incident was reported by the staff of E.SUN Bank about a forged email sent from one of the bank's supplier. After investigation, the bank confirmed that it was not affected, and that all monitoring and security controls are effective.

A-Cyber Security Incident	2021 statistics
Total number of cyber security incidents	0
Total number of data breaches due to information security incidents	0
Total number of customers affected due to information security incidents	0
Financial loss due to information security incidents	0
Option based on simple method	0
Total	0

Note: The above statistics refer to computer hacking or computer virus attack incidents.

5.10.5 Strategies to keep up with technological and market changes(include information security risk)

- (1) Information security has become a crucial component of risk management because of the rapid development of FinTech. In order to have a more holistic view of the current cybersecurity status and trend in the financial industry, E.SUN FHC and E.SUN Bank have been cooperating with Financial Information Sharing and Analysis Center (F-ISAC) and have been taking a role in the F-SOC cross-organizational defense plan to enhance the implementation of cyber incident scenario monitoring and cyber incident information sharing mechanisms, making it possible for the organization to detect cyber threats quickly and to effectively strengthen the company's ability to defend unknown information security risks.
- (2) Furthermore, to obtain the ability to counter both national and international major cyber incidents, network vulnerabilities, ransomware, malware, and other critical cyber threats, E.SUN FHC had established standard procedures for collecting and processing cyber threat information. In 2021, cyber threat information distributed from local authorities of overseas branches and subsidiaries had also been collected for analysis. A total of 361 threat intelligence information had been analyzed and in response to that corresponding preventive countermeasures had been implemented; 22 cybersecurity risk notifications had been sent out to E.SUN Bank's IT-related departments so to reduce the chances of impact and ensure a consistent defense mechanism is used in the organization.
- (3) At E.SUN Bank, architecture consultations are conducted respectively by the system architects team before new technologies can be implemented. A thorough assessment, based on aspects such as compliance, data protection, and the use of technologies, will also be conducted to ensure that risks brought by emerging technologies can be controlled. These efforts are to address impacts on the company's finances and business due to the recent technological and market changes(include information security risk).

5.11 Labor-Management Relations

5.11.1 Information on Labor-Management Relations

(1) Employee benefits and status of implementation

- A. Care for employees' families and care in the workplace: To encourage E.SUN employees to have children, we have established the E.SUN Baby Growth Fund that provides a subsidy of NT\$100,000 for each newborn baby. Likewise, we have established an infant product-sharing platform to enable parents to swap infant supplies and products. We offer more generous family care and paternity leave than prescribed by the law so that colleagues can have more flexibility and time to care for family members. We have further established the E.SUN Family Care and Child Awards that honor extraordinary performance on the part of employees' children at school and in major competitions. Finally, we do our utmost to assist those E.SUN employees who suffer from sickness or injury, unfortunate family events, and natural disasters.
- B. Insurance and healthcare: Apart from purchasing labor and health insurance for employees in accordance with applicable laws and regulations, the Company also provides employees with group insurance, group accident insurance, life insurance, major illness insurance, cancer insurance, and hospitalization and accident medical insurance. As an example, when and if employees experience emergencies or accidents overseas, they can enjoy international support services. We further provide employees with business travel group insurance. All employees stationed or traveling overseas for business are covered by accident insurance, accidental injury medical insurance, overseas emergency hospitalization insurance, and overseas outpatient and emergency care insurance. Premiums for all group insurance (including business travel group insurance) are paid by the Company. The Company and its subsidiaries place great emphasis on employees' mental and physical health. Apart from the foregoing benefits, we also provide employees with subsidized access to health check-ups more generous than legally prescribed. Proactively committed to creating a quality workplace, we take the initiative to care for employees.
- C. Special leave: Our offer is superior to what is prescribed by the Labor Standards Act. Employees who have worked for more than three months enjoy a number of days off proportional to their length of service.
- D. Employee Welfare Committee: The committee offers a full range of employee subsidies and benefits for such occasions as marriage, childbirth, children's education, major illness, hospitalization, and travel, as well as bonuses for the country's three most important traditional holidays.
- E. Employee stock ownership trust: To encourage employees to plan their retirement early on, E.SUN has established an ESOP trust. While employees set aside savings at their discretion each month, the Company provides an incentive contribution thrice each year.
- F. Supportive mortgages for home purchases and consumer loans.

(2) Retirement system and status of implementation

In accordance with the Labor Standards Act, Labor Pension Act, and other pertinent statutes, the Company and its subsidiaries provide a comprehensive retirement system. Monthly contributions are sent to the Bank of Taiwan under the old retirement reserve fund system. In the case of employees applicable to the new retirement system, the Company and its subsidiaries contribute the equivalent of 6% of their salaries to the Bureau of Labor Insurance on a monthly basis. To encourage employees to strive for excellence, extra retirement incentives commensurate with extraordinary performance and special contributions are provided in addition to the prescribed retirement pensions.

(3) Status of labor-management agreements and measures taken to preserve employee rights and interests

The Company and its subsidiaries preserve the rights and interests of labor and management in accordance with applicable laws and regulations, regularly hold labor-management conferences, issue notices with regard to employee complaints, and establish communication channels for employees' feedback. Communication channels are easily accessible and employees' views are taken seriously to keep labor-management relations harmonious.

5.11.2 Losses suffered due to labor- management disputes during the most recent year and up to the date of printing of this annual report, and the estimated amount expected to be incurred for the present and future as well as preventive measures thus planned: None.

5.11.3 Work place and precautionary measures for employee safety

- (1)** The Company and its subsidiaries have installed security systems and personnel throughout their business premises, and are continuing to strengthen training in an effort to effectively maintain workplace, employee, and customer safety.
- (2)** In order to promote the health and safety of all employees, the Company and its subsidiaries have drafted labor health and safety management plans and health and safety work rules, held labor health and safety committee meetings, implemented occupational health and safety policies, and secured occupational health and safety management system certification (ISO 45001) and TOSHMS. Meanwhile, arrangements are made for occupational health and safety executives, first aid personnel, and fire safety management personnel to undergo pertinent training. On top of education and training sessions designed specifically for new hires, all employees are required to receive general health and safety in-service training as part of our efforts to enhance employees' health and safety consciousness and achieve the goal of a zero-accident workplace.
- (3)** In accordance with the E.SUN FHC/Subsidiaries Guidelines for Addressing Prevention, Complaints, and Punishment of Sexual Harassment, we have installed a hotline to prevent the occurrence of sexual harassment and establish a welcoming work environment. We seek to eliminate hostility originating from sexual or gender factors in the workplace and protect employees and service recipients from the threat of sexual harassment. After investigation and verification, persons committing sexual harassment will receive appropriate punishment based on the severity of their actions.

6. Financial Information



6.1 Condensed Financial Statements in Recent 5 Years

6.1.1 Condensed Balance Sheet (Consolidated)

Unit NT\$ thousand

Item		Year	Financial information in recent 5 years (Note1)				
			2021(Note 3)	2020(Note 3)	2019 (Note 3)	2018 (Note 3)	2017 (Note 3)
Cash and cash equivalents, due from the central bank and call loans to other banks			210,381,909	175,678,445	128,431,888	132,378,411	131,042,367
Financial assets at fair value through profit or loss			406,120,795	711,285,527	515,299,796	471,874,547	407,970,461
Financial assets at fair value through other comprehensive income			331,946,892	262,807,184	215,119,990	183,206,425	0
Debt Instrument Investments Measured at Amortized Cost			308,219,235	16,465,798	12,599,698	8,165,004	0
Available-for-sale financial assets			0	0	0	0	170,204,638
Derivative financial assets for hedging			0	0	0	0	0
Securities purchased under resell agreements			0	2,300,196	4,971,085	0	0
Receivables, net			108,589,280	102,011,546	103,685,720	85,316,920	83,129,858
Current tax assets			238,479	260,826	312,812	11,644	5,054
Assets held for sale, net			0	0	158,036	0	0
Discounts and loans, net			1,768,641,241	1,620,374,068	1,444,322,101	1,333,277,269	1,211,071,275
Held-to-maturity financial assets, net			0	0	0	0	3,078,813
Investments accounted for using equity method, net			0	0	0	0	0
Restricted assets			0	0	0	0	0
Other financial assets, net			6,508,506	4,231,528	6,413,948	12,051,606	9,426,393
Properties and equipment, net			33,265,727	32,689,294	32,725,301	31,949,501	27,558,614
Right-of-use asset, net			6,772,103	2,993,610	3,124,618	0	0
Investment properties, net			2,096,113	2,069,994	2,098,556	2,192,930	2,236,989
Intangible assets			6,134,220	6,119,931	6,141,747	6,045,548	6,138,716
Deferred tax assets, net			2,294,370	1,800,830	1,413,052	1,053,310	926,378
Other assets			4,908,271	5,890,339	4,192,232	4,814,375	3,547,241
Total assets			3,196,117,141	2,946,979,116	2,481,010,580	2,272,337,490	2,056,336,797
Due to the Central Bank and other banks			83,481,158	54,968,986	57,903,786	72,223,020	66,652,215
Funds borrowed from the Central Bank and other banks			14,021,010	8,044,340	0	0	0
Financial liabilities at fair value through profit or loss			61,199,462	70,441,442	59,630,516	50,277,088	43,359,847
Derivative financial liabilities for hedging			0	0	0	0	0
Securities sold under repurchase agreements			16,648,639	11,305,248	7,228,239	12,526,789	12,200,468
Payables			23,557,174	23,219,244	23,641,318	24,505,102	26,406,994
Current tax liabilities			1,692,108	571,907	1,642,424	880,576	1,382,186
Liabilities directly associated with assets held for sale			0	0	0	0	0
Deposits and remittances			2,698,070,807	2,493,094,038	2,084,141,236	1,887,658,287	1,713,175,352
Bonds payable			34,270,000	33,970,000	32,070,000	36,850,000	36,750,000
Preferred stock liabilities			0	0	0	0	0
Other financial liabilities			65,225,761	64,554,092	34,688,249	24,516,845	5,949,739
Provisions			1,081,140	1,151,669	640,003	824,373	474,835
Lease liabilities			3,841,071	3,105,185	3,126,192	0	0
Deferred tax liabilities			1,332,936	1,412,062	1,302,184	1,338,385	697,535
Other liabilities			3,579,589	3,342,843	3,906,099	2,466,805	2,029,857
Total liabilities	Before distribution		3,008,000,855	2,769,181,056	2,309,920,246	2,114,067,270	1,909,079,028
	After distribution		(Note2)	2,776,323,482	2,319,239,090	2,121,581,672	1,915,555,185
Equity attributable to owners of the Company			187,947,202	177,657,283	170,959,135	158,146,891	147,144,538
Capital stock	Before distribution		98,937,000	95,241,000	90,481,000	86,370,000	83,121,000
	After distribution		(Note2)	98,937,000	95,241,000	90,481,000	86,370,000
Capital surplus			26,978,796	26,394,914	25,894,945	25,316,367	24,865,967
Retained earnings	Before distribution		62,861,565	55,542,067	54,137,758	45,794,293	38,794,234
	After distribution		(Note2)	44,703,641	40,058,914	34,168,891	29,069,077
Other equity			(830,159)	479,302	445,432	666,231	363,337
Treasury stock			0	0	0	0	0
Non-controlling interests			169,084	140,777	131,199	123,329	113,231
Total equity	Before distribution		188,116,286	177,798,060	171,090,334	158,270,220	147,257,769
	After distribution		(Note2)	170,655,634	161,771,490	150,755,818	140,781,612

57 Note 1: All financial statements above have been audited and certified by accountants.
Note 2: Earnings distribution of the year (ended December 31) 2021 shall be resolved in the shareholders' meeting.
Note 3: Based on financial statements that have been audited and certified by accountants for previous years.

6.1.2 Condensed Statement of Comprehensive Income (Consolidated)

Unit:NT\$ thousand, Except Earnings Per Share

Item	Year	Financial data 2017-2021 (Note1)				
		2021 (Note1)	2020 (Note1)	2019 (Note1)	2018 (Note1)	2017 (Note1)
Interest revenue		35,011,380	35,779,038	40,950,651	37,003,677	32,656,734
Interest expenses		(9,420,166)	(14,683,748)	(21,293,502)	(16,972,375)	(12,641,898)
Net interest		25,591,214	21,095,290	19,657,149	20,031,302	20,014,836
Net revenues and gains other than interest		27,166,121	32,020,153	33,311,310	28,158,324	24,843,862
Total net revenues		52,757,335	53,115,443	52,968,459	48,189,626	44,858,698
Bad-debt expenses and provision for losses on guarantees		(2,134,325)	(3,240,639)	(1,603,019)	(3,209,215)	(3,868,941)
Operating Expenses		(29,934,556)	(30,884,890)	(28,652,283)	(24,652,636)	(24,036,459)
Income before income tax from continuing operations		20,688,454	18,989,914	22,713,157	20,327,775	16,953,298
Income tax (expenses) benefit		(3,101,634)	(2,502,362)	(3,053,793)	(3,204,365)	(2,167,696)
Net income from continuing operation		17,586,820	16,487,552	19,659,364	17,123,410	14,785,602
Net income (loss) from discontinued operations		0	0	0	0	0
Net income		17,586,820	16,487,552	19,659,364	17,123,410	14,785,602
Other comprehensive income (loss)		(710,050)	(948,014)	78,491	(416,560)	219,223
Other comprehensive income (loss) for the year, net of tax		(710,050)	(948,014)	78,491	(416,560)	219,223
Total comprehensive income		16,876,770	15,539,538	19,737,855	16,706,850	15,004,825
Net income attributable to owners of the Company		17,558,577	16,464,910	19,642,947	17,108,315	14,886,870
Net income attributable to non-controlling interests		28,243	22,642	16,417	15,095	(101,268)
Total comprehensive income attributable to owners of the Company		16,848,463	15,517,023	19,722,222	16,691,577	15,141,299
Total comprehensive income attributable to non-controlling interests		28,307	22,515	15,633	15,273	(136,474)
Earnings per share (New Taiwan Dollars)		1.77	1.73	2.17	1.98	1.85

Note: All financial statements above have been audited and certified by accountants, and are based on financial statements that have been audited and certified by accountants for previous years.

6.1.3 Condensed Balance Sheet (Standalone)

Unit: NT\$ thousand

Item		Year	Financial information in recent 5 years (Note 1)				
			2021 (Note 3)	2020 (Note 3)	2019 (Note 3)	2018 (Note 3)	2017 (Note 3)
Cash and cash equivalents, due from the central bank and call loans to other banks			205,418,718	162,505,435	121,158,407	119,749,611	124,718,876
Financial assets at fair value through profit or loss			405,870,183	710,861,278	515,290,476	471,860,812	407,881,802
Financial assets at fair value through other comprehensive income			314,853,034	249,639,113	203,207,198	174,034,814	0
Debt Instrument Investments Measured at Amortized Cost			307,138,136	15,377,331	11,528,075	7,057,308	0
Available-for-sale financial assets			0	0	0	0	169,226,747
Derivative financial assets for hedging			0	0	0	0	0
Securities purchased under resell agreements			0	2,300,196	4,971,085	0	0
Receivables, net			107,138,143	100,552,105	102,330,053	84,447,741	82,575,221
Current tax assets			232,322	254,992	307,126	5,497	5,054
Assets held for sale, net			0	0	158,036	0	0
Discounts and loans, net			1,721,019,982	1,582,840,048	1,411,123,990	1,308,295,440	1,189,316,642
Held-to-maturity financial assets, net			0	0	0	0	1,946,538
Investments accounted for using equity method, net			13,735,097	13,116,416	12,842,026	12,784,006	12,626,308
Restricted assets			0	0	0	0	0
Other financial assets, net			6,139,587	3,538,640	4,826,328	12,013,815	5,102,429
Properties and equipment, net			30,935,024	30,243,219	30,110,788	29,225,436	25,108,061
Right-of-use asset, net			6,363,802	2,535,933	2,593,792	0	0
Investment properties, net			569,018	481,472	484,203	472,228	401,360
Intangible assets			4,937,319	4,902,754	4,863,337	4,709,443	4,793,788
Deferred tax assets, net			2,078,690	1,621,724	1,207,747	813,234	571,230
Other assets			4,646,557	5,649,588	3,965,549	4,621,232	3,323,103
Total assets			3,131,075,612	2,886,420,244	2,430,968,216	2,230,090,617	2,027,597,159
Due to the Central Bank and other banks			75,911,287	49,650,698	54,796,530	67,786,230	61,027,434
Funds borrowed from the Central Bank and other banks			14,021,010	8,044,340	0	0	0
Financial liabilities at fair value through profit or loss			61,021,909	70,250,867	59,620,612	50,248,562	43,359,847
Derivative financial liabilities for hedging			0	0	0	0	0
Securities sold under repurchase agreements			12,568,620	11,305,248	6,372,008	8,587,909	12,200,468
Payables			22,440,661	22,080,632	22,345,616	23,468,429	25,490,692
Current tax liabilities			1,467,901	417,702	1,634,865	831,518	1,379,569
Liabilities directly associated with assets held for sale			0	0	0	0	0
Deposits and remittances			2,651,792,392	2,446,666,723	2,043,956,870	1,857,918,420	1,692,875,687
Bonds payable			34,270,000	33,970,000	32,070,000	36,850,000	36,750,000
Preferred stock liabilities			0	0	0	0	0
Other financial liabilities			60,518,541	58,086,738	31,049,971	21,921,658	4,334,330
Provisions			1,063,682	1,138,350	622,010	794,915	466,553
Lease liabilities			3,408,697	2,624,186	2,578,995	0	0
Deferred tax liabilities			1,291,482	1,402,754	1,285,611	1,262,298	694,053
Other liabilities			3,352,228	3,124,723	3,675,993	2,273,787	1,873,988
Total liabilities	Before distribution		2,943,128,410	2,708,762,961	2,260,009,081	2,071,943,726	1,880,452,621
	After distribution		(Note 2)	2,715,905,387	2,269,327,925	2,079,458,128	1,886,928,778
Equity attributable to owners of the Company			187,947,202	177,657,283	170,959,135	158,146,891	147,144,538
Capital stock	Before distribution		98,937,000	95,241,000	90,481,000	86,370,000	83,121,000
	After distribution		(Note 2)	98,937,000	95,241,000	90,481,000	86,370,000
Capital surplus			26,978,796	26,394,914	25,894,945	25,316,367	24,865,967
Retained earnings	Before distribution		62,861,565	55,542,067	54,137,758	45,794,293	38,794,234
	After distribution		(Note 2)	44,703,641	40,058,914	34,168,891	29,069,077
Other equity			(830,159)	479,302	445,432	666,231	363,337
Treasury stock			0	0	0	0	0
Non-controlling interests			0	0	0	0	0
Total equity	Before distribution		187,947,202	177,657,283	170,959,135	158,146,891	147,144,538
	After distribution		(Note 2)	170,514,857	161,640,291	150,632,489	140,668,381

Note 1: All financial statements above have been audited and certified by accountants.
Note 2: Earnings distribution of the year (ended December 31) 2021 shall be resolved in the shareholders' meeting.
Note 3: Based on financial statements that have been audited and certified by accountants for previous years.

6.1.4 Condensed Statement of Comprehensive Income (Standalone)

Unit:NT\$ thousand, except earnings per share

Item	Year	Financial data 2017-2021 (Note1)				
		2021 (Note1)	2020 (Note1)	2019 (Note1)	2018 (Note1)	2017 (Note1)
Interest revenue		32,332,590	33,307,197	38,648,775	35,064,333	30,996,842
Interest expense		(8,513,041)	(13,743,938)	(20,400,566)	(16,267,268)	(11,989,563)
Net interest		23,819,549	19,563,259	18,248,209	18,797,065	19,007,279
Net revenues and gains other than interest		27,185,317	31,752,442	33,275,939	27,844,073	23,638,129
Total net revenues		51,004,866	51,315,701	51,524,148	46,641,138	42,645,408
Bad-debt expenses and provision for losses on guarantees		(2,025,549)	(3,042,182)	(1,541,891)	(3,023,936)	(2,605,817)
Operating Expenses		(28,492,948)	(29,510,565)	(27,311,181)	(23,488,690)	(22,811,076)
Income before income tax from continuing operations		20,486,369	18,762,954	22,671,076	20,128,512	17,228,515
Income tax (expense) benefit		(2,927,792)	(2,298,044)	(3,028,129)	(3,020,197)	(2,341,645)
Net income from continuing operation		17,558,577	16,464,910	19,642,947	17,108,315	14,886,870
Net income (loss) from discontinued operations		0	0	0	0	0
Net income (loss)		17,558,577	16,464,910	19,642,947	17,108,315	14,886,870
Other comprehensive income		(710,114)	(947,887)	79,275	(416,738)	254,429
Other comprehensive income for the year, net of tax		(710,114)	(947,887)	79,275	(416,738)	254,429
Total comprehensive income		16,848,463	15,517,023	19,722,222	16,691,577	15,141,299
Net income attributable to owners of the Company		17,558,577	16,464,910	19,642,947	17,108,315	14,886,870
Net income attributable to non-controlling interests		0	0	0	0	0
Total comprehensive income attributable to owners of the Company		16,848,463	15,517,023	19,722,222	16,691,577	15,141,299
Total comprehensive income attributable to non-controlling interests		0	0	0	0	0
Earnings per share (New Taiwan Dollars)		1.77	1.73	2.17	1.98	1.85

Note: All financial statements above have been audited and certified by accountants, and are based on financial statements that have been audited and certified by accountants for previous years.

6.2 Independent Auditors' Auditing Opinion in Recent 5 Years

Chen Yin Chou, CPA, and Huang Jui Chan, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN Bank for the year of 2017, 2018, and 2019 ended on December 31, and issued an unqualified opinion report. Chen Yin Chou, CPA, and Yang Cheng Hsiu, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN Bank for the year of 2020 and 2021, ended on December 31, and issued an unqualified opinion report.

6.3 Condensed Financial Statements in Recent 5 Years

6.3.1 Financial Analysis(Consolidated)

Unit:NT\$ thousand

Item		Financial data 2017-2021 (Note1)				
		2021	2020	2019	2018	2017
Operating ratio	Loan-to-Deposit Ratio (%)	66.41	66.00	70.19	71.56	71.64
	NPL ratio (%)	0.16	0.19	0.19	0.23	0.23
	Ratio of interest expenses to average deposit(%) (Note 3)	0.30	0.56	0.92	0.77	0.63
	Ratio of interest revenues to average loans(%)	1.58	1.82	2.22	2.21	2.17
	Total assets turnover (Times)	0.02	0.02	0.02	0.02	0.02
	Average revenue per employee	5,465	5,491	5,834	5,434	5,077
	Average net income per employee	1,822	1,704	2,165	1,931	1,674
Profitability ratio	Ratio of return on tier 1 capital (%)	10.22	9.86	12.52	12.20	11.51
	Ratio of return on total assets (%)	0.57	0.61	0.83	0.79	0.75
	Ratio of return on equity (%)	9.61	9.45	11.94	11.20	10.78
	Profit margin ratio (%)	33.34	31.04	37.12	35.53	32.96
	Basic earnings per share (New Taiwan Dollars)	1.77	1.73	2.17	1.98	1.85
Financial structure	Ratio of debt to assets (%)	94.11	93.96	93.09	93.03	97.23
	Ratio of properties and equipment to shareholders' equity (%)	17.68	18.39	19.13	20.19	18.71
Ratio of growing	Ratio of assets growing (%) (Note4)	8.45	18.78	9.06	10.47	9.96
	Ratio of income growing (%) (Note5)	8.94	-16.39	11.73	19.90	9.86
Cash Flow (Note 2)	Cash flow ratio (%) (Note6)	22.53	9.97	6.19	4.89	17.06
	Cash flow Adequacy ratio (%) (Note7)	176.23	115.85	121.42	133.64	134.22
	Cash flow content ratio (%)	(Note2)	(Note2)	(Note2)	(Note2)	(Note2)
Ratio of liquidity preparation (%)		34.54	37.86	32.20	30.62	29.50
Secured loan balance of related-party		22,501,129	19,595,062	16,979,314	14,977,275	13,919,266
Ratio of secured loans balance of related-party (%)		1.22	1.16	1.13	1.08	1.10
Operating Scale	Market share of assets (%)	4.91	4.79	4.35	4.15	3.92
	Market share of equity (%)	4.20	4.09	4.09	4.09	4.02
	Market share of deposit (%)	5.34	5.30	4.86	4.67	4.37
	Market share of assets loans (%)	5.02	4.90	4.60	4.43	4.25

Please provide reasons for changes in financial ratios in last two years: N/A. (Optional if the change ratio is under 20%)

Note 1: All financial data above are based on financial statements that have been audited and certified by accountants for previous years.

Note 2: The net cash outflow from investment activities is negative, and therefore not included in the analysis herein.

Note 3: The ratio of interest expense to average annual balance is lower compared to the previous year, mainly due to an decrease in interest paid on deposit.

Note 4: The global epidemic outbreak in 2020, the government provided an economic relief package, which caused loan has dramatically increased.

Note 5: The Ratio of income growing was higher in 2021 than 2020, mainly due to the decrease in operating expenses and bad-debt expenses.

Note 6: The cash flow ratio was higher in 2021 than 2020, mainly due to the increase of central bank and financial Institution deposits, which caused increase in cash flow of operating activities.

Note 7: Cash flow Adequacy ratio was higher in 2021 than 2020, mainly due to the increase of cash flow of operating activities.

A. Operating Ratio

- (a) Loan-to-Deposit Ratio = Total loans / Total deposits
- (b) NPL ratio = Nonperforming loans / Total loans
- (c) Interest expense to average total deposits = Total interest expense / Average total deposit.
- (d) Interest revenue to average total loans = Total interest revenue / Average total loans
- (e) Total assets turnover rate = Net income / Total asset
- (f) Average revenue per employee = Net revenues / Employee
- (g) Average net income per employee = Net income / Employee

B. Profitability ratio

- (a) Tier 1 capital ROE = Net income before tax / Average total tier 1 capital
- (b) Ratio of return on total assets = Income after income tax / Average total assets
- (c) Ratio of return on stockholders'equity = Income after income tax / Average stockholders'equity
- (d) Profit margin ratio = Income after income tax / Net revenues
- (e) Basic Earnings per share =(income and loss attributable to owners of the Company - Dividends for preferred stocks) / Average issued shares

C. Financial structure

- (a) Ratio of debt to assets = Total liabilities / Total assets
- (b) Ratio of properties and equipment to shareholders' equity = Properties and equipment / Shareholders' equity.

D. Ratio of growing

- (a) Ratio of assets growing =(Total assets - Last year total assets) / Last year total assets
- (b) Ratio of income growing =(Income before income tax - Last year income before income tax) / Last year income before income tax

E. Analyses for liquidity

- (a) Cash flow ratio = Net cash provided by operating activities / (Due to the bank + Commercial paper issued + Financial liabilities at fair value through profit of loss + Securities sold under repurchased agreements + Current portion of Payables)
- (b) Cash flow adequacy ratio = Net cash provided by operating activities(from 2017 to 2021) / from 2017 to 2021(capital expenditure + Cash dividends)
- (c) Cash flow content ratio = Net cash provided by operating activities / Net cash provided by investing activities

F. Liquidity Reserve Ratio = Current assets required by the CBC / Liabilities for which the various current reserve shall be provided

G. Operating Scale

- (a) Market share of assets = Total assets / Total assets of all financial institutions which are qualified in deposit and loan business.
- (b) Market share of equity = Total stockholders'equity / Total stockholders'equity of all financial institutions which are qualified in deposit and loan business.
- (c) Market share of deposit (%) (bank) = Total deposits / Total deposits held by all financial institutions which are qualified in deposit and loan business.
- (d) Market share of loans (%) (bank) = Total loans / Total loans granted by all financial institutions which are qualified in deposit and loan business.

6.3.2 Financial Analysis(Individual)

Unit:NT\$ thousand

Item		Year	Financial information in recent 5 years (Note1)				
			2021	2020	2019	2018	2017
Operating ratio	Loan-to-Deposit Ratio (%)		65.74	65.70	69.91	71.32	71.17
	NPL ratio (%)		0.16	0.19	0.19	0.23	0.23
	Ratio of interest expenses to average deposit(%) (Note 3)		0.29	0.54	0.90	0.77	0.62
	Ratio of interest revenues to average loans(%)		1.50	1.74	2.16	2.14	2.10
	Total assets turnover (Times)		0.02	0.02	0.02	0.02	0.02
	Average revenue per employee		5,865	5,839	6,203	5,707	5,229
	Average net income per employee		2,019	1,874	2,365	2,093	1,825
Profitability ratio	Ratio of return on tier 1 capital (%)		10.42	10.04	12.89	12.49	12.14
	Ratio of return on total assets (%)		0.58	0.62	0.84	0.80	0.77
	Ratio of return on equity (%)		9.61	9.45	11.94	11.20	10.89
	Profit margin ratio (%)		34.43	32.09	38.12	36.68	34.91
	Basic earnings per share (New Taiwan Dollars)		1.77	1.73	2.17	1.98	1.85
Financial structure	Ratio of debt to assets (%)		93.99	93.83	92.96	92.90	92.74
	Ratio of properties and equipment to shareholders' equity (%)		16.46	17.02	17.61	18.48	17.06
Ratio of growing	Ratio of assets growing (%) (Note4)		8.48	18.74	8.91	9.95	9.93
	Ratio of income growing (%) (Note5)		9.19	-17.24	12.63	16.83	9.61
Cash Flow (Note 2)	Cash flow ratio (%) (Note6)		27.06	6.56	11.73	-0.06	18.97
	Cash flow Adequacy ratio (%) (Note7)		177.94	116.15	125.26	121.68	134.12
	Cash flow content ratio (%)		(note2)	(note2)	(note2)	(note2)	(note2)
Ratio of liquidity preparation (%)			34.54	37.86	32.20	30.62	29.50
Secured loan balance of related-party			22,501,129	19,595,062	16,979,314	14,977,275	13,919,266
Ratio of secured loans balance of related-party (%)			1.26	1.19	1.16	1.10	1.13
Operating Scale	Market share of assets (%)		4.81	4.69	4.26	4.08	3.87
	Market share of equity (%)		4.20	4.09	4.09	4.08	4.05
	Market share of deposit (%)		5.25	5.20	4.77	4.59	4.31
	Market share of assets loans (%)		4.88	4.79	4.50	4.35	4.17

Please provide reasons for changes in financial ratios in last two years: N/A. (Optional if the change ratio is under 20%)

Note 1: All financial data above are based on financial statements that have been audited and certified by accountants for previous years.

Note 2: The net cash outflow from investment activities is negative, and therefore not included in the analysis herein.

Note 3: The ratio of interest expense to average annual balance is lower compared to the previous year, mainly due to an decrease in interest paid on deposit.

Note 4: The global epidemic outbreak in 2020, the government provided an economic relief package, which caused loan has dramatically increased.

Note 5: The Ratio of income growing was higher in 2021 than 2020, mainly due to the decrease in operating expenses and bad-debt expenses.

Note 6: The cash flow ratio was higher in 2021 than 2020, mainly due to the increase of central bank and financial Institution deposits, which caused increase in cash flow of operating activities.

Note 7: Cash flow Adequacy ratio was higher in 2021 than 2020, mainly due to the increase of cash flow of operating activities.

A. Operating Ratio

- (a) Loan-to-Deposit Ratio = Total loans / Total deposits
- (b) NPL ratio = Nonperforming loans / Total loans
- (c) Interest expense to average total deposits = Total interest expense / Average total deposit.
- (d) Interest revenue to average total loans = Total interest revenue / Average total loans
- (e) Total assets turnover rate = Net income / Total asset
- (f) Average revenue per employee = Net revenues / Employee
- (g) Average net income per employee = Net income / Employee

B. Profitability ratio

- (a) Tier 1 capital ROE = Net income before tax / Average total tier 1 capital
- (b) Ratio of return on total assets = Income after income tax / Average total assets
- (c) Ratio of return on stockholders'equity = Income after income tax / Average stockholders'equity
- (d) Profit margin ratio = Income after income tax / Net revenues
- (e) Basic Earnings per share =(income and loss attributable to owners of the Company - Dividends for preferred stocks) / Average issued shares

C. Financial structure

- (a) Ratio of debt to assets = Total liabilities / Total assets
- (b) Ratio of properties and equipment to shareholders' equity = Properties and equipment / Shareholders' equity.

D. Ratio of growing

- (a) Ratio of assets growing =(Total assets - Last year total assets) / Last year total assets
- (b) Ratio of income growing =(Income before income tax - Last year income before income tax) / Last year income before income tax

E. Analyses for liquidity

- (a) Cash flow ratio = Net cash provided by operating activities / (Due to the bank + Commercial paper issued + Financial liabilities at fair value through profit of loss + Securities sold under repurchased agreements + Current portion of Payables)
- (b) Cash flow adequacy ratio = Net cash provided by operating activities(from 2017 to 2021) / from 2017 to 2021(capital expenditure + Cash dividends)
- (c) Cash flow content ratio = Net cash provided by operating activities / Net cash provided by investing activities

F. Liquidity Reserve Ratio = Current assets required by the CBC / Liabilities for which the various current reserve shall be provided

6.3.3 Capital adequacy Ratio

Unit:NT\$ thousand

Item			Year	Capital information in recent 5 years (Consolidated)				
			2021	2020	2019	2018	2017	
Eligible capital	Common equity		179,167,854	169,746,710	163,736,378	151,529,663	139,863,762	
	Other Tier 1 capital		27,972,199	27,972,199	23,782,500	23,787,739	18,020,470	
	Tier 2 capital		46,187,663	46,734,557	50,462,950	51,792,894	49,344,778	
	Eligible capital		253,327,716	244,453,466	237,981,828	227,110,296	207,229,010	
Risk-weighted assets	Credit risk	Standardized approach	1,545,993,477	1,339,559,309	1,460,785,074	1,352,101,364	1,232,233,279	
		Internal ratings - based approach	-	-	-	-	-	
		Securitization	-	-	-	-	-	
	Operational risk	Basic indicator approach	-	-	-	-	-	
		Standardized approach/ alternative standardized approach	128,379,838	125,793,513	85,599,525	77,731,050	69,492,363	
		Advanced measurement approach	-	-	-	-	-	
	Market risk	Standardized approach	117,232,825	81,222,275	70,789,300	47,862,450	44,490,150	
		Internal model approach	-	-	-	-	-	
	Risk-weighted assets		1,791,606,140	1,546,575,097	1,617,173,899	1,477,694,864	1,346,215,792	
	Capital adequacy ratio			14.14%	15.81%	14.72%	15.37%	15.39%
Ratio of Tier 1 capital to risk-weighted assets			11.56%	12.78%	11.60%	11.86%	11.73%	
Ratio of common equity to risk-weighted assets			10.00%	10.98%	10.12%	10.25%	10.39%	
Leverage Ratio			6.07%	6.32%	7.06%	7.22%	7.23%	

Unit:NT\$ thousand

Item			Year	Capital information in recent 5 years (Standalone)				
			2021	2020	2019	2018	2017	
Eligible capital	Common equity		176,736,385	167,478,087	161,585,961	149,446,951	137,835,715	
	Other Tier 1 capital		24,343,828	24,486,398	20,353,674	20,368,923	14,647,495	
	Tier 2 capital		38,145,366	39,032,950	43,289,697	44,371,239	42,000,841	
	Eligible capital		239,225,579	230,997,435	225,229,332	214,187,113	194,484,051	
Risk-weighted assets	Credit risk	Standardized approach	1,483,148,972	1,281,158,937	1,395,412,290	1,298,702,048	1,185,638,241	
		Internal ratings - based approach	-	-	-	-	-	
		Securitization	-	-	-	-	-	
	Operational risk	Basic indicator approach	-	-	-	-	-	
		Standardized approach/ alternative standardized approach	123,407,213	121,079,875	82,085,088	74,177,125	66,504,500	
		Advanced measurement approach	-	-	-	-	-	
	Market risk	Standardized approach	106,201,563	74,951,988	62,914,525	42,608,000	43,661,600	
		Internal model approach	-	-	-	-	-	
	Risk-weighted assets		1,712,757,748	1,477,190,800	1,540,411,903	1,415,487,173	1,295,804,341	
	Capital adequacy ratio			13.97%	15.64%	14.62%	15.13%	15.01%
Ratio of Tier 1 capital to risk-weighted assets			11.74%	13.00%	11.81%	12.00%	11.77%	
Ratio of common equity to risk-weighted assets			10.32%	11.34%	10.49%	10.56%	10.64%	
Leverage Ratio			6.02%	6.28%	7.02%	7.17%	7.11%	

Note 1: Eligible capital = Common equity + other Tier 1 capital + Tier 2 capital.

Note 2: Risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk x 12.5.

Note 3: Capital adequacy ratio = Eligible capital / Risk-weighted assets.

Note 4: Ratio of Tier 1 capital to risk-weighted assets = Tier 1 capital / Risk-weighted assets.

Note 5: Ratio of Tier 2 capital to risk-weighted assets = Tier 2 capital / Risk-weighted assets.

Note 6: Ratio of Tier 3 capital to risk-weighted assets = Tier 3 capital / Risk-weighted assets.

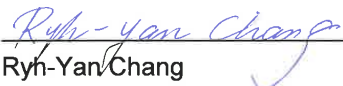
Note 7: Ratio of common stock to total assets = Common stock / Total assets.

6.4 Audit Committee Report

Audit Committee Report

To: E.SUN Bank

The 2021 consolidated financial statements of E.SUN Bank ("the Bank") have been prepared in accordance with the "Guidelines Governing the Preparation of Financial Reports by Public Banks", "Guidelines Governing the Preparation of Financial Reports by Securities Firms", "International Financial Reporting Standards", "International Accounting Standards", "IFRIC Interpretations" and "SIC Interpretations" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. And, the 2021 standalone financial statements of the Bank have been prepared in accordance with the "Guidelines Governing the Preparation of Financial Reports by Public Banks" and "Guidelines Governing the Preparation of Financial Reports by Securities Firms". CPA Chen Yin Chou and CPA Yang Chen Hsiu of Deloitte & Touche have been appointed by the Bank to audit the consolidated and standalone financial statements mentioned above. After reviewing the financial statements, the Audit Committee has found them to meet the requirements of the applicable laws and guidelines. The report is hereby prepared in accordance with Article 14-4 and Article 36 of Security and Exchange Law and submitted along with the financial statements of the Bank for the Board's approval.


Ryh-Yan Chang
Convener
Audit Committee
E.SUN Bank

Date: March 9, 2022

7. Risk Management



E.SUN's business development policies place security and liquidity first, followed by returns and then growth. E.SUN's main four business divisions including consumer banking, corporate banking, treasury, credit card and payment finance division have all established risk management departments that are responsible for direct management of risk operations. Regarding product designation, operational procedures and business marketing, E.SUN is continuously engaging in risk identification, measurement, supervision and control tasks that are independent of the respective business operations.

Apart from each risk management department under different business divisions, E.SUN has established the Risk Management Division in order to centralize screening, supervision and coordination of the Bank's risk management mechanisms. The division is in charge of formulating risk management policies and principles that serve as guides for all business units. It also supervises and coordinates the operation of risk management mechanisms in these offices. In addition, E.SUN's risk management policies are linked with capital adequacy. Guidelines under the rule of Basel Capital Accord have been used as a basis in formulating rules and procedures that are intended to ensure an appropriate risk appetite, risk reporting lines, and capital adequacy. The aforementioned reports are reviewed regularly and reported to the board and Risk Management Committee of the E.SUN FHC as foundations for adjustment for risk management related policies and operational strategies.

7.1 Qualitative and Quantitative Information Concerning Risk Types

7.1.1 Credit Risk Management Institution and Capital Charges

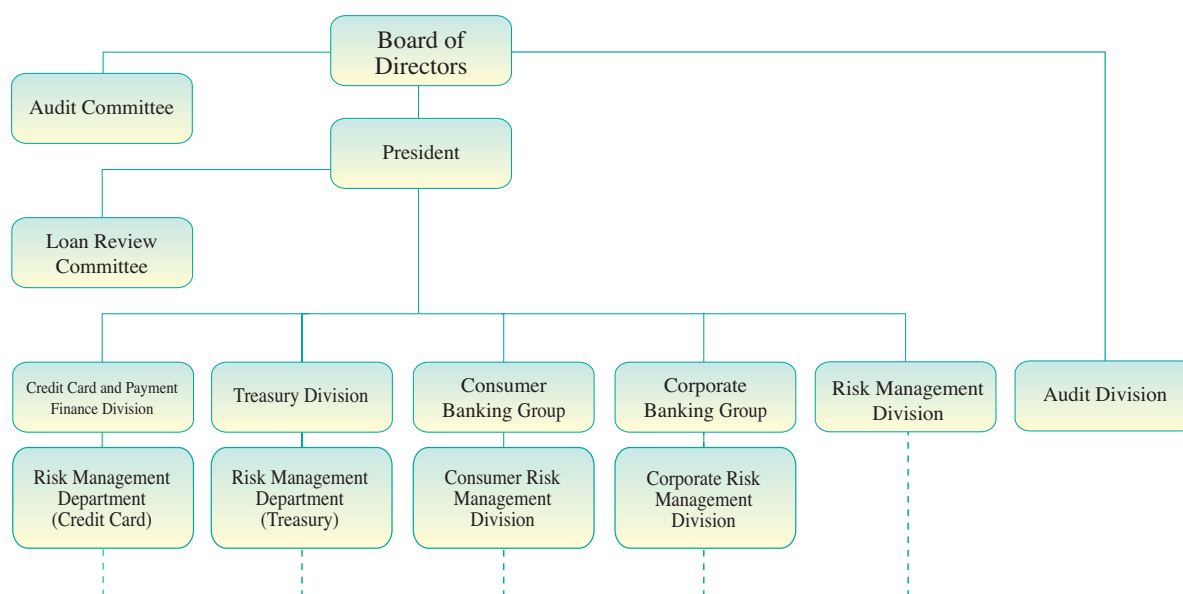
Credit Risk Management Institution

A.Credit Risk Strategies, Goals, Policies and Processes

The objective of the Bank's credit risk management and development strategy is to comply with the supervisor and to establish "General Principles of Credit Risk Management", internal lending and transaction with counterparties' risk control mechanisms, thus continuing to assess and to follow with domestic and foreign economic, financial and ESG trends, make adjustments to internal criteria and risk appetite, which considers both economic and climate change stress scenario. E.SUN complies with Basel Capital Accord, set up comprehensive credit management institution and adopt credit evaluation models which are validated regularly by credit rating model management framework. To effectively control credit risk concentration, E.SUN establishes credit risk limits and counter parties limits according to different aspects, including nationality, industry, business conglomerate, and rating. Furthermore, we report to the authorities regularly and continue to strengthen our own risk management abilities, complying with the authorities' requirements.

B.Credit Risk Management Organization and Framework

Each main business division has established a risk management department to facilitate the identification and handling of risk on the business line, to establish acceptance risk limits, and create indicators for use in monitoring risk. In addition, E.SUN establish a Credit Committee to assess material credit risk. For its part, the Risk Management Division formulates risk management policies and principles, bears responsibility for assessing and monitoring Bank-wide risk management quality, and regularly reports to the board and the Risk Management Committee of the E.SUN FHC. E.SUN's credit risk management organization is shown in the schematic diagram below.



C.Scope and Features of Credit Risk Reporting and Measurement System

The objective of Bank departments responsible for establishing risk controls and managing risk, as well as credit risk assessment and management procedures, is to monitor credit risk, engage in credit rating, manage the level of credit extended, mid-term management, and monitor loans after they have been disbursed. Every departments which is responsible for risk management in E.SUN adopts various measures to effectively monitor such risk and regularly produces reports that detail its efforts to manage credit risk. The Bank also releases data that provide a true picture on all types of credit risk, including sovereign risk, counterparty credit risk, large amounts of exposure, concentration of credit in specific industries, and amount of credit extended to a single institution or conglomerate. This data is forwarded to managers instantaneously at all levels so they are aware of the level of risk exposure.

E.SUN has used existing historical customer data to develop the Internal Rating System, which is regarded as the Scientific framework of measuring credit risk and also has completed the roll-out of credit risk data mart, a consumer banking and corporate banking IRB model. The IRB rating model has been integrated with the Bank's credit processing system(CPS). In addition, reviews and improvements to the mechanisms are constantly being carried out, including credit risk control policies, measurement procedures, and credit development strategies.

D.Credit Risk Hedging or Risk Mitigation Policies; Strategies and Processes to Monitor the Continued Effectiveness of Risk Mitigation Tools

Credit risk mitigation refers to techniques used to reduce credit risk, thereby reducing total risk weighted assets and required capital charges. For instance, collateral, third-party guarantees, trading credit derivatives as a hedge, using the counterparty's deposits to offset its liabilities or asset securitization can be used to shift credit risk from the Bank. E.SUN's credit handbook explicitly states that in order to avoid losses associated with defaults by a counterparty, collateral must be provided by the counterparty or a third party. At the same time, E.SUN effectively reduces its credit risk by requiring guarantees from the Taiwan Small and Medium Enterprise Credit Guarantee Fund on lending to SMEs and credit insurance for personal credit loans.

E. Approach to Determining Regulatory Capital Charges: Standardized Approach.

The Standardized Approach to Credit Risk: Exposure after Risk Mitigation and Capital Charges

December 31, 2021 unit : NT\$ thousand

Category of Exposure	Exposure after Risk Mitigation	Capital Charge
Sovereign	166,859,734	10,737
Public Sector (Non-central government)	5,640,057	90,744
Banks (including multilateral development banks and CCP)	354,617,819	12,932,739
Corporate (including securities and insurance companies)	566,982,361	42,118,437
Retail	223,531,100	11,986,344
Real Estate	1,162,693,941	47,703,091
Equity Investments	1,111,784	88,943
Capital requirements for banks' equity investments in funds	0	0
Other Assets	72,028,970	3,720,883
Total	2,553,465,766	118,651,918

7.1.2 Operational Risk Management institution,Exposure and Capital Charges

Operational Risk Management Institution

A.Operational risks are resulting from inadequate or failed internal processes, people and systems or from external events. Regarding the prevention of internal operation risks, we establish a thorough operating system, cultivate employees risk awareness and develop a disciplined company culture. We also contain three lines of defense in internal control system to ensure the effectiveness of the design and execution of our internal control system. The first line of defense is each of our bank's departments and their business operations. Each department is responsible for the risks involved in its daily operation. They are in charge of recognizing and controlling such risks as well as organizing and operating effective internal control procedures within all of its business operations according to the risk characteristics. The second line of defense is independent from the functions and departments of the first and third lines of defense, including risk management, regulatory compliance, and other specialized departments. The second line of defense's main purpose is to assist and supervise the first line of defense while it recognizes and manages risks. The second line of defense is also in charge of designing the risk management policies of the entire bank and supervising its entire risk taking ability, evaluating the risk taking condition, and reporting the risk management progress to the board or higher-level management. The third line of defense is internal independent audit, who is responsible for assisting the board of directors and management to evaluate and review the effectiveness of risk management and internal control system and the operational efficiency. In addition, internal independent audit needs to evaluate the risk monitor effectiveness of the first and second lines of defense and also review their compliance.In addition to providing extensive education and training to personnel, E.SUN has also drafted rules and

regulations to guard against operational risk. In addition, in order to ensure protection against risk caused by external events, E.SUN continuously monitors the market environment, customer behavior, changes in technology, and laws and regulations. This enables it to be sensitive to any steps that need to be taken and react appropriately and immediately.

In order to effectively reflect the application of the new standard method for capital use and operational risk capital provision, the Criterion of E.SUN Bank's Operational Risk Allocation of Loss Reserves and Authorization Process and policy has revised. Clearly stipulated that the compensation for losses caused by the execution of various business processes shall be handled by the relevant regulations as previously mentioned.

E.SUN has established the Administration Direction for New Product (Service) Regulator Compliance and Risk Management, which requires each business management department to assess the regulator compliance and risk degree involved before offering or applying for re-offering any new product or service, in order to maintain the possible regulatory compliance and operational risks.

B. Operational Risk Management Organization and Framework

As the Bank's highest-ranking decision maker with regard to operational risk management, the board of directors is in charge of setting operational risk management guidelines and risk appetite among other key decisions on this front in accordance with the Bank's operating strategy and business environment. That is, it is responsible to ensure that the Bank's operational risk management mechanism works effectively. In turn, the Risk Management Division is given the duty of designing and introducing the Bank's operational risk management mechanism, setting and revising operational risk management regulations, and tracking and monitoring operational risk management practices at all the business divisions. Besides presenting suggestions on corrective measures, it is also supposed to consolidate operational risk management information across the Bank and regularly report it to the board and Risk Management Committee. For their part, business units shall map out operational manuals and regulations as the basis of their supervising operating units' implementation of operational risk management. In accordance with the operational regulations laid down by business units, operating units are supposed to work with the former in identifying operational risk and undertake all the necessary risk management tasks prescribed by the Bank. It is the duty of the Auditing Division to evaluate and verify if every unit has adopted an effective operational risk management framework, process and systems on a regular basis.

C. Scope and Features of Operational Risk Reporting and Measurement System

The Bank has established Guidelines for Risk Control Self-Assessment, Guidelines for the Design and Reporting of Operational Risks and Key Risk Indicators, and Guidelines for the Collation of Operating risk-loss Events. By using the completed operating risk management system, the Bank regularly conducts risk control self-assessment and grades potential operational risk exposure into a number of levels, from slight to severe, and devises action plans accordingly. Meanwhile, KRIs are adopted to monitor operational risk changes and offer early warning; threshold values are set for these KRIs to serve as the basis for determining if countermeasures are warranted. When it comes to Operational Loss Data Collection, the Bank uses 8 categories of business types and 7 types of loss event to keep tracking operational risk as it occurs and comes up with an appropriate action plan to keep it under control.

The department of Operational Risk management in the head office will regularly disclose information detailing its monitoring of operational risk throughout the Bank. Operational risk data and other related information is compiled and presented in reports to senior management, the Risk Management Committee, and the board of directors.

D. Operational Risk Hedging or Mitigation Policies; Strategies and Processes to Monitor the Continued Effectiveness of Risk Avoidance and Risk Mitigation Tools

E.SUN has taken out general insurance to cover the daily operations of its branches. This insurance covers cash on hand, cash in transport, cash in automated machinery, machinery and asset in offices and employee fidelity. By outsourcing some operation and taking insurance, the Bank transferred some operational risks.

E. Approach to Determining Regulatory Capital

As of December 31, 2021 unit:NT\$ thousand

Year	Gross Income	Capital Charged
2019	51,170,247	-
2020	50,167,827	
2021	50,797,065	
Total	152,135,139	9,872,577

Charges: Standardised Approach.

7.1.3 Market Risk Management System, Exposure and Capital Charges

(1) Market Risk Management institution

A. Market Risk Managerial Strategy and Processes

In order to avoid giant risk from fluctuations in the prices of equities, commodities, interest rates and foreign exchange rates, and from any correlation between these prices of these items, all financial transactions must be carried out in accordance with the Principle of Market Risk Management, Financial Product Evaluation Framework, Guidelines on Authorities of Handling Financial Transactions and Procedures for Handling Derivatives Transactions. In addition, VaR must be calculated in accordance with definitions set for by the Bank for International Settlements, besides, we have established the Financial Product's Price Check mechanism to monitoring whether the deal price is accurately marked to market, and we will report the result to the managers in an effort to control E.SUN's market risk.

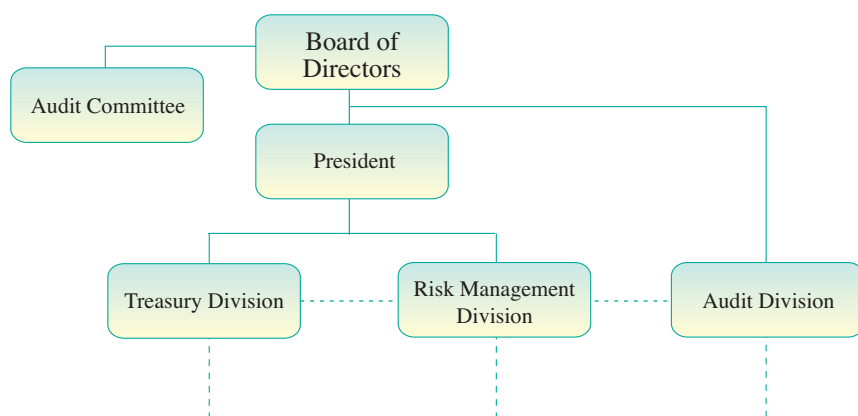
To protect client rights in operating financial derivatives, we have established the Administration Direction for Client Operation in Financial Derivatives, specifying the prices of derivatives and basic complete price evaluation, risk costs, hedge costs, operating costs, and fair return, in order to carefully assess the rationality involving the prices of client financial derivatives.

The Bank also introduced a new valuation and risk management system of financial products to improve professional skill of the associates and market risk management capability of the Bank. Market risks associated with financial market fluctuations and investment or trading position are better controlled.

Regarding our market risk management procedure, including specifying the sources of market risks in various financial product exchanges, we apply suitable measurements to regulate each market risk limit, establish limits and exception management, report the market risk management information to higher-level management on a daily basis, and report the market risk distribution within the bank to the Financial Risk Management Committee and the board of directors regularly as a reference for decision making regarding risk management policies.

B. Market Risk Management Organization and Framework

We have established the Market Risk Management Guidelines. In terms of controlling responsibilities, the Risk Management Department is in charge of designing the market risk management system, establishing market risk management regulations and an internal control system, and operating the market risk management within the whole bank, including risk recognition, assessment, internal reporting, external disclosure, and regulation. Including financial product's market risk managements, evaluating the far value and limit control for counterparty and market risk. We will report our market risk exposure, stress test and the result of all market risk's limits control to the Risk Management Committee, and the board of directors regularly. With above systematized managements we can immediately and comprehensively handle the market risks. The figure below is the market risk management's framework:



C. Scope and Features of Market Risk Reporting and Measurement System

Regarding market risk management, E.SUN presently employs the Reuters Kondor+ system, Murex system, Numerix software with data mart of Bloomberg and Reuters to evaluate and monitor trading positions and real-time pricing. The system also generates VaR for all investment and trading position carried out in the Bank, helping monitor the risks. Besides, E.SUN Bank uses KGR and MLC system to manage real-time position limits, taking market volatility into consideration to manage market risk and counterparty limits.

D. Market Risk Hedging or Risk Mitigation Policies; Strategies and Processes for Monitoring the Continued Effectiveness of Risk Avoidance and Risk Mitigation Tools

We employ our system to calculate risk factors of financial products, and use appropriate derivatives to hedge and reduce the Bank's risk exposure. We also signed ISDA and CSA contracts with counterparties, and obtain credit enhancement or strengthen security to reduce our counterparty risk through obtaining collateral, etc. For standardized and high liquidity derivatives, the settlement is conducted through central clearing counterparty (CCP) to undermine counterparty risk and capital requirement.

E. Approach to Determining Regulatory Capital Charges

(2) Market Risk Capital Charged

December 31, 2021 unit : NT\$ thousand

Risk Type	Capital Charged
Interest rate risk	5,050,335
Equity Securities risk	3,243,211
FX risk	198,744
Commodity Risk	3,835
Option based on simple method	0
Total	8,496,125

The capital charge for foreign exchange options positions of the Bank are calculated using sensitivity analysis (Delta-plus), for which E.SUN has been approved to do by the regulatory authority. All other financial products are calculated using the standard approach.

7.1.4 Program for Anti-Money Laundering and Combating the Financing of Terrorism

A. Policies and Procedures for Anti-Money Laundering and Combating the Financing of Terrorism. Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) issues are important task and goal jointly promoted by the international community. In order to cooperate with the competent authorities to increase the possibility of prosecution of money laundering crimes, establish a transparent fund flow track, enhance relevant systems, and strengthen international cooperation, the Bank continues implementing various AML/CFT mechanisms, including the addition and revision of AML/CFT policies and procedures in Taiwan and at our overseas affiliates, improving customer due diligence measures, optimizing the anti-money laundering monitoring and screening system, and improving the implementation of AML/CFT and professions of AML/CFT related employees at Taiwan and at our overseas affiliates through comprehensive training.

In compliance with international standards, such as the Forty Recommendations of the Financial Action Task Force (FATF) on AML/CFT, laws and regulations promulgated by the government or competent authorities, such as the Money Laundering Control Act, Counter-Terrorism Financing Act, and Regulations Governing Anti-Money Laundering of Financial Institutions, the Bank continues to add and revise internal regulations in year 2020, including formulating the new "E.SUN Bank Money Laundering and the Financing of Terrorism Risk Appetite Policy", establishing qualitative and quantitative risk appetite indicators for the Bank; the new "the Guideline for the Evaluation of the Influence of Politically Exposed Persons of E.SUN Bank", the content includes the key factors of evaluation of their influence, the implementation process and the continuous review mechanism. Additionally, E.SUN Bank revises its internal regulations in accordance with regulatory amendments, and continuously refines its processes and measures for customer due diligence, name screening, suspicious transaction monitoring and reporting, etc. Regarding AML/CFT management for overseas locations, we continuously promote several mechanisms, such as information sharing at group level and regulatory gap analysis, to establish unified standards of management worldwide, assist overseas units in improving customer risk scoring methods, monitoring conditions and parameter thresholds of transaction monitoring systems, and through exchanges and meetings and other mechanisms, to effectively manage the execution of overseas units AML/CFT work.

B. Organization and framework

In order to effectively implement the Program of Anti-Money Laundering and Counter Terrorism Financing, independency, and the principles of three lines of defenses, we have implemented:

- (a) We have designated a dedicated AML/CFT Responsible Officer, who is responsible for promoting, coordinating, and supervising the implementation of AML/CFT measures; the executive reports of AML/CFT internal control measures and the state of implementation are submitted to the board of directors and audit committee at least semi-annually.
- (b) We have assigned AML department of Risk Management Division served as our dedicated unit in charge of determining AML/CFT policies and operating standards, monitoring suspected money-laundering transactions bank-wide, monitoring bank-wide money-laundering control mechanism, and managing money-laundering control work at overseas affiliates (including branches and subsidiary). This dedicated unit must report the status and results of its money-laundering control to AML Responsible Officer at least semi-annually.
- (c) The Audit Division determines relevant audit items in accordance with internal control measures and relevant regulations, and performs regular audits.

C. Money laundering and terrorism financing risk management strategy

In order to fully implement the Bank's money-laundering controls and combating the terrorism of financing policies and reduce risk, the Bank continues to develop AML related system, and to enhance the parameters and thresholds setting for transaction monitoring and name screening system etc.

In terms of ongoing due diligence work, in addition to continuing to promote customers to use online banking/mobile banking to update information, more than 70% customers of the Bank used "Personal Basic Information Update Platform" on the official website as of the end of 2021. In order to grasp the latest appearance and changes of customer risks, due diligence will be triggered when there are major changes in customer identity or suspicious transactions. The related processes of trigger events review will continue to be refined in the future.

Likewise, E.SUN Bank encourages employees to deepen their professional skills and provides a multitude training programs, including broadcasting monthly training globally in the video conference meeting to improve their professional knowledge and shape bank-wide awareness and culture. E.SUN Bank also promotes domestic and international professional certifications approved by competent authorities (e.g., Certified Anti-Money Laundering Specialist, CAMS). As of the end of 2020, 336 E.SUN Bank employees have acquired CAMS credential; and 548 employees have passed the Professional Exam for Anti-Money Laundering and Countering Terrorism Financing Specialist, and obtained the relevant licenses. In addition, the rate of AML/CFT professional licenses held by the Bank's AML/CFT Supervisory officers has reached 66%, an increase of approximately 30% from the end of 2019. E.SUN Bank has made use of the enterprise membership of the Association of Certified Anti-Money Laundering Specialists (ACAMS). Benefits include online education and training as well as access to a forward-looking global news database on AML/CFT, thereby providing additional global training materials, enhancing the depth and breadth of employees' expertise, and shaping the AML/CFT awareness and culture among our units. In 2020, the Bank continue to use the ACAMS enterprise membership's resources to grasp the latest international AML trends, by recommending online courses, including international crime trends, sanctions, etc. to AML/CFT related personnel for their reference.

In recent years, international organizations and authorities have paid high attention to the AML/CFT supervision system, and the regulations have become more stringent. In the face of various AML/CFT compliance work, E.SUN will continue to implement various internal and external regulations. With unswerving tenacity, E.SUN Bank treats AML/CFT compliance tasks as its long-term mission, and continues to promote projects for strengthening AML/CFT, comply with international AML laws and regulations, amend the group's domestic and overseas AML policies and procedures, refine customer due diligence control measures, and constantly develop AML/CFT relevant systems, all for the benefit of AML/CFT overall financial environment.

7.1.5 Asset and Liability Management

(1) Liquidity Risk Management

The Risk Management Department is in charge of designing a liquidity risk management system, establishing related regulations and an internal control system, and carrying out all the liquidity risk management tasks, including risk recognition, assessment, internal reporting, external disclosure, and regulation.

E.SUN has drafted liquidity risk management policy, asset and liabilities management policy, interest rate risk management procedure and principles for liquidity risk management. Various control factors are monitored on a daily basis, and Bank wide liquidity risk is regularly subjected to stress tests to ensure the expected impact on the liquidity is within the acceptable level, and regularly reported to Asset-Liability Management Committee, Risk Management Committee and the board.

(2) Asset and Liability Maturity Analysis

A. TWD Maturity Term Structure Analysis

December 31, 2021 unit : NT\$ thousand

	Total	Time to maturity					
		0~10 days	11~30 days	31~90 days	91~180 days	181~365 days	more than 1 year
money inflow	2,753,974,033	343,521,892	341,068,487	186,990,208	160,879,468	191,999,331	1,529,514,647
money outflow	3,167,648,859	123,115,404	203,655,100	458,550,892	397,173,330	580,099,582	1,405,054,551
term gap	(413,674,826)	220,406,488	137,413,387	(271,560,684)	(236,293,862)	(388,100,251)	124,460,096

B. USD Maturity Term Structure Analysis

December 31, 2021 unit : USD thousand

	Total	Time to maturity				
		0~30 days	31~90 days	91~180 days	181~365 days	more than 1 year
money inflow	59,228,869	13,927,018	14,017,727	7,908,105	10,127,270	13,248,749
money outflow	67,459,369	14,948,358	15,920,369	12,949,531	20,264,471	3,376,640
term gap	(8,230,500)	(1,021,340)	(1,902,642)	(5,041,426)	(10,137,201)	9,872,109

7.2 Important policies adopted and changes in the legal environment at home and abroad, their effect on the Bank's finances and operations, and measures taken in response:

7.2.1 Execution of AML/CFT

- (1) Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG). In order to re-establish cash flow order, and enhance both the public and private institution prevention of money laundering, strengthen Taiwan's anti-money laundering situation, and improve the international legal system collaboration, the Authority of Taiwan amended the Anti-Money Laundering Law and Counter-Terrorism Financing Act in line with the forty recommendations of the Financial Action Task Force (FATF) and international agreements and legislation. The Financial Supervisory Commission also established "Regulations Governing Anti-Money Laundering of Financial Institutions" and "Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business and Other Financial Institutions Designated by the Financial Supervisory Commission".
- (2) Given the constant changes of money laundering and financing of terrorism, the financial institutions must keep pace with the trend in their understanding of the risks they face and the formulation of risk mitigation strategies. The Company and its subsidiaries will refer to the "National ML/TF Risk Assessment Report" published by Executive Yuan in 2021, and continue to implement various mechanisms for preventing money laundering and combating terrorism, including revising domestic and foreign policies and procedures, improving customer due diligence control measures, optimizing the monitoring and screening system for suspicious transactions, and improving personnel expertise through diverse education and training. Together to create a better environment for preventing money laundering and combating terrorism.

7.2.2 LIBOR Transition

The malpractices of banks' joint manipulation of LIBOR since 2012 have caused market doubts about the credibility and reliability of LIBOR. LIBOR is a widely used pricing benchmark for global financial commodity contracts. Its business scope includes foreign currency lending, derivative financial products, investment in foreign currency bonds, and wealth management. Therefore, the management of financial indicators in major countries has begun discussions and developed alternative interest rate indicators to replace LIBOR.

In order to identify and respond to the risk of LIBOR exit, E.SUN Bank established a LIBOR transposition response team to deal with the product conversion, contract revision, communication between customers and investors, system and process adjustments, taxation, evaluation model and financial affairs related to the domestic and foreign unit operations of E.SUN Bank.

The transposition response team regularly tracks the progress of the entire bank and adjusts the schedule in a timely manner based on the requirements of the competent authorities of various countries and the actual business operation status of E.SUN Bank, and reports the relevant progress to the management to ensure the successful progress of the overall transposition plan.

7.2.3 Margin Requirement

In response of Global Financial Crisis in 2008, the Group of Twenty (G20) initiated a reform in 2009 to reduce the systemic risk and enhance the risk capacity in OTC derivative, which require by different types of instrument and notional amount. For Non-centrally cleared OTC derivative would require margin movement which include Variation margin and Initial Margin. According to the different implement phases, E.SUN will imply the initial margin in September 2022.

7.2.4 Green Finance Action Plan 2.0

On August 2020, the Financial Supervisory Commission (FSC) announced the Green Finance Action Plan 2.0. The objective is to guide the funds to be injected into green and sustainable industry and to guide the financial institutions to manage the climate change risks, eventually resulting in the great development of green energy and sustainability. "Guidelines for Domestic Banks' Climate Risk Financial Disclosure" and "Risk Management Best-Practice Principles for Securities Firms" were published/revised to require financial institutions to establish an appropriate climate-related risk and opportunity management mechanism and to disclose information according to the framework of TCFD. The company has been committed to promoting sustainable finance and green financial products for a long time, signed the Climate-related Financial Disclosure (TCFD) for the first company in Taiwan, set up a working team to form strategies on climate change and established a management mechanism for the board. Announced to join the Science Based Targets (Science Based Targets, SBT) as the first financial industry in Asia to set a carbon reduction target based on 1.5°C. In addition to cooperating with the implementation of relevant policies, the company also actively participates in the formulation and promotion of domestic sustainability and climate-related norms and standards by the authorities.

7.2.5 Internal Control Principles for the Prevention of Misappropriation of Client Funds by Wealth Management Specialists (The Ten Commandments of Wealth Management Specialists 2.0)

The Financial Supervisory Commission has revised and promulgated the "Internal Control Principles for the Prevention of Misappropriation of Client Funds by Wealth Management Specialists" in response to the past patterns of the misappropriation of client funds by wealth management specialists and deficiencies found in financial examinations which will be implemented in January 2022. The amendment was mainly made to strengthen related regulations for "preventing wealth management specialists from producing and providing statements" and "preventing wealth management specialists from engaging in monetary transactions with customers in private" of the aforementioned Principles. The Bankers Association drew conclusions from past cases and added the 21 red flags in 4 categories into "Red flags of suspected misappropriation of customer funds by wealth management specialists".

E.SUN Bank has cooperated with the revision of relevant principles, adjusted operating procedures and build up control system, and will continue to prevent fraud cases and ensure customer rights and interests.

7.2.6 Friendly Financial Services Principle of the Bank

In order to ensure the disabilities can fully enjoy fundamental rights, equality and reasonable accommodation of financial services, the FSC has adopted and implemented relevant regulations on November 1, 2021. Financial institutions should provide appropriate friendly service measures according to the needs of different types of the disabilities. E.SUN Bank has planned to clearly define the procedures and standards, in order to provide financial services that are reasonably convenient for the disabilities.

7.3 The influence of bank image change on corporate crisis management and corresponding measures:

Committed to becoming a model of corporate governance, insisting on providing customers with a full range of financial services in compliance with laws and regulations and the requirements of the competent authority, transparent disclosure in related party transactions, avoiding conflicts of interest, and attaching importance to the protection of shareholder rights. In terms of risk management, education and training and employee welfare for each product line, a more complete system is adopted to improve the company's system. We spare no effort to promote and cooperate on social welfare and environmental protection issues. In terms of image maintenance, whenever the company's image is damaged or slipped, the company will immediately review and improve it, hoping to establish a model of a high-quality enterprise, fulfill its corporate social responsibility, and establish a good corporate image.

The Company's emphasis on its corporate social responsibilities and customer service has won the affirmation of the public and international organizations. In 2021, it won the "World Corporate Citizenship Award" for the first place in the financial industry for 14 consecutive years, and it was awarded the world's most renowned The banker magazine "The Banker" "Top 500 Banks in the World's Brand Value", and also won Best Sustainable Bank in Taiwan for the 2nd consecutive year (FinanceAsia). E.SUN Bank provides high-quality financial integration services with comprehensive performance, cross-team, cross-border, cross-virtual and physical.

"Taiwan's Best Corporate Social Responsibility Bank" affirmed the Bank's comprehensive performance, crossteam, cross- High-quality financial integration services across borders and realities. The employees of E.SUN Bank require themselves to the highest standards, and regard the improvement of customer rights and customer experience as the goal of the Bank's efforts. Because of the importance attached to customer rights, the products and services provided are in compliance with relevant regulations, but compliance is only the boundary of the minimum standards. E.SUN has zero trust for the operational processes and zero tolerance for the risk, and no business can be considered beyond the risk. E.SUN Bank has actively strengthened its operating procedures. Establish a customer-centric customer relationship management system, The responsible unit of customer service division of will carry out the construction of customer feedback channels, processing of customer opinions and tracking follow-up improvement, in order to form a virtuous cycle to increase customer satisfaction and recommendation. In view of the international emphasis on the protection of the rights and interests of financial consumers. E.SUN Bank is delegated by the board of directors to supervise and promote the "Principles of Treating Customers Fairly" in each department; the board of directors are committed to bring structural changes from task force to committee. The Treating Customer Fairly Committee is jointly held by compliance division and customer service division to comprehensively administer affairs of Treating Customer Fairly. These two divisions will execute in accordance with the resolutions and instructions of the committee, further strengthening the overall operation of the three lines of defense. In order to implement fair treatment of customers, E.SUN formulated "E.SUN Bank Treating Customers Fairly Policy and Strategy" and "E.SUN banks Guidelines for the Operation of committee of Treating Customers Fairly". In addition to internal control and audit system, the regulations also lay out treating customer fairly related employee education and training while making sure that these educations and trainings are conducted on a regular basis. In 2021, E.SUN planned to collaborate with professional institutions to hold board of director courses and service quality educational training for employees. Most importantly, E.SUN pioneered the combination of principles of treating customers fairly with the audit scheme. With the assistance of outside auditor, we can review the overall effectiveness of fair treatment of customer. E.SUN continuously promote the principles of treating customers fairly through each and every link, integrating this principle into E.SUN's service-oriented corporate culture.

7.4 Anticipated Benefits and Possible Risks Associated with Mergers and Acquisitions, and Countermeasures: None.

7.5 Anticipated benefits and possible risks associated with development of multichannel

With Taiwan as the main service area, E.SUN has 139 branches in Taiwan, and has set up automated teller machines in areas with high pedestrian flow such as Taiwan Railway Stations and convenience stores. While establishing high-value branches, E.SUN is also committed to developing self-service financial services and providing the most secure omni-channel customer experience to customers with heart-warming financial services anytime.

7.6 Anticipated Benefits and Possible Risks from Concentration of Operations, and Countermeasures.

7.7.1 Concentration of Operations

The Bank continues to pay attention to macroeconomic trends and changes in the financial industry and other industries, and in response to the opening of internet-only bank, adjust its business development and banking channels management strategies as needed, and monitor both risk and profitability. Regarding to the rapid changes in the epidemic, backup solutions such as off-site offices and staggered shifts have been executed to ensure the continuity of the centralized operation business.

7.7.2 Concentration of Counterparties

The Bank regulates risk acceptance limits reflecting industry type and group, and makes adjustments based on the prevailing economic conditions and risk conditions. The Bank also performs regular review of the appropriateness of lending criteria in the case of risk-warning accounts, and faithfully implements mid-term management. This has ensured that the chief risks encountered in the Bank's business development remain within an acceptable scope.

7.7 Influence of Changes in Ownership of the Bank, Possible Risks and Countermeasures

E.SUN Commercial Bank, a 100% owned subsidiary of E.SUN Financial Holding Company at the end of 2021, had no major change in managerial authority.

7.8 Effect upon and risk to the Bank in the event a major quantity of shares belonging to director(s) or shareholder(s) holding greater than 1% stake in the Bank has been transferred or has other wise changed hands, and mitigation measures:

Up till the end of 2021, none of the Bank's director or shareholders holding greater than 1% stake in the Bank had transferred a major quantity of shares or had it change hands otherwise.

7.9 Litigious or Non-litigious Incidents: None.

7.10 Other Major Risk Countermeasures:

To obtain a better overall understanding of E.SUN Bank security posture, information security assessments are conducted annually by third-party professionals. The scope of these assessments includes the security and integrity of E.SUN Bank IT architecture, equipment, and processes. Reports produced from these assessments will be used to further plan out risk controls, corrective measures, and an improvement timeline; these implementations will then be followed up by the second and third line of defense, where progress is presented to executives and the board of directives for management purposes.

Moreover, to make communication more efficient between the first and second line of defense divisions, to respond to rapidly growing business development needs, and to effectively manage business development risks in the facets of the operation, information security, and legal compliance, E.SUN Bank has established a "Second Line of Defense Joint Consultation Meeting" last year. Participants of this consultation meeting not only come from divisions of the second line of defense, which include top-level executives (the Chief Compliance Officer, the Chief Risk Officer, and the Chief Information Security Officer) and consultation committee members, but also domain experts in regard to the topic of discussion. The main goal of this consultation meeting is to ensure risks are being identified, controlled, and effectively managed while the business expands. Topics discussed in the meeting include information system improvement plans and compliance with operating procedures; regulation revisions and other risks related issues are also brought to the table for discussion.

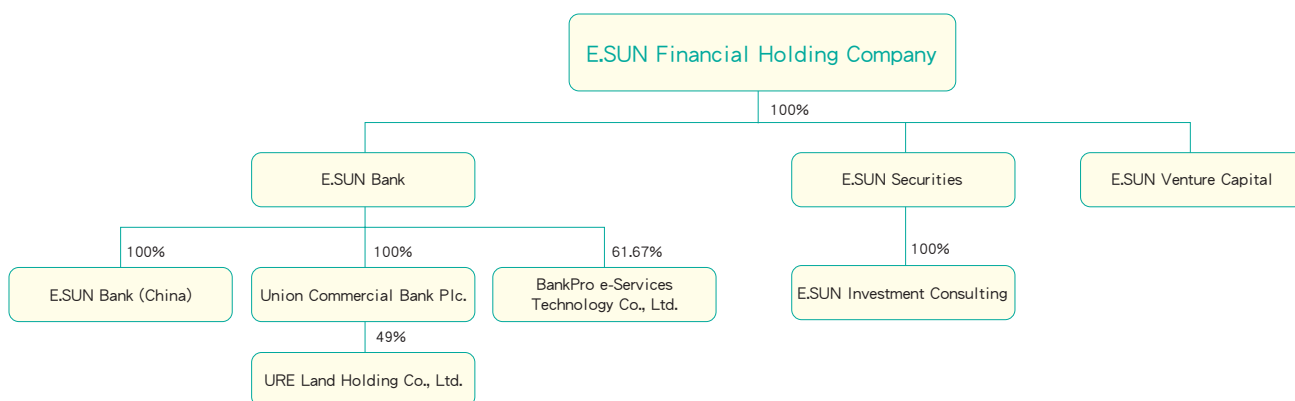
8.Special Disclosure



8.1 Summary of Affiliated Companies

8.1.1 Consolidated Operating Report on Affiliated Companies

(1) Organization Chart of Affiliated Companies



(2) Operation Status of Affiliated Companies

December 31, 2021 Unit: NT\$ thousand

Investee Company Name	Date of Incorporation	Address	Total Amount of Paid-in Capital	Main Businesses and Products
E.SUN Financial Holding Co., Ltd.	2002.01.28	14F, No.115 & No.117, Sec. 3, Minsheng E. Rd., Songshan District, Taipei, Taiwan	133,546,000	Investment and investment management.
E.SUN Securities Co., Ltd.	2000.08.02	6F, No.158 and 2F, No.156, Sec. 3, Minsheng E. Rd., Songshan District, Taipei, Taiwan	4,000,000	Underwriting, brokering, dealing securities and operating in brokerage of futures
E.SUN Venture Capital Co., Ltd.	2002.10.07	6F, No.115, Sec. 3, Minsheng E. Rd., Songshan District, Taipei, Taiwan	3,700,000	Investment
E.SUN Securities Investment Consulting Co., Ltd.	2003.03.11	6F.-1, No.156, Sec. 3, Minsheng E. Rd., Songshan District, Taipei, Taiwan	50,000	Security consulting
UnionCommercial Bank Public Limited Corporation	1994.03.31	No. 61, 130 Road, Sangkat Phsar Chas, Khan Daun Penh, Phnom Penh.	2,408,026 (Note 1)	Corporate Banking, Consumer Banking, Foreign Exchange, Credit Card
URE Land Holding Co., Ltd.	2013.07.25	No. 61, 130 Road, Sangkat Phsar Chas, Khan Daun Penh, Phnom Penh.	30 (Note 2)	Real estate leasing and management
BankPro E-Service Technology Co., Ltd.	2000.10.07	7F., No.261, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei, Taiwan	180,000	Retail sale of computer software, software design service, data processing service, digital information supply service and business consultant.
E.SUN Bank (China), Ltd.	2016.01.13	1F., Building 7, Excellence Qianhai Yihao, 5033 Menghai Avenue, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen	10,038,248	Deposit, Lending, and Remittance

(3) Range of Operations of E.SUN Bank and Affiliates

Business includes banking operations and investment in domestic and overseas banking-related businesses as approved by regulatory agencies and investment management, broking, underwriting and dealing of securities, venture capital, life insurance broking, non-life insurance broking, securities investment consulting, and lease, sales and purchase of real estate. Each affiliate is an independent institution and each carries out its respective line of business.

8.1.2 Report on Affiliation

As of December 31, 2021

Name of Controlling Company	Reason of Control	Shareholding and Pledge status of Controlling Company			Representation of Directors, Independent Directors or Managers of Controlling Company
		No. of Shareholding	Shareholding Ratio	Pledged Share Number	
E.SUN Financial Holding Company	100% shareholding	9,893,700,000 shares	100%	0 share	Title and name as following note

Note:

Chairman: Joseph N.C. Huang

Managing Directors: Jackson Mai and Ryh-Yan Chang (also being Independent Director)

Independent Directors: Chun-Yao Huang, Ying-Hsin Tsai, Hung-Chang Chiu and Ruey-Lin Hsiao

Directors: Ron-Chu Chen, Chien-Li Wu, Magi Chen, Mao-Chin Chen and Ben Chen

8.1.3 Other Important Transaction:

The Company charged NT\$ 240 thousand dollar for the co-used info system with E.SUN FHC ; the Company was commissioned by E.SUN FHC and charged agency service fee NT\$ 50 thousand dollar for its bond issuance; the Company was commissioned by E.SUN FHC and charged underwriting service fee NT\$ 3,000 thousand dollar for its bond issuance.

8.1.4 Guarantee for Affiliated Companies: None.

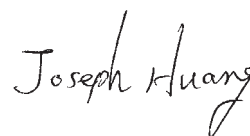
8.2 Declaration of Consolidated Financial Statements of Affiliated Enterprises

Declaration

March 11, 2022

On behalf of E.SUN Commercial Bank, Ltd., we hereby declare that the company's 2021 Affiliation Report (Period from Jan.1, 2021 to Dec. 31, 2021) followed the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises". There is no material discrepancy with the information disclosed in the notes of financial report for the said period.

E.SUN Commercial Bank, Ltd.
Chairman



8.3 Private Placement Securities and Financial Debentures in the Most Recent Years: None.

8.4 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

8.5 Other Required Supplementary Disclosure: None.

**E.SUN Commercial Bank, Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities required to be included in the combined financial statements of E.SUN Commercial Bank, Ltd. as of and for the year ended December 31, 2021 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 Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, E.SUN Commercial Bank, Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

E.SUN COMMERCIAL BANK, LTD.

By

JOSEPH N. C. HUANG
Chairman

March 11, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
E.SUN Commercial Bank, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of E.SUN Commercial Bank, Ltd. (the “Bank”) and its subsidiaries (collectively, the “Company”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Company's consolidated financial statements for the year ended December 31, 2021 are described as follows:

Assessment of Allowance for Possible Losses on Loans

The Company is engaged principally in providing loans to customers. As of December 31, 2021, the net amount of discounts and loans of the Company represented approximately 55% of total consolidated assets, and is considered material to the consolidated financial statements as a whole. Besides assessing expected credit losses of loans in accordance with IFRS 9 "Financial Instruments", the management of the Bank complies with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and related regulations (collectively, the Regulations) when assessing classification of credit assets and recognizing allowance for possible losses. For accounting policies and relevant information about loan impairment assessment of the Bank, please refer to Notes 4, 5, and 13 to the consolidated financial statements.

We determined the assessment of allowance for possible losses on loans to be a key audit matter for the year ended December 31, 2021 because the assessment made by the Bank to assess the classification of credit assets and recognize allowance for possible losses in accordance with the Regulations involves critical estimates and judgements.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

1. We obtained an understanding of and performed test on the relevant internal controls in respect of the Bank's loan impairment assessment.
2. We acquired the loan evaluation form used by management of the Bank and assessed the allowance for possible losses on credit assets; we tested the completeness of the loan assets.
3. We assessed that the loans of the Bank were classified in accordance with the definition of the Regulations.
4. We calculated the required provision of allowance for possible losses on loans of the Bank in order to assess whether it complied with the Regulations.

Other Matter

We have also audited the parent company only financial statements of E.SUN Commercial Bank, Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 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 Yin-Chou Chen and Chen-Hsiu Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2022

Notice to Readers

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

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 85,011,381	3	\$ 54,597,609	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4, 7 and 38)	125,370,528	4	121,080,836	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 38)	406,120,795	13	711,285,527	24
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 38 and 41)	331,946,892	10	262,807,184	9
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10, 38 and 41)	308,219,235	10	16,465,798	1
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 11)	-	-	2,300,196	-
RECEIVABLES, NET (Notes 4, 12 and 37)	108,589,280	4	102,011,546	4
CURRENT TAX ASSETS (Notes 4, 34 and 37)	238,479	-	260,826	-
DISCOUNTS AND LOANS, NET (Notes 4, 13, 37 and 38)	1,768,641,241	55	1,620,374,068	55
OTHER FINANCIAL ASSETS, NET (Notes 4 and 14)	6,508,506	-	4,231,528	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 15)	33,265,727	1	32,689,294	1
RIGHT-OF-USE ASSETS, NET (Notes 4 and 16)	6,772,103	-	2,993,610	-
INVESTMENT PROPERTIES, NET (Notes 4 and 17)	2,096,113	-	2,069,994	-
INTANGIBLE ASSETS, NET (Notes 4 and 18)	6,134,220	-	6,119,931	-
DEFERRED TAX ASSETS (Notes 4 and 34)	2,294,370	-	1,800,830	-
OTHER ASSETS, NET (Notes 4, 16, 19, 28 and 37)	<u>4,908,271</u>	<u>-</u>	<u>5,890,339</u>	<u>-</u>
TOTAL	<u>\$ 3,196,117,141</u>	<u>100</u>	<u>\$ 2,946,979,116</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Note 20)	\$ 83,481,158	3	\$ 54,968,986	2
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 21)	14,021,010	-	8,044,340	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 25)	61,199,462	2	70,441,442	3
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 9, 10 and 22)	16,648,639	1	11,305,248	-
PAYABLES (Notes 23 and 37)	23,557,174	1	23,219,244	1
CURRENT TAX LIABILITIES (Notes 4, 34 and 37)	1,692,108	-	571,907	-
DEPOSITS AND REMITTANCES (Notes 24 and 37)	2,698,070,807	84	2,493,094,038	85
BANK DEBENTURES (Note 25)	34,270,000	1	33,970,000	1
OTHER FINANCIAL LIABILITIES (Notes 17, 26 and 37)	65,225,761	2	64,554,092	2
PROVISIONS (Notes 4, 27 and 28)	1,081,140	-	1,151,669	-
LEASE LIABILITIES (Notes 4 and 16)	3,841,071	-	3,105,185	-
DEFERRED TAX LIABILITIES (Notes 4 and 34)	1,332,936	-	1,412,062	-
OTHER LIABILITIES (Notes 29 and 37)	<u>3,579,589</u>	<u>-</u>	<u>3,342,843</u>	<u>-</u>
Total liabilities	<u>3,008,000,855</u>	<u>94</u>	<u>2,769,181,056</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital stock				
Common stock	<u>98,937,000</u>	<u>3</u>	<u>95,241,000</u>	<u>3</u>
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	26,382,800	1	25,892,027	1
From treasury stock transactions	483	-	483	-
Others	<u>595,513</u>	<u>-</u>	<u>502,404</u>	<u>-</u>
Total capital surplus	<u>26,978,796</u>	<u>1</u>	<u>26,394,914</u>	<u>1</u>
Retained earnings				
Legal reserve	44,398,657	1	39,753,711	1
Special reserve	302,853	-	302,853	-
Unappropriated earnings	<u>18,160,055</u>	<u>1</u>	<u>15,485,503</u>	<u>1</u>
Total retained earnings	<u>62,861,565</u>	<u>2</u>	<u>55,542,067</u>	<u>2</u>
Other equity	<u>(830,159)</u>	<u>-</u>	<u>479,302</u>	<u>-</u>
Total equity attributable to owners of the Bank	187,947,202	6	177,657,283	6
NON-CONTROLLING INTERESTS	<u>169,084</u>	<u>-</u>	<u>140,777</u>	<u>-</u>
Total equity	<u>188,116,286</u>	<u>6</u>	<u>177,798,060</u>	<u>6</u>
TOTAL	<u>\$ 3,196,117,141</u>	<u>100</u>	<u>\$ 2,946,979,116</u>	<u>100</u>

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 30 and 37)	\$ 35,011,380	67	\$ 35,779,038	68	(2)
INTEREST EXPENSE (Notes 4, 30 and 37)	<u>(9,420,166)</u>	<u>(18)</u>	<u>(14,683,748)</u>	<u>(28)</u>	(36)
NET INTEREST	<u>25,591,214</u>	<u>49</u>	<u>21,095,290</u>	<u>40</u>	21
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee income, net (Notes 4, 31 and 37)	18,289,146	35	18,044,336	34	1
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4 and 32)	6,225,618	12	11,237,010	21	(45)
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 9)	1,605,336	3	1,898,834	3	(15)
Foreign exchange gains, net (Note 4)	816,260	1	456,898	1	79
Impairment losses on assets (Note 4)	(42,900)	-	(16,010)	-	168
Other noninterest gains, net (Notes 4 and 37)	<u>272,661</u>	<u>-</u>	<u>399,085</u>	<u>1</u>	(32)
Total net revenues and gains other than interest	<u>27,166,121</u>	<u>51</u>	<u>32,020,153</u>	<u>60</u>	(15)
TOTAL NET REVENUES	<u>52,757,335</u>	<u>100</u>	<u>53,115,443</u>	<u>100</u>	(1)
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Notes 4 and 13)	<u>(2,134,325)</u>	<u>(4)</u>	<u>(3,240,639)</u>	<u>(6)</u>	(34)
OPERATING EXPENSES (Notes 4, 15, 16, 17, 18, 28, 33 and 37)					
Employee benefits	(13,436,662)	(25)	(13,144,317)	(25)	2
Depreciation and amortization	(3,455,589)	(7)	(3,290,887)	(6)	5
General and administrative	<u>(13,042,305)</u>	<u>(25)</u>	<u>(14,449,686)</u>	<u>(27)</u>	(10)
Total operating expenses	<u>(29,934,556)</u>	<u>(57)</u>	<u>(30,884,890)</u>	<u>(58)</u>	(3)

(Continued)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	\$ 20,688,454	39	\$ 18,989,914	36	9
INCOME TAX EXPENSE (Notes 4 and 34)	<u>(3,101,634)</u>	<u>(6)</u>	<u>(2,502,362)</u>	<u>(5)</u>	24
NET INCOME FOR THE YEAR	<u>17,586,820</u>	<u>33</u>	<u>16,487,552</u>	<u>31</u>	7
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss (Notes 4, 28 and 34):					
Remeasurement of defined benefit plans	268,459	1	(321,064)	(1)	184
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	1,467,917	3	52,526	-	2,695
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(357)	-	(594,833)	(1)	(100)
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>21,078</u>	<u>-</u>	<u>10,329</u>	<u>-</u>	104
Items that will not be reclassified subsequently to profit or loss, net of income tax	<u>1,757,097</u>	<u>4</u>	<u>(853,042)</u>	<u>(2)</u>	306

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E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that may be reclassified subsequently to profit or loss (Notes 4 and 34):					
Exchange differences on the translation of financial statements of foreign operations	\$ (765,705)	(2)	\$ (923,978)	(2)	(17)
Unrealized gains (losses) on investments in debt instruments at fair value through other comprehensive income	(2,049,009)	(4)	779,673	2	(363)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>347,567</u>	<u>1</u>	<u>49,333</u>	<u>-</u>	605
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>(2,467,147)</u>	<u>(5)</u>	<u>(94,972)</u>	<u>-</u>	2,498
Other comprehensive loss for the year, net of income tax	<u>(710,050)</u>	<u>(1)</u>	<u>(948,014)</u>	<u>(2)</u>	(25)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 16,876,770</u>	<u>32</u>	<u>\$ 15,539,538</u>	<u>29</u>	9
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 17,558,577	33	\$ 16,464,910	31	7
Non-controlling interests	<u>28,243</u>	<u>-</u>	<u>22,642</u>	<u>-</u>	25
	<u>\$ 17,586,820</u>	<u>33</u>	<u>\$ 16,487,552</u>	<u>31</u>	7
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 16,848,463	32	\$ 15,517,023	29	9
Non-controlling interests	<u>28,307</u>	<u>-</u>	<u>22,515</u>	<u>-</u>	26
	<u>\$ 16,876,770</u>	<u>32</u>	<u>\$ 15,539,538</u>	<u>29</u>	9
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 35)					
Basic	<u>\$ 1.77</u>		<u>\$ 1.66</u>		

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

(Concluded)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank						Other Equity			Non-controlling Interests (Notes 4 and 36)	Total Equity
	Capital Stock (Note 36)		Capital Surplus (Notes 4 and 36)	Retained Earnings (Notes 4, 9, 34 and 36)		Exchange Differences on the Translation of Financial Statements of Foreign Operations (Note 4)	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4, 9 and 34)	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss (Note 4)			
	Shares (In Thousands)	Common Stock		Legal Reserve	Special Reserve				Unappropriated Earnings		
BALANCE AT JANUARY 1, 2020	9,048,100	\$ 90,481,000	\$ 25,894,945	\$ 33,860,826	\$ 302,853	\$ 19,974,079	\$ (1,315,269)	\$ 1,814,046	\$ (53,345)	\$ 131,199	\$ 171,090,334
Appropriation of 2019 earnings											
Legal reserve	-	-	-	5,892,885	-	(5,892,885)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,318,844)	-	-	-	-	(9,318,844)
Stock dividends	476,000	4,760,000	-	-	-	(4,760,000)	-	-	-	-	-
Share-based payment arrangements involving ESFHC's common stock	-	-	499,969	-	-	-	-	-	-	-	499,969
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(12,937)	(12,937)
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(663,447)	-	663,447	-	-	-
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	2,892	-	-	(2,892)	-	-
Net income for the year ended December 31, 2020	-	-	-	-	-	16,464,910	-	-	-	22,642	16,487,552
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(321,202)	(739,249)	707,397	(594,833)	(127)	(948,014)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	16,143,708	(739,249)	707,397	(594,833)	22,515	15,539,538
BALANCE AT DECEMBER 31, 2020	9,524,100	95,241,000	26,394,914	39,753,711	302,853	15,485,503	(2,054,518)	3,184,890	(651,070)	140,777	177,798,060
Appropriation of 2020 earnings											
Legal reserve	-	-	-	4,644,946	-	(4,644,946)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(7,142,426)	-	-	-	-	(7,142,426)
Stock dividends	369,600	3,696,000	-	-	-	(3,696,000)	-	-	-	-	-
Share-based payment arrangements involving ESFHC's common stock	-	-	583,882	-	-	-	-	-	-	-	583,882
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	331,198	-	(331,198)	-	-	-
Net income for the year ended December 31, 2021	-	-	-	-	-	17,558,577	-	-	-	28,243	17,586,820
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	268,149	(612,466)	(365,440)	(357)	64	(710,050)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	17,826,726	(612,466)	(365,440)	(357)	28,307	16,876,770
BALANCE AT DECEMBER 31, 2021	9,893,700	\$ 98,937,000	\$ 26,978,796	\$ 44,398,657	\$ 302,853	\$ 18,160,055	\$ (2,666,984)	\$ 2,488,252	\$ (651,427)	\$ 169,084	\$ 188,116,286

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 20,688,454	\$ 18,989,914
Adjustments for:		
Depreciation expenses	2,763,254	2,674,870
Amortization expenses	692,335	616,017
Expected credit losses/bad-debt expenses	2,144,603	3,190,510
Gains on financial assets and liabilities at fair value through profit or loss	(6,225,618)	(11,237,010)
Interest expense	9,420,166	14,683,748
Interest revenue	(35,011,380)	(35,779,038)
Dividend income	(925,615)	(331,188)
Provision for losses on guarantees	32,837	49,804
Salary expenses on share-based payments	583,882	499,969
Gains on disposal of properties and equipment	(22,306)	(1,542)
Gains on disposal of assets held for sale	-	(173,592)
Gains on disposal of investments	(679,721)	(1,567,646)
Reversal of impairment losses on non-financial assets	-	(630)
Others	(4,137)	9,607
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	2,060,398	(28,705,429)
Financial assets at fair value through profit or loss	301,448,500	(163,694,699)
Financial assets at fair value through other comprehensive income	(73,809,491)	(46,069,303)
Investments in debt instruments at amortized cost	(291,929,995)	(4,076,817)
Receivables	(5,650,088)	824,275
Discounts and loans	(150,145,033)	(178,340,103)
Other financial assets	(2,282,303)	2,182,479
Other assets	(247,348)	(171,124)
Deposits from the Central Bank and other banks	28,512,172	(2,934,800)
Financial liabilities at fair value through profit or loss	(3,094,117)	(16,917,798)
Securities sold under repurchase agreements	5,343,391	4,077,009
Payables	677,140	1,099,122
Deposits and remittances	204,976,769	408,952,802
Other financial liabilities	4,238,088	25,398,498
Provision for employee benefits	(285,377)	(11,583)
Other liabilities	230,511	(548,759)
Cash generated from (used in) operations	13,499,971	(7,312,437)
Interest received	39,251,114	43,487,953
Dividends received	960,205	344,881
Interest paid	(10,730,467)	(17,354,455)
Income tax paid	(2,184,094)	(3,720,794)
Net cash generated from operating activities	40,796,729	15,445,148

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E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of assets held for sale	\$ -	\$ 334,178
Payments for properties and equipment	(4,204,236)	(1,921,265)
Proceeds from disposal of properties and equipment	72,524	19,019
Increase in refundable deposits	-	(1,596,790)
Decrease in refundable deposits	1,497,775	-
Payments for intangible assets	(377,849)	(350,641)
Payments for right-of-use assets	<u>(1,529,564)</u>	<u>(430)</u>
Net cash used in investing activities	<u>(4,541,350)</u>	<u>(3,515,929)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	848,371
Decrease in short-term borrowings	(294,591)	-
Increase in due to the Central Bank and other banks	5,976,670	8,044,340
Proceeds from issue of bank debentures	1,600,000	7,000,000
Repayments of bank debentures	(1,300,000)	(5,100,000)
Proceeds from long-term borrowings	-	2,851
Increase in guarantee deposits received	-	3,635,359
Decrease in guarantee deposits received	(3,261,894)	-
Repayments of the principal portion of lease liabilities	(1,071,081)	(1,008,753)
Cash dividends paid to owners of the Bank	(7,142,426)	(9,318,844)
Cash dividends paid to non-controlling interests	<u>-</u>	<u>(12,937)</u>
Net cash generated from (used in) financing activities	<u>(5,493,322)</u>	<u>4,090,387</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>3,701,609</u>	<u>(149,367)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,463,666	15,870,239
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>70,022,639</u>	<u>54,152,400</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 104,486,305</u>	<u>\$ 70,022,639</u> (Continued)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	December 31	
	2021	2020
RECONCILIATIONS OF THE AMOUNTS IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2021 AND 2020		
Cash and cash equivalents in the consolidated balance sheets	\$ 85,011,381	\$ 54,597,609
Due from the Central Bank and call loans to other banks in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	19,474,924	13,124,834
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	-	2,300,196
Cash and cash equivalents at the end of the year	<u>\$ 104,486,305</u>	<u>\$ 70,022,639</u>

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

(Concluded)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

E.SUN Commercial Bank, Ltd. (the “Bank”) engages in banking activities permitted by the Banking Act of the Republic of China (ROC).

As of December 31, 2021, the Bank had 152 units, including a business department, an international banking department, a trust department, a credit card and payment division, an offshore banking unit (OBU), an insurance agent department, 8 overseas branches, and 138 domestic branches.

The operations of the Bank’s Trust Department consist of planning, managing and operating a trust business. These operations are regulated under the Banking Act and Trust Enterprise Act of the ROC.

On December 10, 2001, the Bank’s stockholders resolved the establishment of E.SUN Financial Holding Company, Ltd. (ESFHC) through a share swap. Thus, ESFHC acquired the shares of the Bank, E.SUN Bills Finance Corp. (E.SUN Bills) and E.SUN Securities Corp. (E.SUN Securities). The board of directors designated January 28, 2002 as the effective date of the related share swap. After the share swap, the Bank became a 100% subsidiary of ESFHC. Also, on January 28, 2002, the trading of the Bank’s stock on the Taiwan Stock Exchange (TWSE) was stopped, and ESFHC’s stock started to be traded on the TWSE.

To integrate resources, enhance operating effectiveness, strengthen the Bank’s equity structure, and ensure its long-term development, the stockholders resolved the Bank’s merger with E.SUN Bills on August 25, 2006, with the Bank as the surviving entity. The effective date of this merger is December 25, 2006.

The Bank acquired the assets, liabilities and business of Chiayi The Fourth Credit Cooperative and Chu Nan Credit-Cooperative Association on November 3, 2012 and July 9, 2011, respectively.

To expand economies of scale, improve integrated marketing, reduce operating costs and develop operating synergy, the stockholders resolved the Bank’s merger with E.SUN Insurance Broker Co., Ltd. (ESIB) on August 21, 2015, with the Bank as the surviving entity. The effective date of this merger is March 25, 2016.

Union Commercial Bank PLC. (UCB) was founded in March 1994, under the Laws of the Kingdom of Cambodia. UCB is engaged in banking activities permitted by the Laws of the Kingdom of Cambodia. The Bank acquired 70% equity interest of UCB on August 28, 2013, and on December 29, 2015, the Bank acquired from non-controlling interests for additional 5% shares of UCB, which increased its continuing interest from 70% to 75%. The Bank acquired residual 25% equity interest of UCB on August 25, 2017.

In January 2016, E.SUN Bank (China), Ltd. (ESBC) began its formal launch after acquiring the approval of the Financial Supervisory Commission (FSC) and the China Bank Regulatory Commission. The registered capital of ESBC is CNY two billion, and ESBC has been opened in Shenzhen, China on March 11, 2016. ESBC is engaged in banking activities permitted by the laws of mainland China.

To expand business in electronic commerce, the Bank’s board of directors resolved the acquisition of 7,875 thousand common shares of BankPro E-Service Technology Co., Ltd. (BankPro) on November 13, 2015. This acquisition was approved by the authorities and settled on January 11, 2016, and BankPro was included in the consolidated financial statements from the acquisition date.

BankPro is engaged in retail sale of computer software, software design service, data processing service, digital information supply service and business consultant.

The operating units of the Bank and its subsidiaries (collectively, the “Company”) maintain their accounts in their respective functional currencies. The consolidated financial statements are presented in New Taiwan dollars.

For the years ended December 31, 2021 and 2020, the average number of employees of the Company (ESBC, UCB and BankPro excluded) was 8,697 and 8,788, respectively. For the years ended December 31, 2021 and 2020, the average number of employees of ESBC, UCB and BankPro was 957 and 886, respectively.

For more information on the consolidated entities, please refer to Table 1 (attached).

2. APPROVAL OF FINANCIAL STATEMENTS

The board of directors of the Bank, in their meeting on March 11, 2022, approved and authorized the consolidated financial statements for issue.

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

- a. Influences of the Company initially applied amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

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

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

The Company elected to apply the practical expedient provided in the amendment to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

- b. Not yet applied new IFRSs endorsed by the FSC for application starting from 2022

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

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

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

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

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

The Company assessed the application of the above standards would not have any material impact on the Company's financial position and financial performance. As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- c. Not yet applied new IFRSs announced by IASB but not yet endorsed and issued into effect by the FSC

The New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

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

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

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

The Company assessed the application of the above standards would not have any material impact on the Company's financial position and financial performance. As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (UCB (including UCB's subsidiary), ESBC, and BankPro).

The accounting policies of the Bank and its subsidiaries are consistent.

All significant intercompany transactions and balances have been eliminated for consolidation purposes. The Bank's financial statements include the accounts of its Head Office, OBU, and all branches. All intra-bank transactions and balances have been eliminated.

Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

d. Foreign-currency transactions

The Bank records foreign-currency transactions in the respective currencies in which these are denominated. On the transaction date, foreign currency income and expenses are translated at the prevailing exchange rates. At month-end, monetary assets and liabilities denominated in foreign currencies are reported using the prevailing exchange rates, and exchange differences are recognized in profit or loss. Nonmonetary assets and liabilities measured at fair value are translated using the prevailing exchange rates at month-end. Translation differences on nonmonetary assets and liabilities measured at fair value are recognized in profit or loss, except for translation difference arising from nonmonetary items of which the change in fair values is recognized in other comprehensive income, in which case, the translation differences are also recognized directly in other comprehensive income. Nonmonetary assets and liabilities that are classified as carried at cost are recognized at the exchange rate on the transaction date.

In preparing the consolidated financial statements, foreign operations' financial statements are translated at the following rates: Assets and liabilities the prevailing exchange rates on the balance sheet date; and income and expenses the prevailing exchange rates on the transaction date. Translation difference net of income tax is recorded as "other comprehensive income" and accumulated in equity, and is attributed to the owner of the Bank and non-controlling interests.

e. Current and noncurrent assets and liabilities

Since the operating cycle in the financial holding company and banking industry cannot be reasonably identified, accounts included in the financial statements of the Bank, UCB and ESBC are not classified as current or noncurrent. Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by their liquidity.

Classification of accounts included in the financial statements of the other subsidiaries as current or noncurrent is as follows:

Current assets are assets held for trading purposes, assets expected to be converted to cash, sold or consumed within 12 months from the balance sheet date and cash and equivalents, excluding assets held for an exchange or held to settle a liability at more than 12 months after the balance sheet date and assets that are otherwise restricted. Properties and equipment, investment properties, intangible assets and other assets that are not classified as current are noncurrent assets. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within 12 months from the balance sheet date, even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial reports are authorized for issue, or when it does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Liabilities that are not classified as current are noncurrent liabilities. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The consolidated financial statements, however, do not show the classification of current or noncurrent assets/liabilities because the banking industry accounts for the major parts of the consolidated accounts. Thus, accounts in the consolidated financial statements are instead categorized by nature and sequenced by their liquidity.

f. Cash and cash equivalents

In the consolidated balance sheet, cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents defined in the consolidated balance sheet, due from the Central Bank, call loans to other banks and securities purchased under resell agreements that correspond to the definition of cash and cash equivalents in IAS 7 "Statement of Cash Flows," as endorsed and issued into effect by the FSC.

g. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in the Note 41.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, due from the Central Bank and call loans to other banks, receivables and discounts and loans, are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. Investments in debt instruments at FVTOCI

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

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

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

iv. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

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

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

Under FSC guidelines, the Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as special mention, substandard, with collectability highly doubtful and uncollectable, on the basis of the customers' financial position, valuation of collaterals and the length of time the principal repayments or interest payments have become overdue.

The Bank made 100%, 50%, 10%, 2% and 1% provisions for credits deemed uncollectable, with collectability highly doubtful, substandard, special mention and sound credit assets (excluding assets that represent claims against an ROC government agency), respectively, as minimum provisions. Furthermore, the FSC stipulated that banks should make at least 1.5% provisions each for sound credit assets in mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions, respectively.

Credits deemed uncollectable might be written off if the write-off is approved by the board of directors.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

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

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized is treated in the same way as when the financial asset is derecognized in entirety. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

2) Equity instruments

The Company classifies the debt and equity instruments issued either as financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability or an equity instrument.

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

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except for the cases stated below, all financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at FVTPL

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

A financial liability is classified as designated as at FVTPL upon initial recognition if:

- i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

ii. Financial guarantee contracts

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

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

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts as IFRS assessment result, the assessment is also performed in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” as regulatory assessment result. The higher adequacy provision between above IFRS and regulatory assessment results is recognized.

b) Derecognition of financial liabilities

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

4) Derivatives

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. If the fair value of a derivative is a positive number, the derivative is recognized as an asset and if the fair value is a negative number, the derivative is recognized as a liability.

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

5) Modification of financial instruments

When a financial instrument is modified, the Company assesses whether the modification will result in derecognition. If modification of a financial instrument results in derecognition, it is accounted for as derecognition of financial assets or liabilities. If the modification does not result in derecognition, the Company recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liability based on the modified cash flows discounted at the original effective interest rate with any modification gain or loss recognized in profit or loss. The cost incurred is adjusted to the carrying amount of the modified financial asset or financial liability and amortized over the modified remaining period.

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Company elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Company first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

h. Overdue loans

Under FSC guidelines, the Bank classifies loans and other credits (including accrued interest) that past due for at least six months as overdue loans.

Overdue loans (except other credits) are classified as discounts and loans, and the remaining are classified as other financial assets.

i. Securities purchased/sold under resell/repurchase agreements

Securities purchased under resell agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on resell agreements or interest incurred on repurchase agreements is recognized as interest revenue or interest expense on an accrual basis.

j. Investment properties

Investment properties are properties owned specifically to generate profit through rental income and/or capital gains. Land for which the future purpose of use has not been decided is classified under investment properties.

Investment properties are initially recognized at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The Company calculates depreciation by the straight-line method.

Any gain or loss recognized on derecognition of the investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the investment property is derecognized.

k. Properties and equipment

Properties and equipment are initially recognized at cost and subsequently measured at costs less accumulated depreciation and accumulated impairment losses.

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

Any gain or loss recognized on the disposal or retirement of an item of property and equipment is the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the asset is derecognized.

1. Leases

At the inception of a contract, the Company assesses whether the contract is a lease.

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

1) The Company as lessor

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

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

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

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

2) The Company as lessee

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

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

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

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

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

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

m. Goodwill

Goodwill (part of intangible assets) from business combination is recorded at acquisition cost and subsequently measured at cost less accumulated impairment.

For impairment test purposes, goodwill is allocated to each CGU that benefits from the synergy of a business combination.

In testing assets for impairment, the Company compares the carrying amounts of operating segments (CGUs with allocated goodwill) to their recoverable amounts on a yearly basis (or when impairment indicators exist). CGUs with goodwill allocated in the current year should be tested for impairment before the end of the year. When the recoverable amount of CGUs is below the carrying amount, an impairment loss should be recognized to reduce first the carrying amount of goodwill of the CGU and then the carrying amounts of other assets of the CGU proportionately. Any impairment loss should be directly recognized as loss in the current period, and subsequent reversal of impairment loss is not allowed.

On disposal of the relevant CGU, the amount attributable to goodwill is included in the determination of the gain or loss on disposal.

n. Intangible assets other than goodwill

1) Separate acquisition

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. At year-end, the Company examines its estimates of the asset useful lives, residual values, and amortization method, with the effect of any changes in estimate accounted for on a prospective basis. Unless the Company expects to dispose of an intangible asset before the end of its useful life, the residual value of an intangible asset with limited useful life is estimated to be zero. Effect of any changes in estimate accounted for on a prospective basis.

2) Acquisition as part of a business combination

Intangible asset acquired through business combination is measured at its fair value on the acquisition date, and is recognized separately from goodwill. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition

Gains or losses recognized on derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the asset is derecognized.

o. Impairment of property and equipment, right-of-use assets, investment properties and intangible assets other than goodwill

At the balance sheet date, the Company reviews the carrying amounts of its property and equipment, right-of-use assets, investment properties and intangible assets (except goodwill) for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Corporate assets are allocated to the individual CGUs on a reasonable and consistent basis of allocation. The recoverable amount is the higher of fair value less selling costs or value in use.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. If asset impairment loss reverses, the increase in the carrying amount resulting from reversal is credited to earnings. However, loss reversal should not be more than the carrying amount (net of depreciation or amortization) had the impairment loss not been recognized.

p. Foreclosed collaterals

Foreclosed collaterals (part of other assets) are recorded at the fair value on recognition and recorded at the lower of cost or net fair value as of the balance sheet date. Net fair value falling below book value indicates impairment, and impairment loss should be recognized. If the net fair value recovers, the recovery of impairment loss is recognized as gain. For foreclosed collaterals that should have been disposed of in the statutory term, unless the disposal period is prolonged, an additional provision for losses should be made and impairment loss should be recognized, as required under a FSC directive.

q. Provisions

Provision is the best estimate of the consideration required to settle a present obligation at the balance sheet date, taking into account the risks and uncertainties on the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

r. Recognition of revenue

Interest revenue on loans is recorded on an accrual basis. Under the guidance of the FSC, no interest revenue is recognized on loans that are classified as overdue loans. The interest revenue on these loans is recognized upon collection of the loans and credits.

Service fees are recognized when a major part of the earnings process is completed and cash is collected.

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

The points earned by customers under loyalty program are treated as multiple-element arrangements, in which consideration is allocated to the goods or services and the award credits based on fair value through the eyes of the customer. The consideration is not recognized in earnings at the original sales transactions but at the time when the points are redeemed and the Company's obligation is fulfilled.

s. Employee benefits

1) Short-term employee benefits

Short-term and non-discounted employee benefits are recognized as expenses in the current period as services are rendered.

2) Post-employment benefits

Payments to defined contribution post-employment benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit post-employment benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

3) Preferential interest deposits for employees

The preferential interest deposit for entitled employees is for deposits within a certain amount. The preferential rates for employees' deposits in excess of market rate should be treated as employee benefit.

t. Share-based payment

The Company's employees subscribed for the reserved shares of E.SUN Financial Holding Company, Ltd., (ESFHC) in accordance with the Financial Holding Company Act, and the Company recognized the fair value of the stock options under salary expenses and under capital surplus for share-based payment on the grant date, i.e., the date when the Company and its employees made an agreement for the employees to subscribe for ESFHC's shares.

u. Taxation

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

1) Current income tax

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

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

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

2) Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill.

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

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

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

3) Current and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred taxes arises from the initial accounting for a business combination/the acquisition of a subsidiary, the tax effect is included in the accounting for the business combination/investments in the subsidiary.

ESFHC and subsidiaries elected to file consolidated tax returns for periods starting in 2003. However, since the Bank applied the accounting treatment mentioned in the preceding paragraph to income tax, any distribution of cash payments and receipts among the consolidated group members is recorded as current tax assets or current tax liabilities.

v. Business combination

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized as expenses as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Business combination involving entities under common control is not accounted for by acquisition method but accounted for at the carrying amounts of the entities. Prior period comparative information in the financial statements is restated as if a business combination involving entities under common control had already occurred in that period.

w. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss of the period in which they become receivable.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated impairment of loans

The provision for impairment of loans is based on assumptions about probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of end of each reporting period.

In the calculation of required provision of allowance for possible losses, the Company also takes into consideration the classification of loans based on the status of the loan collaterals and the length of time the loans are overdue. The Company evaluates the impairment of loans based on the customer's financial conditions, whether the repayments of principal and interest are overdue and the status of the collateral, etc. If future actual cash flows are lesser than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 17,691,684	\$ 15,069,996
Checks for clearing	7,259,513	2,619,519
Due from banks	59,931,352	36,863,724
Cash in transit	<u>146,713</u>	<u>63,000</u>
	85,029,262	54,616,239
Less: Allowance for possible losses	<u>(17,881)</u>	<u>(18,630)</u>
	<u>\$ 85,011,381</u>	<u>\$ 54,597,609</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2021 and 2020 are shown in the consolidated statements of cash flows.

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

	December 31	
	2021	2020
Deposit reserves - account A	\$ 29,641,472	\$ 35,157,341
Deposit reserves - account B	56,784,785	51,528,140
Reserves for deposits - foreign currency deposits	733,759	641,475
Due from the Central Bank - other	16,141,834	17,521,906
Deposit in the Central Bank - deposits of government agencies	7,217	7,239
Call loans to banks	<u>22,107,264</u>	<u>16,323,194</u>
	125,416,331	121,179,295
Less: Allowance for possible losses	<u>(45,803)</u>	<u>(98,459)</u>
	<u>\$ 125,370,528</u>	<u>\$ 121,080,836</u>

As required by law, the deposit reserves are calculated by applying the prescribed rates to the average monthly balances of various types of deposit accounts. The deposit reserves - account B is subject to withdrawal restrictions, but deposit reserves - account A and foreign-currency deposit reserves may be withdrawn anytime.

Under the “Directions for a National Treasury Agent Bank Acting on Behalf of the Central Bank of the Republic of China Handling National Treasury Matters,” the Bank redeposits 60% of the receipts of deposit of government agencies in the Central Bank of the Republic of China, and the amount is subject to withdrawal restrictions.

Refer to Note 38 for information relating to deposit reserves pledged as security.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
Financial assets mandatorily classified as at fair value through profit or loss		
Negotiable certificates of deposit	\$ 150,682,911	\$ 421,811,630
Commercial paper	102,968,285	111,462,923
Treasury bills	16,974,413	15,842,449
Corporate bonds	69,377,840	82,888,149
Bank debentures	49,211,752	55,581,196
Government bonds	49,413	-
Listed stocks	1,405,137	969,361
Currency swap contracts	6,795,858	9,594,092
Interest rate swap contracts	6,854,657	12,079,630
Currency option contracts	862,308	489,042
		(Continued)

	December 31	
	2021	2020
Forward contracts	\$ 191,105	\$ 154,340
Futures exchange margins	56,963	30,160
Non-deliverable forward contracts	436,564	46,874
Metal commodity swap contracts	3,246	505
Cross-currency swap contracts	<u>250,343</u>	<u>335,176</u>
	<u>\$ 406,120,795</u>	<u>\$ 711,285,527</u>

Held-for-trading financial liabilities

Currency swap contracts	\$ 8,704,446	\$ 12,690,333
Interest rate swap contracts	3,343,434	6,443,971
Currency option contracts	1,012,080	630,408
Forward contracts	237,722	264,486
Non-deliverable forward contracts	332,445	35,663
Cross-currency swap contracts	118,998	71,092
Credit default swap contracts	-	134
Metal commodity swap contracts	<u>622</u>	<u>1,898</u>
	<u>13,749,747</u>	<u>20,137,985</u>

Financial liabilities designated as at fair value through profit or loss

Bank debentures (Note 25)	<u>47,449,715</u>	<u>50,303,457</u>
	<u>\$ 61,199,462</u>	<u>\$ 70,441,442</u>

(Concluded)

Refer to Note 38 for information relating to financial assets mandatorily classified as at fair value through profit or loss pledged as security.

The Company engages in derivative transactions mainly to accommodate customers' needs, manage its exposure positions and hedge against its exchange rate and interest rate exposures as well as its credit risks as a bondholder.

The contract (nominal) amounts of derivative transactions by the Company as of December 31, 2021 and 2020 were as follows:

	December 31	
	2021	2020
Currency swap contracts	\$ 1,726,383,860	\$ 984,461,105
Interest rate swap contracts	556,286,337	615,849,017
Currency option contracts	203,125,623	79,864,437
Forward contracts	28,730,324	18,796,767
Non-deliverable forward contracts	70,101,658	7,180,003
Cross-currency swap contracts	25,804,441	17,013,677
Metal commodity swap contracts	74,842	85,075
Credit default swap contracts	-	58,460

The open positions of futures transactions of the Company as of December 31, 2021 and 2020 were as follows:

December 31, 2021					
Items	Products	Open Position		Contract Amount or Premium Paid (Charged)	Fair Value
		Buy/Sell	Number of Contracts		
Futures contracts	Commodity futures	Buy	10	\$ 39,230	\$ 41,550
	Commodity futures	Sell	32	77,430	82,379
December 31, 2020					
Items	Products	Open Position		Contract Amount or Premium Paid (Charged)	Fair Value
		Buy/Sell	Number of Contracts		
Futures contracts	Commodity futures	Buy	41	\$ 154,097	\$ 154,369
	Commodity futures	Sell	34	162,038	169,328

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
Investments in equity instruments at FVTOCI	\$ 20,009,657	\$ 8,468,318
Investments in debt instruments at FVTOCI	<u>311,937,235</u>	<u>254,338,866</u>
	<u>\$ 331,946,892</u>	<u>\$ 262,807,184</u>

a. Investments in equity instruments at FVTOCI

	December 31	
	2021	2020
Listed shares	\$ 18,879,990	\$ 7,415,654
Unlisted shares	<u>1,129,667</u>	<u>1,052,664</u>
	<u>\$ 20,009,657</u>	<u>\$ 8,468,318</u>

These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

In 2021 and 2020, the Company sold shares of stocks for \$8,787,184 thousand and \$2,816,594 thousand, respectively, for the return on investment positions and risk management. The related other equity - unrealized gain of \$331,198 thousand and unrealized loss of \$663,447 thousand on financial assets at FVTOCI were transferred to retained earnings, respectively.

Dividend income of \$925,615 thousand and \$331,188 thousand were recognized in profit or loss for the years ended December 31, 2021 and 2020, respectively. The dividends related to investments held at the end of the reporting period were \$647,647 thousand and \$303,950 thousand, respectively.

b. Investments in debt instruments at FVTOCI

	December 31	
	2021	2020
Bank debentures	\$ 146,330,146	\$ 122,689,738
Government bonds	59,836,806	72,235,130
Corporate bonds	98,257,668	52,362,566
Overseas bonds	7,225,017	5,992,134
Negotiable certificates of deposit	278,728	858,233
Discounted note	<u>8,870</u>	<u>201,065</u>
	<u>\$ 311,937,235</u>	<u>\$ 254,338,866</u>

- 1) As of December 31, 2021 and 2020, the investments in debt instruments at FVTOCI, which amounted to \$17,043,122 thousand and \$12,153,396 thousand, respectively, had been sold under repurchase agreements.
- 2) Refer to Note 41 for information relating to their credit risk management and impairment.
- 3) Refer to Note 38 for information relating to investments in debt instruments at FVTOCI pledged as security.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2021	2020
Overseas bonds	\$ 12,518,061	\$ 11,418,794
Bank debentures	29,132,322	4,375,794
Corporate bonds	10,459,485	573,000
Negotiable certificates of deposit	<u>256,124,601</u>	<u>99,785</u>
	308,234,469	16,467,373
Less: Allowance for impairment loss	<u>(15,234)</u>	<u>(1,575)</u>
	<u>\$ 308,219,235</u>	<u>\$ 16,465,798</u>

As of December 31, 2021, the investments in debt instruments at amortized cost, which amounted to \$911,582 thousand, had been sold under repurchase agreements.

Refer to Note 41 for information relating to their credit risk management and impairment.

Refer to Note 38 for information relating to investments in debt instruments at amortized cost pledged as security.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$2,300,196 thousand under resell agreements as of December 31, 2020, would subsequently be sold for \$2,300,509 thousand.

12. RECEIVABLES, NET

	December 31	
	2021	2020
Receivables on credit cards	\$ 83,514,302	\$ 82,028,666
Accounts receivable factored without recourse	12,904,407	10,909,402
Accrued interest	4,744,638	3,552,882
Accounts receivable	1,861,853	3,516,467
Acceptances	1,342,125	1,701,757
Receivables on digital stimulus vouchers redemption	4,159,925	-
Others	<u>2,132,932</u>	<u>2,140,936</u>
	110,660,182	103,850,110
Less: Allowance for possible losses	<u>(2,070,902)</u>	<u>(1,838,564)</u>
	<u>\$ 108,589,280</u>	<u>\$ 102,011,546</u>

The changes in allowance for possible losses of receivables were as follows:

For the year ended December 31, 2021

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	\$ 178,715	\$ 25,811	\$ 361,116	\$ 565,642	\$ 1,272,922	\$ 1,838,564
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(242)	407	(165)	-	-	-
Credit-impaired financial assets	(1,583)	(15,512)	17,095	-	-	-
12-month ECL	13,734	(7,385)	(6,349)	-	-	-
Derecognition of financial assets in the reporting period	(8,789)	(2,054)	(16,674)	(27,517)	-	(27,517)
New financial assets purchased or originated	4,564	951	15,868	21,383	-	21,383
Difference of impairment loss under regulations	-	-	-	-	434,742	434,742
Write-offs	-	-	(483,506)	(483,506)	-	(483,506)
Recovery of written-off receivables	-	-	440,870	440,870	-	440,870
Change in model or risk parameters	(134,916)	4,213	18,241	(112,462)	-	(112,462)
Change in exchange rates or others	<u>(20)</u>	<u>(1)</u>	<u>(140)</u>	<u>(161)</u>	<u>(41,011)</u>	<u>(41,172)</u>
Balance at December 31, 2021	<u>\$ 51,463</u>	<u>\$ 6,430</u>	<u>\$ 346,356</u>	<u>\$ 404,249</u>	<u>\$ 1,666,653</u>	<u>\$ 2,070,902</u>

For the year ended December 31, 2020

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 93,958	\$ 9,451	\$ 705,553	\$ 808,962	\$ 1,166,793	\$ 1,975,755
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(144)	324	(180)	-	-	-
Credit-impaired financial assets	(3,692)	(5,589)	9,281	-	-	-
12-month ECL	16,689	(5,526)	(11,163)	-	-	-
Derecognition of financial assets in the reporting period	(5,385)	(1,456)	(49,008)	(55,849)	-	(55,849)
New financial assets purchased or originated	20,031	2,582	19,558	42,171	-	42,171
Difference of impairment loss under regulations	-	-	-	-	141,903	141,903
Write-offs	-	-	(638,717)	(638,717)	-	(638,717)
Recovery of written-off receivables	-	-	462,602	462,602	-	462,602
Change in model or risk parameters	57,241	26,027	(135,992)	(52,724)	-	(52,724)
Change in exchange rates or others	17	(2)	(818)	(803)	(35,774)	(36,577)
Balance at December 31, 2020	<u>\$ 178,715</u>	<u>\$ 25,811</u>	<u>\$ 361,116</u>	<u>\$ 565,642</u>	<u>\$ 1,272,922</u>	<u>\$ 1,838,564</u>

The changes in gross carrying amount of receivables were as follows:

For the year ended December 31, 2021

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2021	\$ 101,041,722	\$ 159,613	\$ 2,648,775	\$ 103,850,110
Transfers to				
Lifetime ECL	(94,840)	95,429	(589)	-
Credit-impaired financial assets	(703,708)	(91,785)	795,493	-
12-month ECL	77,542	(45,385)	(32,157)	-
Derecognition of financial assets in the reporting period	(14,889,919)	(17,588)	(445,597)	(15,353,104)
New financial assets purchased or originated	22,503,244	33,474	123,543	22,660,261
Write-offs	-	-	(483,506)	(483,506)
Change in exchange rates or others	<u>(13,516)</u>	<u>(24)</u>	<u>(39)</u>	<u>(13,579)</u>
Balance at December 31, 2021	<u>\$ 107,920,525</u>	<u>\$ 133,734</u>	<u>\$ 2,605,923</u>	<u>\$ 110,660,182</u>

For the year ended December 31, 2020

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 102,384,122	\$ 215,995	\$ 3,061,358	\$ 105,661,475
Transfers to				
Lifetime ECL	(204,104)	204,990	(886)	-
Credit-impaired financial assets	(812,917)	(119,249)	932,166	-
12-month ECL	159,321	(129,741)	(29,580)	-
Derecognition of financial assets in the reporting period	(21,348,759)	(41,360)	(761,898)	(22,152,017)
New financial assets purchased or originated	20,858,406	29,081	86,878	20,974,365
Write-offs	-	-	(638,717)	(638,717)
Change in exchange rates or others	<u>5,653</u>	<u>(103)</u>	<u>(546)</u>	<u>5,004</u>
Balance at December 31, 2020	<u>\$ 101,041,722</u>	<u>\$ 159,613</u>	<u>\$ 2,648,775</u>	<u>\$ 103,850,110</u>

13. DISCOUNTS AND LOANS, NET

	December 31	
	2021	2020
Loans		
Short-term	\$ 309,127,045	\$ 289,538,356
Medium-term	436,923,515	389,645,712
Long-term	1,040,601,661	958,176,513
Overdue loans	2,189,227	2,303,655
Bills negotiated and discounts	<u>1,857,307</u>	<u>1,371,972</u>
	1,790,698,755	1,641,036,208
Less: Allowance for possible losses	(22,123,971)	(20,608,721)
Less: Adjustment of premium or discount	<u>66,457</u>	<u>(53,419)</u>
	<u>\$ 1,768,641,241</u>	<u>\$ 1,620,374,068</u>

Refer to Note 38 for information relating to discounts and loans pledged as security.

As of December 31, 2021 and 2020, the loan and credit balances of the Bank, for which the accrual of interest revenues was discontinued, amounted to \$2,134,217 thousand and \$2,303,655 thousand, respectively. The unrecognized interest revenues on these loans and credits of the Bank were \$34,691 thousand and \$37,163 thousand for the years ended December 31, 2021 and 2020, respectively.

The changes in allowance for possible losses of discount and loans were as follows:

For the year ended December 31, 2021

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	\$ 3,536,235	\$ 1,092,418	\$ 3,728,502	\$ 8,357,155	\$ 12,251,566	\$ 20,608,721
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(19,292)	35,160	(15,868)	-	-	-
Credit-impaired financial assets	(19,660)	(150,243)	169,903	-	-	-
12-month ECL	176,345	(105,547)	(70,798)	-	-	-
Derecognition of financial assets in the reporting period	(991,769)	(726,699)	(400,717)	(2,119,185)	-	(2,119,185)
New financial assets purchased or originated	510,081	136,110	324,793	970,984	-	970,984
Difference of impairment loss under regulations	-	-	-	-	4,980,229	4,980,229
Write-offs	-	-	(1,011,601)	(1,011,601)	-	(1,011,601)
Recovery of written-off credits	-	-	821,655	821,655	-	821,655
Change in model or risk parameters	(2,077,621)	878,588	(859,665)	(2,058,698)	-	(2,058,698)
Change in exchange rates or others	(6,760)	(238)	(863)	(7,861)	(60,273)	(68,134)
Balance at December 31, 2021	<u>\$ 1,107,559</u>	<u>\$ 1,159,549</u>	<u>\$ 2,685,341</u>	<u>\$ 4,952,449</u>	<u>\$ 17,171,522</u>	<u>\$ 22,123,971</u>

For the year ended December 31, 2020

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 1,062,925	\$ 373,445	\$ 3,817,631	\$ 5,254,001	\$ 12,485,286	\$ 17,739,287
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(4,966)	17,211	(12,245)	-	-	-
Credit-impaired financial assets	(20,149)	(99,248)	119,397	-	-	-
12-month ECL	129,899	(91,484)	(38,415)	-	-	-
Derecognition of financial assets in the reporting period	(396,848)	(126,048)	(963,403)	(1,486,299)	-	(1,486,299)
New financial assets purchased or originated	1,445,579	51,502	480,205	1,977,286	-	1,977,286
Difference of impairment loss under regulations	-	-	-	-	(127,128)	(127,128)
Write-offs	-	-	(842,233)	(842,233)	-	(842,233)
Recovery of written-off credits	-	-	982,622	982,622	-	982,622
Change in model or risk parameters	1,326,655	967,528	188,466	2,482,649	-	2,482,649
Change in exchange rates or others	(6,860)	(488)	(3,523)	(10,871)	(106,592)	(117,463)
Balance at December 31, 2020	<u>\$ 3,536,235</u>	<u>\$ 1,092,418</u>	<u>\$ 3,728,502</u>	<u>\$ 8,357,155</u>	<u>\$ 12,251,566</u>	<u>\$ 20,608,721</u>

The changes in gross carrying amount of discount and loans were as follows:

For the year ended December 31, 2021

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2021	\$ 1,628,484,018	\$ 4,313,659	\$ 8,238,531	\$ 1,641,036,208
Transfers to				
Lifetime ECL	(4,390,514)	4,557,172	(166,658)	-
Credit-impaired financial assets	(2,004,001)	(611,500)	2,615,501	-
12-month ECL	961,557	(525,830)	(435,727)	-
Derecognition of financial assets in the reporting period	(581,780,292)	(2,387,049)	(2,235,500)	(586,402,841)
New financial assets purchased or originated	735,932,197	1,187,606	687,961	737,807,764
Write-offs	-	-	(1,011,601)	(1,011,601)
Change in exchange rates or others	<u>(723,384)</u>	<u>(3,297)</u>	<u>(4,094)</u>	<u>(730,775)</u>
Balance at December 31, 2021	<u>\$ 1,776,479,581</u>	<u>\$ 6,530,761</u>	<u>\$ 7,688,413</u>	<u>\$ 1,790,698,755</u>

For the year ended December 31, 2020

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 1,449,611,336	\$ 4,245,682	\$ 8,330,806	\$ 1,462,187,824
Transfers to				
Lifetime ECL	(3,169,326)	3,283,145	(113,819)	-
Credit-impaired financial assets	(2,818,933)	(586,100)	3,405,033	-
12-month ECL	1,017,554	(703,765)	(313,789)	-
Derecognition of financial assets in the reporting period	(528,688,275)	(2,330,508)	(2,903,373)	(533,922,156)
New financial assets purchased or originated	712,924,893	408,990	687,577	714,021,460
Write-offs	-	-	(842,233)	(842,233)
Change in exchange rates or others	<u>(393,231)</u>	<u>(3,785)</u>	<u>(11,671)</u>	<u>(408,687)</u>
Balance at December 31, 2020	<u>\$ 1,628,484,018</u>	<u>\$ 4,313,659</u>	<u>\$ 8,238,531</u>	<u>\$ 1,641,036,208</u>

The bad-debt expenses and provision for losses on commitments and guarantees were as follows:

	For the Year Ended December 31	
	2021	2020
Provision (reversal of provision) for possible losses on due from banks	\$ (215)	\$ 16,965
Provision (reversal of provision) for possible losses on call loans to other banks	(50,954)	70,203
Provision for possible losses on receivables	316,146	75,501
Provision for possible losses on discounts and loans	1,773,330	2,846,508
Provision for possible losses on remittance	10	-
Provision for possible losses on guarantees	32,837	49,804
Provision for possible losses on financing commitments	<u>63,171</u>	<u>181,658</u>
	<u>\$ 2,134,325</u>	<u>\$ 3,240,639</u>

The FSC stipulated that banks should make at least 1.5% provisions each for sound credit assets in mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions. As of December 31, 2021 and 2020, the Bank was in compliance with the FSC's provision requirement for both types of credit assets.

14. OTHER FINANCIAL ASSETS, NET

	December 31	
	2021	2020
Due from banks	\$ 6,508,499	\$ 4,231,528
Other	<u>7</u>	<u>-</u>
	<u>\$ 6,508,506</u>	<u>\$ 4,231,528</u>

Due from banks were deposits for operating reserve and time deposits with maturities longer than three months.

15. PROPERTIES AND EQUIPMENT, NET

	December 31	
	2021	2020
<u>Carrying amount</u>		
Land	\$ 14,369,786	\$ 14,229,849
Buildings	12,908,487	9,775,288
Computers	2,830,988	2,745,937
Transportation equipment	401,417	430,007
Miscellaneous equipment	1,364,674	1,405,433
Prepayments for properties and equipment	<u>1,390,375</u>	<u>4,102,780</u>
	<u>\$ 33,265,727</u>	<u>\$ 32,689,294</u>

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Prepayments	Total
<u>Cost</u>							
Balance, January 1, 2021	\$ 14,229,849	\$ 14,900,076	\$ 6,172,650	\$ 962,699	\$ 3,772,781	\$ 4,102,780	\$ 44,140,835
Addition	179,697	2,092,596	658,968	49,548	169,476	1,046,224	4,196,509
Disposal	(31,517)	(40,238)	(232,353)	(41,721)	(31,435)	-	(377,264)
Net exchange difference	(8,243)	(31,776)	(8,191)	(3,042)	(27,129)	(1,394)	(79,775)
Reclassification and others	-	1,693,514	158,820	1,195	20,373	(3,757,235)	(1,883,333)
Balance, December 31, 2021	<u>\$ 14,369,786</u>	<u>\$ 18,614,172</u>	<u>\$ 6,749,894</u>	<u>\$ 968,679</u>	<u>\$ 3,904,066</u>	<u>\$ 1,390,375</u>	<u>\$ 45,996,972</u>
Balance, January 1, 2020	\$ 14,254,235	\$ 14,782,721	\$ 6,059,658	\$ 873,428	\$ 3,672,144	\$ 4,054,018	\$ 43,696,204
Addition	-	124,928	776,548	95,957	192,198	726,615	1,916,246
Disposal	(8,895)	(28,572)	(790,139)	(74,020)	(162,845)	-	(1,064,471)
Net exchange difference	(15,491)	(24,478)	(4,424)	(2,995)	(26,879)	(660)	(74,927)
Reclassification and others	-	45,477	131,007	70,329	98,163	(677,193)	(332,217)
Balance, December 31, 2020	<u>\$ 14,229,849</u>	<u>\$ 14,900,076</u>	<u>\$ 6,172,650</u>	<u>\$ 962,699</u>	<u>\$ 3,772,781</u>	<u>\$ 4,102,780</u>	<u>\$ 44,140,835</u>

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Total
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2021	\$ -	\$ (5,124,788)	\$ (3,426,713)	\$ (532,692)	\$ (2,367,348)	\$ (11,451,541)
Disposal	-	22,326	232,351	40,954	31,415	327,046
Depreciation expenses	-	(608,097)	(729,704)	(77,312)	(216,529)	(1,631,642)
Net exchange difference	-	4,522	5,160	1,788	13,070	24,540
Reclassification and others	-	352	-	-	-	352
Balance, December 31, 2021	<u>\$ -</u>	<u>\$ (5,705,685)</u>	<u>\$ (3,918,906)</u>	<u>\$ (567,262)</u>	<u>\$ (2,539,392)</u>	<u>\$ (12,731,245)</u>
Balance, January 1, 2020	\$ -	\$ (4,588,056)	\$ (3,564,456)	\$ (536,869)	\$ (2,281,522)	\$ (10,970,903)
Disposal	-	23,882	789,272	73,362	150,769	1,037,285
Depreciation expenses	-	(563,749)	(654,803)	(71,768)	(248,832)	(1,539,152)
Net exchange difference	-	3,135	3,274	2,354	12,237	21,000
Reclassification and others	-	-	-	229	-	229
Balance, December 31, 2020	<u>\$ -</u>	<u>\$ (5,124,788)</u>	<u>\$ (3,426,713)</u>	<u>\$ (532,692)</u>	<u>\$ (2,367,348)</u>	<u>\$ (11,451,541)</u>

The construction project with respect to the superficies in Minsheng Section, Songshan District, Taipei City, had been handed over to the Company during the second quarter of 2021 and was reclassified from prepayments for properties and equipment to buildings and right-of-use assets, which amounted to \$1,721,599 thousand and \$1,479,201 thousand, respectively, based on the Company's purpose and nature of ownership; please refer to Note 16.

Depreciation is calculated by the straight-line method over service lives estimated as follows:

Buildings	
Main buildings	20 to 50 years
Equipment installed in buildings	10 to 15 years
Computers	3 to 8 years
Transportation equipment	4 to 10 years
Miscellaneous equipment	1.5 to 20 years

16. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Land and superficies royalties	\$ 3,825,350	\$ -
Buildings	2,931,534	2,986,120
Office equipment	10,166	1,429
Transportation equipment	<u>5,053</u>	<u>6,061</u>
	<u>\$ 6,772,103</u>	<u>\$ 2,993,610</u>

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 3,476,121</u>	<u>\$ 1,000,768</u>
Depreciation charge for right-of-use assets		
Land and superficies royalties	\$ 41,796	\$ -
Buildings	1,029,327	1,077,299
Office equipment	4,189	2,862
Transportation equipment	<u>4,941</u>	<u>5,161</u>
	<u>\$ 1,080,253</u>	<u>\$ 1,085,322</u>

The Company has been subleasing part of its acquired superficies and above-ground buildings under operating leases. The related right-of-use assets are presented as investment properties. Please refer to Note 17. The amounts disclosed above with respect to the right-of-use assets do not include right-of-use assets that meet the definition of investment properties.

Except for the additions, depreciation and sublease recognized above, the Company had no impairment of right-of-use assets during the years ended December 31, 2021 and 2020.

b. Lease liabilities

	December 31	
	2021	2020
Carrying amounts	<u>\$ 3,841,071</u>	<u>\$ 3,105,185</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Land	1.09%	-%
Buildings	0.37%-7.50%	0.80%-7.50%
Office equipment	0.37%-2.98%	0.80%-2.98%
Transportation equipment	0.35%-7.50%	0.66%-7.50%

c. Material lease-in activities and terms

The Company has entered into certain lease contracts with other companies or individuals for the business halls and office space that are required to be rented for operating activities. Rentals are calculated based on the actual number of rented flats and are payable monthly, quarterly or semi-annually. As of December 31, 2021 and 2020, refundable deposits on these leases totaled \$751,389 thousand and \$688,095 thousand, respectively.

The Company acquired the superficies right of Minsheng Section in Songshan District, Taipei City during the second quarter of 2021. The right will be valid until October 2067.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 17.

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ 37,680	\$ 22,291
Expenses relating to low-value asset leases	\$ 313	\$ 137
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 63	\$ 117
Total cash outflow for leases	\$ (1,109,137)	\$ (1,031,235)

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

17. INVESTMENT PROPERTIES, NET

	December 31	
	2021	2020
Land	\$ 381,040	\$ 381,040
Buildings	1,666,804	1,688,954
Right-of-use assets	48,269	-
	<u>\$ 2,096,113</u>	<u>\$ 2,069,994</u>

	Land	Buildings	Right-of-use Assets	Total
<u>Cost</u>				
Balance, January 1, 2021	\$ 381,065	\$ 1,928,598	\$ -	\$ 2,309,663
Net exchange difference	-	(14,781)	-	(14,781)
Reclassification	-	42,605	48,788	91,393
Balance, December 31, 2021	<u>\$ 381,065</u>	<u>\$ 1,956,422</u>	<u>\$ 48,788</u>	<u>\$ 2,386,275</u>
Balance, January 1, 2020	\$ 381,065	\$ 1,903,459	\$ -	\$ 2,284,524
Net exchange difference	-	25,139	-	25,139
Balance, December 31, 2020	<u>\$ 381,065</u>	<u>\$ 1,928,598</u>	<u>\$ -</u>	<u>\$ 2,309,663</u>

(Continued)

	Land	Buildings	Right-of-use Assets	Total
<u>Accumulated depreciation and impairment</u>				
Balance, January 1, 2021	\$ (25)	\$ (239,644)	\$ -	\$ (239,669)
Depreciation expenses	-	(51,276)	(83)	(51,359)
Net exchange difference	-	1,654	-	1,654
Reclassification	<u>-</u>	<u>(352)</u>	<u>(436)</u>	<u>(788)</u>
Balance, December 31, 2021	<u>\$ (25)</u>	<u>\$ (289,618)</u>	<u>\$ (519)</u>	<u>\$ (290,162)</u>
Balance, January 1, 2020	\$ (25)	\$ (185,943)	\$ -	\$ (185,968)
Depreciation expenses	-	(50,396)	-	(50,396)
Net exchange difference	<u>-</u>	<u>(3,305)</u>	<u>-</u>	<u>(3,305)</u>
Balance, December 31, 2020	<u>\$ (25)</u>	<u>\$ (239,644)</u>	<u>\$ -</u>	<u>\$ (239,669)</u>
				(Concluded)

Right-of-use assets included in investment properties are part of the acquired superficies and above-ground buildings subleased under operating leases.

Investment properties (except for land) are depreciated through 36 to 50 years on a straight-line basis.

As of December 31, 2021 and 2020, the fair values of investment properties were \$3,348,327 thousand and \$3,181,890 thousand, respectively. The fair value was classified in Level 3 and was determined using the valuation of discounted cash flow analysis method from external real estate appraiser joint firm (that were not the Company's related parties), and the comparison of price of the comparable property from external appraisal company and the Company's appraisal center.

The revenues generated from the investment properties are summarized as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Rental income from investment properties	\$ 45,058	\$ 44,962
Direct operating expenses of investment properties that generate rental income	(53,470)	(52,531)
Direct operating expenses of investment properties that do not generate rental income	<u>(554)</u>	<u>(574)</u>
	<u>\$ (8,966)</u>	<u>\$ (8,143)</u>

Lease agreements on premises occupied by other companies or individuals are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods. As of December 31, 2021 and 2020, refundable deposits on these leases totaled \$16,051 thousand and \$15,933 thousand, respectively (part of guarantee deposits received). The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	December 31	
	2021	2020
Year 1	\$ 61,334	\$ 60,875
Year 2	51,981	28,314
Year 3	46,404	19,780
Year 4	10,189	19,109
Year 5	<u>1,184</u>	<u>1,898</u>
	<u>\$ 171,092</u>	<u>\$ 129,976</u>

18. INTANGIBLE ASSETS, NET

	December 31	
	2021	2020
Goodwill	\$ 4,426,526	\$ 4,442,999
Computer software	1,207,580	1,152,830
Banking licenses	441,695	454,791
Core deposits	16,445	19,157
Developed technology	27,364	32,836
Customer relationship	<u>14,610</u>	<u>17,318</u>
	<u>\$ 6,134,220</u>	<u>\$ 6,119,931</u>

	Goodwill	Computer Software	Banking Licenses	Core Deposits	Developed Technology	Customer Relationship	Total
Balance, January 1, 2021	\$ 4,442,999	\$ 1,152,830	\$ 454,791	\$ 19,157	\$ 32,836	\$ 17,318	\$ 6,119,931
Separate acquisition	-	376,763	-	-	-	-	376,763
Amortization expenses	-	(681,443)	-	(2,712)	(5,472)	(2,708)	(692,335)
Reclassification	-	361,467	-	-	-	-	361,467
Net exchange difference	<u>(16,473)</u>	<u>(2,037)</u>	<u>(13,096)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,606)</u>
Balance, December 31, 2021	<u>\$ 4,426,526</u>	<u>\$ 1,207,580</u>	<u>\$ 441,695</u>	<u>\$ 16,445</u>	<u>\$ 27,364</u>	<u>\$ 14,610</u>	<u>\$ 6,134,220</u>
Balance, January 1, 2020	\$ 4,475,161	\$ 1,106,020	\$ 480,362	\$ 21,869	\$ 38,309	\$ 20,026	\$ 6,141,747
Separate acquisition	-	292,361	-	-	-	-	292,361
Amortization expenses	-	(604,823)	-	(2,712)	(5,473)	(2,708)	(615,716)
Disposal	-	(3)	-	-	-	-	(3)
Reclassification	-	359,365	-	-	-	-	359,365
Net exchange difference	<u>(32,162)</u>	<u>(90)</u>	<u>(25,571)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,823)</u>
Balance, December 31, 2020	<u>\$ 4,442,999</u>	<u>\$ 1,152,830</u>	<u>\$ 454,791</u>	<u>\$ 19,157</u>	<u>\$ 32,836</u>	<u>\$ 17,318</u>	<u>\$ 6,119,931</u>

The above intangible assets with limited useful lives are amortized on a straight-line basis by the useful lives as follows:

Computer software	3 to 10 years
Core deposits	16 years
Developed technology	11 years
Customer relationship	11 to 17 years

In testing assets for impairment, the Company uses as recoverable amounts (a) value in use for an operating segment defined as a CGU and (b) net fair value for an investment property. Goodwill on the acquisition of UCB (the subsidiary), BankPro (the subsidiary), the Kaohsiung Business Bank Co., Ltd., Chu Nan Credit-Cooperative Association and Chiayi The Fourth Credit Cooperative was allocated to operating segments (CGUs with allocated goodwill). The Company estimates the next five years' cash flows of a CGU by taking into consideration the actual performance of each CGU, business cycle, etc. under the going-concern assumption. The discounted present value of cash flows is used to determine the value in use of each CGU. The discount rates for future cash flows of CGUs were determined using the capital asset pricing model (CAPM). The testing for asset impairment showed that no impairment losses had been incurred.

19. OTHER ASSETS, NET

	December 31	
	2021	2020
Refundable deposits, net	\$ 4,079,967	\$ 5,577,742
Prepaid expenses	452,360	273,644
Defined benefit assets (Note 28)	365,495	1,050
Others	<u>10,449</u>	<u>37,903</u>
	<u>\$ 4,908,271</u>	<u>\$ 5,890,339</u>

20. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2021	2020
Call loans from banks	\$ 78,059,351	\$ 48,209,147
Deposits from Chunghwa Post Co., Ltd.	2,276,985	2,376,177
Call loans from the Central Bank	1,384,450	1,425,500
Banks overdrafts	213,519	279,960
Deposits from banks	1,520,217	2,654,434
Deposits from the Central Bank	<u>26,636</u>	<u>23,768</u>
	<u>\$ 83,481,158</u>	<u>\$ 54,968,986</u>

21. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2021	2020
Due to the Central Bank	<u>\$ 14,021,010</u>	<u>\$ 8,044,340</u>

22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$16,648,639 thousand and \$11,305,248 thousand under repurchase agreements as of December 31, 2021 and 2020, respectively, would subsequently be purchased for \$16,686,012 thousand and \$11,327,432 thousand, respectively.

23. PAYABLES

	December 31	
	2021	2020
Checks for clearing	\$ 7,259,513	\$ 2,619,519
Accrued interest	1,943,109	2,270,175
Accounts payable	1,410,356	3,694,750
Accrued expenses	4,940,805	4,528,261
Factored accounts payable	1,590,393	3,015,413
Acceptances	1,356,990	1,699,850
Payable on credit cards	877,542	1,211,765
Collections payable	683,530	448,125
Tax payable	342,090	342,238
Others	<u>3,152,846</u>	<u>3,389,148</u>
	<u>\$ 23,557,174</u>	<u>\$ 23,219,244</u>

24. DEPOSITS AND REMITTANCES

	December 31	
	2021	2020
Deposits		
Checking	\$ 18,652,239	\$ 16,719,630
Demand	803,556,709	734,858,994
Savings - demand	700,429,954	652,174,941
Time	830,967,461	725,011,044
Negotiable certificates of deposit	28,801,536	48,717,952
Savings - time	300,717,348	296,620,946
Treasury deposits	13,225,790	12,128,338
Remittances	<u>1,719,770</u>	<u>6,862,193</u>
	<u>\$ 2,698,070,807</u>	<u>\$ 2,493,094,038</u>

25. BANK DEBENTURES

Details of bank debentures issued by the Bank were as follows:

	December 31	
	2021	2020
Subordinated bonds issued on June 28, 2012; 1.68% interest payable annually; principal repayable on maturity (10 years after the issue date).	\$ 2,720,000	\$ 2,720,000
Two types of subordinated bonds issued on August 27, 2012; interest rate at (a) 1.50% for type A bond and (b) 1.62% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	3,500,000	3,500,000

(Continued)

	December 31	
	2021	2020
Two types of subordinated bonds issued on May 24, 2013; interest rate at (a) 1.55% for type A bond and (b) 1.70% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	\$ 1,500,000	\$ 1,500,000
Two types of subordinated bonds issued on March 7, 2014; interest rate at (a) 1.80% for type A bond and (b) 1.95% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	2,200,000	3,500,000
Two types of subordinated bonds issued on April 30, 2015; interest rate at (a) 1.80% for type A bond and (b) 2.10% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	5,000,000	5,000,000
Two types of subordinated bonds issued on September 29, 2015; interest rate at (a) 1.65% for type A bond and (b) 2.00% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	3,750,000	3,750,000
Two types of subordinated bonds issued on March 30, 2018; interest rate at (a) 1.30% for type A bond and (b) 1.55% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	4,000,000	4,000,000
Bonds issued on August 13, 2019; interest rate at 0.65%; interest payable annually; principal repayable on maturity (3 years after the issue date).	3,000,000	3,000,000
Noncumulative perpetual subordinated bonds issued on January 8, 2020; interest rate at 1.45%; interest payable annually; the Bank may redeem the bond after 5 years and one month from the issue date.	4,000,000	4,000,000
Bonds issued on March 19, 2020; interest rate at 0.58%; interest payable annually; principal repayable on maturity (5 years after the issue date).	3,000,000	3,000,000
Two types of bonds issued on October 28, 2021; interest rate at (a) 0.37% for type A bond and (b) 0.47% for type B bond; interest payable annually for both bond types; principal repayable on maturity (3 years for type A bond and 7 years for type B bond after the issue date).	<u>1,600,000</u>	<u>-</u>
	<u>\$ 34,270,000</u>	<u>\$ 33,970,000</u> (Concluded)

The Bank designated the bank debentures as at fair value through profit or loss, which are summarized below:

	December 31	
	2021	2020
Unsecured USD-denominated subordinated bonds issued on May 27, 2015	\$ 3,260,716	\$ 3,344,667
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on May 27, 2015	2,267,118	2,425,960
Unsecured USD-denominated subordinated bonds issued on October 28, 2015	2,419,752	2,486,664
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on October 28, 2015	1,193,531	1,343,691
Unsecured USD-denominated subordinated bonds issued on January 22, 2016	9,194,851	9,460,385
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on January 22, 2016	7,186,673	7,940,241
Unsecured USD-denominated subordinated bonds issued on June 6, 2016	3,283,492	3,425,553
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on June 6, 2016	2,943,007	3,171,793
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on December 29, 2016	2,808,747	3,020,275
Unsecured USD-denominated bonds issued on May 19, 2017	2,019,482	2,079,022
Unsecured USD-denominated bonds issued on November 21, 2017	4,459,863	4,662,317
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on February 12, 2018	<u>6,412,483</u>	<u>6,942,889</u>
	<u>\$ 47,449,715</u>	<u>\$ 50,303,457</u>

On May 27, 2015, the Bank issued unsecured subordinated bank debentures amounting to US\$85,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On May 27, 2015, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$85,000 thousand with no maturity date and with a 4.97% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On October 28, 2015, the Bank issued unsecured subordinated bank debentures amounting to US\$63,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On October 28, 2015, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$43,000 thousand with no maturity date and with a 5.10% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On January 22, 2016, the Bank issued unsecured subordinated bank debentures amounting to US\$240,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On January 22, 2016, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$240,000 thousand with no maturity date and with a 5.10% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On June 6, 2016, the Bank issued unsecured subordinated bank debentures amounting to US\$95,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On June 6, 2016, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$95,000 thousand with no maturity date and with a 4.41% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On December 29, 2016, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$90,000 thousand with no maturity date and with a 4.85% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On May 19, 2017, the Bank issued unsecured bank debentures amounting to US\$60,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures, the Bank may either redeem the bonds at an agreed-upon price after five years from the issue date and each year afterward, or make bond repayments on the maturity date.

On November 21, 2017, the Bank issued unsecured bank debentures amounting to US\$135,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures, the Bank may either redeem the bonds at an agreed-upon price after five years from the issue date and each year afterward, or make bond repayments on the maturity date.

On February 12, 2018, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$200,000 thousand with no maturity date and with a 4.75% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

To hedge against its exposure to interest rate risk due to the issuance of the above bank debentures, the Bank entered into interest rate swap (IRS) contracts, which are measured at fair value. The changes in fair value of the IRS contracts are recognized in profit or loss. To eliminate an accounting mismatch, the Bank also designated the bank debentures as at fair value through profit or loss.

To support business sustainable development and the government's green finance policy, the FSC approved on September 9, 2021, the issuance of unsecured bank debentures amounting to NT\$10 billion (or foreign currency equivalent) with no more than 40 years to maturity.

To improve E.SUN Bank's capital adequacy ratio and strengthen equity structure, on March 10, 2022, the FSC approved the issuance of long-term subordinated bank debentures amounting to NT\$50 billion (or foreign currency equivalent).

As of the date the consolidated financial statements were authorized for issue, bank debentures amounting to NT\$13.4 billion has not yet been issued.

26. OTHER FINANCIAL LIABILITIES

	December 31	
	2021	2020
Principal of structured products	\$ 62,374,505	\$ 58,136,417
Guarantee deposits received	1,942,439	5,204,333
Long-term borrowings	335,037	344,971
Short-term borrowings	<u>573,780</u>	<u>868,371</u>
	<u>\$ 65,225,761</u>	<u>\$ 64,554,092</u>

27. PROVISIONS

	December 31	
	2021	2020
Provision for losses on financing commitment	\$ 568,384	\$ 507,068
Provision for employee benefits	-	285,377
Provision for losses on guarantees	349,586	317,319
Others	<u>163,170</u>	<u>41,905</u>
	<u>\$ 1,081,140</u>	<u>\$ 1,151,669</u>

The changes in provision for losses on guarantees and financing commitments are summarized below:

For the year ended December 31, 2021

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	\$ 421,939	\$ 1,685	\$ 3,228	\$ 426,852	\$ 397,535	\$ 824,387
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(10,069)	10,069	-	-	-	-
Credit-impaired financial instruments	(4)	(1)	5	-	-	-
12-month ECL	1,557	(1,470)	(87)	-	-	-
Derecognition of financial instruments in the reporting period	(61,886)	(171)	(842)	(62,899)	-	(62,899)
New financial instruments purchased or originated	49,518	45	109	49,672	-	49,672
Difference of impairment loss under regulations	-	-	-	-	324,078	324,078
Change in model or risk parameters	(305,888)	89,287	1,758	(214,843)	-	(214,843)
Change in exchange rates or others	<u>(19)</u>	<u>-</u>	<u>-</u>	<u>(19)</u>	<u>(2,406)</u>	<u>(2,425)</u>
Balance at December 31, 2021	<u>\$ 95,148</u>	<u>\$ 99,444</u>	<u>\$ 4,171</u>	<u>\$ 198,763</u>	<u>\$ 719,207</u>	<u>\$ 917,970</u>

For the year ended December 31, 2020

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 177,119	\$ 700	\$ 3,204	\$ 181,023	\$ 416,900	\$ 597,923
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(25)	32	(7)	-	-	-
Credit-impaired financial instruments	(70)	(151)	221	-	-	-
12-month ECL	4,806	(3,812)	(994)	-	-	-
Derecognition of financial instruments in the reporting period	(40,020)	-	-	(40,020)	-	(40,020)
New financial instruments purchased or originated	220,206	154	1,022	221,382	-	221,382
Difference of impairment loss under regulations	-	-	-	-	(14,321)	(14,321)
Change in model or risk parameters	59,877	4,762	(218)	64,421	-	64,421
Change in exchange rates or others	46	-	-	46	(5,044)	(4,998)
Balance at December 31, 2020	<u>\$ 421,939</u>	<u>\$ 1,685</u>	<u>\$ 3,228</u>	<u>\$ 426,852</u>	<u>\$ 397,535</u>	<u>\$ 824,387</u>

28. POST-EMPLOYMENT BENEFIT PLAN

a. Defined contribution plan

The pension mechanism under the Labor Pension Act (the Act) is deemed a defined contribution plan. Under the Act, the Company makes monthly contribution equal to 6% of each employee's monthly salary to employees' pension accounts in the Bureau of Labor Insurance.

The Company recognized expenses of \$384,903 thousand and \$374,776 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

The Company has a defined benefit pension plan for all regular employees. Under this plan, the pension is calculated on the basis of an employee's seniority accumulated since the hire date in accordance with the Labor Standards Act.

The Company makes monthly contributions, equal to 2% of salaries and wages, to a pension fund. The fund is deposited in the Bank of Taiwan in the name of the Supervisory Committee of Workers' Retirement Preparation Fund, which manages the fund. The difference between the contributions and the pension costs based on actuarial calculations is deposited in a financial institution in the name of the employees' pension fund administration committee. Starting from July 1, 2005, the Company has made monthly contributions to the pension fund by the foregoing pension calculation for the employees that choose to continue being subject to the Labor Standards Act.

The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau) and the Company has no right to influence the investment policy and strategy. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay post-employment benefits for employees who conform to post-employment requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 2,267,442	\$ 2,325,205
Fair value of plan assets	<u>(2,632,937)</u>	<u>(2,040,878)</u>
Provision deficiency (surplus)	<u>\$ (365,495)</u>	<u>\$ 284,327</u>
Net defined benefit asset (part of other assets)	<u>\$ 365,495</u>	<u>\$ 1,050</u>
Net defined benefit liability (part of provision for employee benefits)	<u>\$ -</u>	<u>\$ 285,377</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Total
Balance at January 1, 2020	<u>\$ 2,024,474</u>	<u>\$ (2,049,587)</u>	<u>\$ (25,113)</u>
Service cost			
Current service cost	21,926	-	21,926
Net interest expense (income)	<u>15,021</u>	<u>(15,313)</u>	<u>(292)</u>
Recognized in profit or loss	<u>36,947</u>	<u>(15,313)</u>	<u>21,634</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(38,031)	(38,031)
Actuarial loss - changes in financial assumptions	239,084	-	239,084
Actuarial loss - experience adjustments	<u>120,011</u>	<u>-</u>	<u>120,011</u>
Recognized in other comprehensive income	<u>359,095</u>	<u>(38,031)</u>	<u>321,064</u>
Contributions from the employer	<u>-</u>	<u>(33,258)</u>	<u>(33,258)</u>
Benefits paid	<u>(95,311)</u>	<u>95,311</u>	<u>-</u>
Balance at December 31, 2020	<u>2,325,205</u>	<u>(2,040,878)</u>	<u>284,327</u>
Service cost			
Current service cost	21,759	-	21,759
Net interest expense (income)	<u>8,033</u>	<u>(7,094)</u>	<u>939</u>
Recognized in profit or loss	<u>29,792</u>	<u>(7,094)</u>	<u>22,698</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(234,493)	(234,493)
Actuarial loss - charges in population assumptions	57,393	-	57,393
Actuarial gain - changes in financial assumptions	(67,907)	-	(67,907)
Actuarial gain - experience adjustments	<u>(23,452)</u>	<u>-</u>	<u>(23,452)</u>
Recognized in other comprehensive income	<u>(33,966)</u>	<u>(234,493)</u>	<u>(268,459)</u>
Contributions from the employer	<u>-</u>	<u>(404,061)</u>	<u>(404,061)</u>
Benefits paid	<u>(53,589)</u>	<u>53,589</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 2,267,442</u>	<u>\$ (2,632,937)</u>	<u>\$ (365,495)</u>

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

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

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

	December 31	
	2021	2020
Discount rate	0.60%-0.70%	0.30%-0.35%
Expected rates of return on plan assets	0.60%	0.35%
Expected rates of future salary increase	3.00%	3.00%

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

	December 31	
	2021	2020
Discount rate(s)		
0.25% increase	<u>\$ (65,094)</u>	<u>\$ (71,541)</u>
0.25% decrease	<u>\$ 67,671</u>	<u>\$ 74,527</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 64,448</u>	<u>\$ 70,916</u>
0.25% decrease	<u>\$ (62,393)</u>	<u>\$ (68,523)</u>

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

As of December 31, 2021 and 2020, the expected contributions to the plan for the next year were \$153,174 thousand and \$403,103 thousand, respectively; the average durations of the defined benefit obligation were 8 to 11.79 years and 9 to 12.64 years, respectively.

29. OTHER LIABILITIES

	December 31	
	2021	2020
Advance receipts	\$ 2,916,570	\$ 2,796,220
Deferred revenue	649,316	542,513
Others	<u>13,703</u>	<u>4,110</u>
	<u>\$ 3,579,589</u>	<u>\$ 3,342,843</u>

30. NET INTEREST

	For the Year Ended December 31	
	2021	2020
Interest revenue		
From discounts and loans	\$ 27,945,898	\$ 28,998,469
From investments	4,565,842	3,736,927
From revolving interests of credit cards	1,932,041	2,039,056
From due from banks and call loans to other banks	425,764	804,736
Others	<u>141,835</u>	<u>199,850</u>
	<u>35,011,380</u>	<u>35,779,038</u>
Interest expense		
From deposits	(7,866,496)	(12,758,079)
From due to the Central Bank and other banks	(431,999)	(730,040)
From issuing bank debentures	(506,156)	(567,442)
From lease liabilities	(39,357)	(38,729)
Others	<u>(576,158)</u>	<u>(589,458)</u>
	<u>(9,420,166)</u>	<u>(14,683,748)</u>
	<u>\$ 25,591,214</u>	<u>\$ 21,095,290</u>

31. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2021	2020
Service fee income		
From credit cards	\$ 8,450,314	\$ 9,136,490
From trust business	7,069,346	5,780,658
From insurance	2,525,265	3,184,029
From loans	1,649,500	1,341,544
Others	<u>2,424,537</u>	<u>2,381,636</u>
	<u>22,118,962</u>	<u>21,824,357</u>
Service charge		
From agency	(1,781,493)	(1,385,761)
From credit cards	(795,646)	(1,041,976)
From cross-bank transactions	(312,131)	(346,726)
From computer processing	(276,025)	(343,387)
Others	<u>(664,521)</u>	<u>(662,171)</u>
	<u>(3,829,816)</u>	<u>(3,780,021)</u>
	<u>\$ 18,289,146</u>	<u>\$ 18,044,336</u>

32. GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

For the Year Ended December 31, 2021					
	Dividend Income	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 32,862	\$ 4,540,292	\$ 11,562,519	\$ (14,880,455)	\$ 1,255,218
Held-for-trading financial liabilities	-	-	(7,064,586)	11,531,822	4,467,236
Financial liabilities designated as at fair value through profit or loss	-	(2,087,192)	158	2,590,198	503,164
	<u>\$ 32,862</u>	<u>\$ 2,453,100</u>	<u>\$ 4,498,091</u>	<u>\$ (758,435)</u>	<u>\$ 6,225,618</u>
For the Year Ended December 31, 2020					
	Dividend Income	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 15,206	\$ 7,226,068	\$ 15,176,976	\$ 17,281,690	\$ 39,699,940
Held-for-trading financial liabilities	-	-	(9,379,935)	(14,709,055)	(24,088,990)
Financial liabilities designated as at fair value through profit or loss	-	(2,152,862)	2,307	(2,223,385)	(4,373,940)
	<u>\$ 15,206</u>	<u>\$ 5,073,206</u>	<u>\$ 5,799,348</u>	<u>\$ 349,250</u>	<u>\$ 11,237,010</u>

33. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

For the Year Ended December 31		
	2021	2020
Employee benefits		
Salaries	\$ 11,390,035	\$ 11,167,831
Insurance	801,334	702,833
Excessive interest from preferential rates	196,197	194,525
Post-employment benefits	407,601	396,410
Others	641,495	682,718
Depreciation expenses	2,763,254	2,674,870
Amortization expenses	692,335	616,017

Under the Articles of Incorporation of the Bank, the Bank accrued employees' compensation and remuneration of directors at the rates 3% and no higher than 0.6%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors (after offsetting accumulated deficit). For the year ended December 31, 2021 and 2020, the employees' compensation were \$636,352 thousand and \$563,955 thousand, respectively; and the remuneration of directors were \$89,000 thousand and \$95,000 thousand, respectively.

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

The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019 that have been approved by the board of directors on March 11, 2021 and March 12, 2020, respectively, were as follows:

	For the Year Ended December 31			
	Amounts Approved		Amounts Recognized	
	2020	2019	2020	2019
Employees' compensation - cash	\$ 553,275	\$ 704,982	\$ 563,955	\$ 708,308
Remuneration of directors - cash	60,000	106,000	95,000	120,000

The differences between the approved amounts of employees' compensation and remuneration of directors and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019, respectively, were resulted from a change in the accounting estimate. The differences were recognized in profit or loss for 2021 and 2020, respectively.

The employees' compensation to employees and the remuneration of directors for 2021, which were approved by the board of directors on March 11, 2022, were as follows:

	2021
Employees' compensation - cash	\$ 636,352
Remuneration of directors - cash	68,000

Information on the approved amounts of employees' compensation and remuneration of directors is available at the Market Observation Post System website of the TWSE (<http://emops.twse.com.tw>).

34. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
Current year	\$ 3,358,155	\$ 2,693,373
Additional income tax on unappropriated earnings	679	501
Prior year's adjustments	(23,871)	28,396
	<u>3,334,963</u>	<u>2,722,270</u>
Deferred tax		
Current year	(233,329)	(219,908)
Income tax expense recognized in profit or loss	<u>\$ 3,101,634</u>	<u>\$ 2,502,362</u>

A reconciliation of accounting profit and current income tax expenses was as follows:

	For the Year Ended December 31	
	2021	2020
Profit before tax from continuing operations	\$ <u>20,688,454</u>	\$ <u>18,989,914</u>
Income tax expense calculated at the statutory rate (20%)	\$ 4,137,691	\$ 3,797,983
Nondeductible expenses in determining taxable income	31,486	37,447
Tax-exempt income	(1,306,516)	(1,578,752)
Additional income tax on unappropriated earnings	679	501
Land value increment tax	(150)	2,963
Unrecognized deductible temporary differences	191,870	166,638
Effect of different tax rate of overseas branches operating in other jurisdictions	70,445	47,186
Adjustments for prior year's income tax	<u>(23,871)</u>	<u>28,396</u>
Income tax expense recognized in profit or loss	\$ <u>3,101,634</u>	\$ <u>2,502,362</u>

b. Income tax expense recognized in equity

	For the Year Ended December 31	
	2021	2020
Current tax		
Disposals of investment in equity instruments at fair value through other comprehensive income	\$ (26,351)	\$ -
Deferred tax		
Disposals of investment in equity instruments at fair value through other comprehensive income	<u>26,351</u>	<u>-</u>
Income tax expense recognized in equity	\$ <u>-</u>	\$ <u>-</u>

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year		
Income tax relating to items that will not be reclassified subsequently to profit or loss		
Fair value changes of financial assets in equity instruments at fair value through other comprehensive income	\$ (21,200)	\$ (10,383)
Remeasurement of defined benefit plans	122	54
Income tax relating to items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of financial statements of foreign operations	(153,116)	(184,518)
Fair value changes of financial assets in debt instruments at fair value through other comprehensive income	<u>(194,451)</u>	<u>135,185</u>
Income tax benefit recognized in other comprehensive income	\$ <u>(368,645)</u>	\$ <u>(59,662)</u>

d. Current tax assets and liabilities

	December 31	
	2021	2020
Current tax assets		
Consolidated tax return receivables	\$ 157,875	\$ 154,487
Prepaid taxes	<u>80,604</u>	<u>106,339</u>
	<u>\$ 238,479</u>	<u>\$ 260,826</u>
Current tax liabilities		
Consolidated tax return payables	\$ 1,255,368	\$ 267,809
Income tax payable	<u>436,740</u>	<u>304,098</u>
	<u>\$ 1,692,108</u>	<u>\$ 571,907</u>

e. Deferred tax assets and liabilities

Movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Financial instruments at fair value through profit or loss	\$ 946,995	\$ 204,622	\$ -	\$ -	\$ (72)	\$ 1,151,545
Financial instruments at fair value through other comprehensive income	-	-	71,925	(26,351)	-	45,574
Allowance for possible losses	128,102	25,371	-	-	(1,970)	151,503
Payable for annual leave	100,587	16,286	-	-	-	116,873
Other liabilities	29,256	15,705	-	-	-	44,961
Exchange differences on foreign operations	514,826	-	153,116	-	-	667,942
Payable for long-term compensation of employees	28,211	12,705	-	-	-	40,916
Government grant revenues	19,761	(568)	-	-	(163)	19,030
Unearned revenues	14,238	7,437	-	-	(580)	21,095
Others	<u>18,854</u>	<u>16,528</u>	<u>(122)</u>	<u>-</u>	<u>(329)</u>	<u>34,931</u>
	<u>\$ 1,800,830</u>	<u>\$ 298,086</u>	<u>\$ 224,919</u>	<u>\$ (26,351)</u>	<u>\$ (3,114)</u>	<u>\$ 2,294,370</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Financial instruments at fair value through profit or loss	\$ 504,538	\$ (9,975)	\$ -	\$ -	\$ 2	\$ 494,565
Financial instruments at fair value through other comprehensive income	203,593	-	(143,726)	-	(57)	59,810
Intangible assets	603,148	-	-	-	-	603,148
Unrealized foreign exchange gains	27,500	83,712	-	-	(50)	111,162
Others	<u>73,283</u>	<u>(8,980)</u>	<u>-</u>	<u>-</u>	<u>(52)</u>	<u>64,251</u>
	<u>\$ 1,412,062</u>	<u>\$ 64,757</u>	<u>\$ (143,726)</u>	<u>\$ -</u>	<u>\$ (157)</u>	<u>\$ 1,332,936</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Financial instruments at fair value through profit or loss	\$ 725,253	\$ 221,569	\$ -	\$ 173	\$ 946,995
Allowance for possible losses	92,492	36,131	-	(521)	128,102
Payable for annual leave	80,940	19,647	-	-	100,587
Other liabilities	42,316	(13,060)	-	-	29,256
Exchange differences on foreign operations	330,308	-	184,518	-	514,826
Payable for long-term compensation of employees	19,915	8,296	-	-	28,211
Government grant revenues	20,084	(594)	-	271	19,761
Unearned revenues	12,366	2,779	-	(907)	14,238
Others	16,244	3,024	(54)	(360)	18,854
	1,339,918	277,792	184,464	(1,344)	1,800,830
Unused loss carryforward	73,134	(72,271)	-	(863)	-
	<u>\$ 1,413,052</u>	<u>\$ 205,521</u>	<u>\$ 184,464</u>	<u>\$ (2,207)</u>	<u>\$ 1,800,830</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Financial instruments at fair value through profit or loss	\$ 511,237	\$ (6,699)	\$ -	\$ -	\$ 504,538
Financial instruments at fair value through other comprehensive income	79,034	-	124,802	(243)	203,593
Intangible assets	603,148	-	-	-	603,148
Unrealized foreign exchange gains	22,037	5,574	-	(111)	27,500
Provision of land value increment tax	83,171	(13,089)	-	-	70,082
Others	3,557	(173)	-	(183)	3,201
	<u>\$ 1,302,184</u>	<u>\$ (14,387)</u>	<u>\$ 124,802</u>	<u>\$ (537)</u>	<u>\$ 1,412,062</u>

f. Unrecognized deferred tax assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Deductible temporary difference	<u>\$ 4,875,002</u>	<u>\$ 4,613,194</u>

g. The Bank's income tax returns through 2016 had been assessed by the tax authorities.

h. In 2017 and prior years, the parent company ESFHC issued shares to the employees of the Bank and the Bank accounted for the shares as salary expenses on share-based payments. However, the Bank excluded the salary expenses on share-based payments in its income tax returns to comply with the guidelines of the Ministry of Finance of the ROC (MOF) issued on April 20, 2011 and recognized the additional taxes derived from such transactions. On December 28, 2018, the MOF issued guidelines stating that if a company compensates the services of the employees of its subsidiary by issuing new shares or giving its own shares or other equity instruments, and the subsidiary measures and recognizes expenses for the services of the employees during the vesting period, the subsidiary can then recognize the expenses as salary expenses in the income tax returns. The Bank believes the MOF guidelines on December 28, 2018 are applicable to the shares issued by ESFHC to the employees of the Bank, and the shares should be accounted for as salary expenses in the income tax returns of the Bank. Accordingly, the Bank has filed an administrative remedy or applied for tax authority's review and reassessment of the tax returns from 2010 to 2017 in view of the December 28, 2018 guidelines. Based on the current examination of tax authorities, the Bank assessed that the tax authorities will approve the deduction of the relevant salary expenses in these years, and recognized the estimated income tax impact. In addition, the deduction of the relevant salary expenses of 2010 to 2016 (except for 2013) has been approved by the tax authorities. While the final result of the remaining years is subject to the examination of the taxation administration, the Bank will continue to follow through the development of the issues and evaluate the impact on the taxation of the Bank.

35. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share were as follows:

	Amount (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (Dollars)
<u>For the year ended December 31, 2021</u>			
Basic earnings per share			
Net income	<u>\$ 17,558,577</u>	<u>9,893,700</u>	<u>\$ 1.77</u>
<u>For the year ended December 31, 2020</u>			
Basic earnings per share			
Net income	<u>\$ 16,464,910</u>	<u>9,893,700</u>	<u>\$ 1.66</u>

The number of shares outstanding was retrospectively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. The basic earnings per share after income tax were retrospectively adjusted as follows:

Unit: NT\$ Per Share

	<u>For the Year Ended December 31, 2020</u>	
	<u>Before Retrospective Adjustment</u>	<u>After Retrospective Adjustment</u>
Basic earnings per share	<u>\$ 1.73</u>	<u>\$ 1.66</u>

36. EQUITY

a. Capital stock

Common stock

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Authorized number of shares (in thousands)	<u>9,893,700</u>	<u>9,524,100</u>
Authorized capital	<u>\$ 98,937,000</u>	<u>\$ 95,241,000</u>
Number of shares issued (in thousands)	<u>9,893,700</u>	<u>9,524,100</u>
Common stock issued	<u>\$ 98,937,000</u>	<u>\$ 95,241,000</u>
Common stock issued		
Public offering	<u>\$ 51,551,185</u>	<u>\$ 49,625,382</u>
Private placement	<u>47,385,815</u>	<u>45,615,618</u>
	<u>\$ 98,937,000</u>	<u>\$ 95,241,000</u>

Common stock issued has a NT\$10 par value. Each share has one voting right and the right to receive dividends.

The stockholders resolved to use the 2019 unappropriated earnings of \$4,760,000 thousand as stock dividends consisting of 476,000 thousand shares on April 24, 2020, and thereby resolved to increase authorized capital to \$95,241,000 thousand. This issuance was approved by the Ministry of Economic Affairs (MOEA).

The stockholders resolved to use the 2020 unappropriated earnings of \$3,696,000 thousand as stock dividends consisting of 369,600 thousand shares on April 23, 2021, and thereby resolved to increase authorized capital to \$98,937,000 thousand. This issuance was approved by the MOEA.

b. Capital surplus

Under the Articles of Incorporation of ESFHC, the employees of ESFHC's subsidiaries could be included in the distribution of employees' compensation. Thus, the Bank recognized the estimated distribution of shares to the Bank's employees under both salary expenses and capital surplus at \$595,513 thousand and \$502,404 thousand for the years ended December 31, 2021 and 2020, respectively. Material differences between the estimated amounts and the amounts approved by ESFHC's board of directors before the date the annual consolidated financial statements are authorized for issue are adjusted in the year which the amounts is recognized. If there is a change in the approved amounts after the annual consolidated financial statements were authorized for issue, the differences are recognized in the next fiscal year as a change in accounting estimate. The distributions of employees' stock compensation of 2020 and 2019 approved by the ESFHC's board of directors to the Bank's employees was \$490,773 thousand and \$582,057 thousand under both salary expenses and capital surplus, respectively. The differences resulted from a change in the accounting estimate was adjusted in profit or loss for the years ended December 31, 2021 and 2020, respectively.

Under related regulations, capital surplus must be used to offset deficit except capital surplus arising from the issuance of shares (issuance in excess of par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation may be used to distribute cash dividends or transfer to common stock. However, any capital surplus transferred to common stock should be within a certain percentage of paid-in capital prescribed by law.

c. Special reserve

Under FSC guidelines, the Bank reclassified the trading loss reserve of \$83,866 thousand accrued until December 31, 2010 to special reserve. This special reserve must be used to offset deficit except if the Bank has no deficit and the special reserve exceeds 50% of the Bank's paid-in capital, half of the excess may be used to issue new shares. Furthermore, when the special reserve exceeds the Bank's paid-in capital, the Bank may, under the FSC's approval, reclassify the excess back to unappropriated earnings.

According to Order No. 10510001510 issued by the FSC, a special reserve should be appropriated between 0.5% and 1% of net income after tax when banks appropriate earnings of 2016 through 2018. As of December 31, 2021, the special reserve, which amounted to \$218,987 thousand, had been appropriated under the stipulation. According to Order No. 10802714560 issued by the FSC, since 2019, the Bank is allowed to reverse the special reserve at the amount of the costs of employee transfer and arrangement and education training for enhancing and cultivating employee competency to respond the need of financial technology development or business development.

d. Appropriation of earnings

Under the Bank's Articles of Incorporation, where the Bank made a profit in a fiscal year, the profit shall be first utilized for paying all taxes, offsetting deficit of previous years, setting aside a legal reserve and special reserve in accordance with related regulations, setting aside a special reserve if needed, and then any remaining profit together with reversal of special reserve and prior years' unappropriated earnings, the board of directors shall draw up the appropriation of earnings motion for the approval of stockholders.

Articles of incorporation before the approval of the amendment on April 24, 2020

Under the Bank's dividend policy, the issuance of stock dividends takes precedence over the payment of cash dividends to strengthen the Bank's financial structure. This policy is also intended to improve the Bank's capital adequacy ratio and keep it at a level higher than the ratio set under relevant regulations. When dividends are declared, cash dividends must be at least 10% of total dividends declared, unless the resulting cash dividend per share falls below NT\$0.1. However, cash dividends should not be more than 15% of paid-in capital if legal reserve is less than the total paid-in capital.

Articles of incorporation after the approval of the amendment on April 24, 2020

To strengthen the financial structure, the Bank shall keep adequate capital in accordance with the Banking Act of ROC and related regulations of the authorities and distribute cash dividends and (or) stock dividends according to its operating plan. However, unless and until the accumulated legal reserve equals the paid-in capital, the maximum cash dividends which may be distributed shall not exceed the legal limit.

Under the Company Act, appropriation of earnings to the legal reserve shall be made until the reserve equals the Bank's paid-in capital. This reserve should only be used to offset deficit. When the reserve exceeds 25% of the Bank's paid-in capital, the excess may be used to issue new shares or distribute cash dividends. In addition, the Banking Act limits the appropriation of cash dividends to 15% of the Bank's paid-in capital. But when the legal reserve equals the Bank's paid-in capital, this 15% limit may be waived.

Under related regulations, a special reserve is appropriated from the balance of the retained earnings at an amount from the net income and unappropriated earnings that is equal to the debit balance of accounts in the stockholders' equity section. The special reserve should be appropriated from the prior years' unappropriated earnings to the extent of the debit balance accumulated from prior years and such special reserve should not be appropriated. Afterward, if there is any reversal of the decrease in other stockholders' equity, the Bank is allowed to appropriate retained earnings from the reversal amount.

The appropriations of earnings for 2020 and 2019 that were approved in the stockholders' meetings on April 23, 2021 and April 24, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 4,644,946	\$ 5,892,885		
Cash dividends	7,142,426	9,318,844	\$0.750	\$1.030
Stock dividends	3,696,000	4,760,000	0.390	0.526

The appropriation of earnings for 2020 had been proposed by the Bank's board of directors on March 11, 2021. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 5,447,377	
Special reserve	830,159	
Cash dividends	7,172,933	\$0.73
Stock dividends	4,700,000	0.48

The appropriation of earnings for 2021 are subject to the resolution of the stockholders' meeting. Information on earnings appropriation or deficit offsetting is available at the Market Observation Post System website of the TWSE (<http://emops.twse.com.tw>).

e. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Balance, January 1	\$ 140,777	\$ 131,199
Cash dividends distributed by subsidiary	-	(12,937)
Attributable to non-controlling interests:		
Net income	28,243	22,642
Exchange differences on the translation of financial statements of foreign operations	(123)	(211)
Remeasurement of defined benefit plans	<u>187</u>	<u>84</u>
Balance, December 31	<u>\$ 169,084</u>	<u>\$ 140,777</u>

37. RELATED-PARTY TRANSACTIONS

E.SUN Financial Holding Company, Ltd. (ESFHC) is the parent company of the Bank and the ultimate controller of the E.SUN Group. All transactions, balances, income and expenses between the Bank and the subsidiaries (related parties of the Bank) are eliminated on a consolidated basis. In addition to those mentioned in Table 2 and in other notes, the significant related-party transactions are summarized as follows:

a. Related parties

Related Party	Relationship with the Company
E.SUN Financial Holding Company, Ltd. (ESFHC)	Parent company
E.SUN Securities Co., Ltd. (E.SUN Securities), E.SUN Venture Capital Co., Ltd. (ESVC) and E.SUN Securities Investment Consulting Corp.	Sister companies
E.SUN Foundation and E.SUN Volunteer & Social Welfare Foundation	Related parties in substance
Others	Key management of the parent company (ESFHC) and the Company and other related parties

b. Significant transactions between the Company and related parties

1) Loans

	Highest Balance (Note)	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended <u>December 31, 2021</u>				
Key management	\$ 463,022	\$ 350,776	\$ 3,832	
Others	<u>4,217,119</u>	<u>2,860,293</u>	<u>31,639</u>	
	<u>\$ 4,680,141</u>	<u>\$ 3,211,069</u>	<u>\$ 35,471</u>	0.80-1.85 (Continued)

	Highest Balance (Note)	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended <u>December 31, 2020</u>				
Key management	\$ 467,292	\$ 369,459	\$ 2,944	
Others	<u>3,435,374</u>	<u>2,593,295</u>	<u>30,208</u>	
	<u>\$ 3,902,666</u>	<u>\$ 2,962,754</u>	<u>\$ 33,152</u>	0.80-1.85 (Concluded)

2) Deposits

	Highest Balance (Note)	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended <u>December 31, 2021</u>				
ESFHC	\$ 10,750,676	\$ 2,153,511	\$ 1,581	
Sister companies	10,553,420	10,089,525	6,173	
Key management	925,074	813,165	1,506	
Others	<u>2,453,463</u>	<u>1,463,815</u>	<u>16,509</u>	
	<u>\$ 24,682,633</u>	<u>\$ 14,520,016</u>	<u>\$ 25,769</u>	0-6.34

For the year ended
December 31, 2020

ESFHC	\$ 10,847,191	\$ 789,220	\$ 1,076	
Sister companies	9,118,617	3,153,000	9,937	
Key management	798,306	588,354	1,544	
Others	<u>2,753,857</u>	<u>1,311,627</u>	<u>15,568</u>	
	<u>\$ 23,517,971</u>	<u>\$ 5,842,201</u>	<u>\$ 28,125</u>	0-6.34

Note: The sum of the respective highest balances of each account for the years ended December 31, 2021 and 2020.

3) Lease arrangements - the Bank as lessor

The Bank leases out investment properties to its associate - ESFHC and sister companies under operating leases with lease terms of 4 to 5 years.

Unearned revenues (part of other liabilities) were as follows:

	December 31	
	2021	2020
ESFHC	\$ 30	\$ 30
Sister companies	<u>1,122</u>	<u>942</u>
	<u>\$ 1,152</u>	<u>\$ 972</u>

Future lease payment receivables were as follows:

	December 31	
	2021	2020
ESFHC	\$ 18,571	\$ 24,850
Sister companies	<u>18,747</u>	<u>22,261</u>
	<u>\$ 37,318</u>	<u>\$ 47,111</u>

Rental income (part of other noninterest gains, net) was as follows:

	For the Year Ended December 31	
	2021	2020
ESFHC	\$ 5,980	\$ 5,980
Sister companies	<u>8,641</u>	<u>8,532</u>
	<u>\$ 14,621</u>	<u>\$ 14,512</u>

	December 31	
	2021	2020
4) Interest receivable (part of receivables)		
Key management	\$ 217	\$ 223
Others	<u>1,599</u>	<u>1,332</u>
	<u>\$ 1,816</u>	<u>\$ 1,555</u>
5) Consolidated tax return receivables (part of current tax assets)		
ESFHC	<u>\$ 157,875</u>	<u>\$ 154,487</u>
6) Prepaid expense (part of other assets)		
Sister companies	<u>\$ 3,020</u>	<u>\$ 1,667</u>
7) Accounts payable (part of payables)		
Sister companies	<u>\$ 351,699</u>	<u>\$ 95,031</u>
8) Interest payable (part of payables)		
ESFHC	\$ 15	\$ 2
Sister companies	283	169
Key management	147	158
Others	<u>1,169</u>	<u>1,196</u>
	<u>\$ 1,614</u>	<u>\$ 1,525</u>
9) Remuneration of directors (part of payables)		
ESFHC	<u>\$ 89,000</u>	<u>\$ 95,000</u>

		December 31	
		2021	2020
10) Consolidated tax return payables (part of current tax liabilities)			
ESFHC		<u>\$ 1,255,368</u>	<u>\$ 267,809</u>
11) Guarantee deposits received (part of other financial liabilities)			
ESFHC		\$ 1,562	\$ 1,562
Sister companies		<u>2,273</u>	<u>2,246</u>
		<u>\$ 3,835</u>	<u>\$ 3,808</u>

The Bank's parent company, ESFHC, has filed consolidated corporate tax returns, i.e., including the Bank's income tax return, from 2003, as allowed by certain tax regulations.

		For the Year Ended December 31	
		2021	2020
12) Service fee income (part of service fee income, net)			
ESFHC		\$ 3,050	\$ -
Sister companies		<u>136</u>	<u>-</u>
		<u>\$ 3,186</u>	<u>\$ -</u>
13) Rental income from operating assets (part of other noninterest gains, net)			
ESFHC		\$ 228	\$ 256
Sister companies		<u>3,490</u>	<u>3,911</u>
		<u>\$ 3,718</u>	<u>\$ 4,167</u>
14) Donation (part of general and administrative expenses)			
E.SUN Volunteer & Social Welfare Foundation		<u>\$ 37,331</u>	<u>\$ 56,566</u>
15) Other (part of employee benefits, general and administrative expenses)			
ESFHC		\$ 54,000	\$ 81,000
Sister companies		<u>14,737</u>	<u>10,000</u>
		<u>\$ 68,737</u>	<u>\$ 91,000</u>

The above donation is for E.SUN Volunteer & Social Welfare Foundation's social welfare charity.

16) There were no directors as credit guarantors as of December 31, 2021 and 2020.

17) In August 2012, E.SUN Volunteer & Social Welfare Foundation entrusted some properties to the Bank. The Bank charged \$372 thousand and \$352 thousand (part of service fee income, net) accordingly for the years ended December 31, 2021 and 2020, respectively.

The Bank has operating lease contracts with related parties, which cover certain office spaces within the Bank's building. The monthly or quarterly rentals, which had been prepaid by the lessees, were based on rentals for buildings near the Bank.

The interest rates shown above are similar to, or approximate, those offered to third parties. However, the interest rates for savings deposits given to managers of the Bank are the same as the interest rates of employees' savings deposits within a certain amount.

Under the Banking Act, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

c. Remuneration of key management

The remuneration of the directors and other key management for the years ended December 31, 2021 and 2020 are summarized as follows:

	For the Year Ended December 31	
	2021	2020
Salaries and other short-term employment benefits	\$ 237,390	\$ 324,602
Post-employment benefits	2,253	2,441
Interest arising from the employees' preferential rates in excess of normal rates	<u>584</u>	<u>649</u>
	<u><u>\$ 240,227</u></u>	<u><u>\$ 327,692</u></u>

38. PLEDGED ASSETS

a. In addition to those mentioned in other notes, pledged securities were as follows:

	December 31	
	2021	2020
Financial assets at fair value through profit or loss (face value)	\$ 25,200,000	\$ 24,200,000
Investments in debt instruments at amortized cost (face value)	4,505,711	3,041,785
Investments in debt instruments at fair value through other comprehensive income (face value)	<u>3,619,098</u>	<u>3,389,804</u>
	<u><u>\$ 33,324,809</u></u>	<u><u>\$ 30,631,589</u></u>

As of December 31, 2021 and 2020, the foregoing bonds and securities, with aggregate face value of \$20,200,000 and \$19,200,000 thousand, respectively, had been provided as collaterals for day-term overdraft to comply with the clearing system requirement of the Central Bank (CB) of the Republic of China for real-time gross settlement (RTGS). The unused overdraft amount at day's end can also be treated as the Bank's liquidity reserve. For covering its call loans from the CB, the Bank had provided collaterals consisting of securities with aggregate face values of \$5,000,000 thousand as of December 31, 2021 and 2020. It had also provided other securities as collaterals for operating reserve and for meeting the requirements for judiciary provisional seizure.

- b. To expand its capital sourcing and enhance its liquidity position, the Bank's Los Angeles Branch obtained access privileges at the Discount Window of the Federal Reserve Bank of San Francisco. The information on the securities and loans pledged by the Branch for this access was as follows:

(In Thousands of U.S. Dollars)

Date	Pledged Amount	Collateral Value
December 31, 2021	<u>\$ 103,000</u>	<u>\$ 97,912</u>
December 31, 2020	<u>\$ 111,000</u>	<u>\$ 100,863</u>

- c. In response to the public policy to help those severely affected by COVID-19 pandemic, the Bank offers loans to SMEs and has applied for project financing from the Central Bank. As of December 31, 2021 and 2020, up to \$15,000,000 thousand and \$10,000,000 thousand in the Bank's deposit reserves - account B were provided as collaterals to the Central Bank in accordance with the relevant regulations.
- d. As of December 31, 2021 and 2020, UCB has provided US\$4,805 thousand and US\$35,090 thousand due from the National Bank of Cambodia as collaterals for guarantees of both loan and settlement accounts in the National Bank of Cambodia in accordance with relevant regulations.

39. CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the contingencies and commitments were as follows:

- a. E.SUN Bank

As of December 31, 2021, agreements on the acquisition and decoration of buildings and various purchases related to the improvements of existing premises occupied by the Bank's branches amounted to approximately \$2,756,697 thousand, and the remaining unpaid amount was approximately \$1,227,730 thousand.

- b. Union Commercial Bank (UCB)

As of December 31, 2021, decoration of buildings and various purchases related to the improvements of existing premises occupied by UCB amounted to approximately \$700,356 thousand, and the remaining unpaid amount was approximately \$1,148 thousand.

- c. E.SUN Bank (China), Ltd. (ESBC)

As of December 31, 2021, decoration of buildings and various purchases related to the improvements of existing premises occupied by ESBC amounted to approximately \$91,669 thousand, and the remaining unpaid amount was approximately \$46,408 thousand.

40. THE BANK'S AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average balance was calculated at the daily average balances of interest-earning assets and interest-bearing liabilities.

For the Year Ended December 31				
2021			2020	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents and other financial assets - due from banks	\$ 43,349,195	0.28	\$ 30,605,463	1.14
Call loans to banks	28,773,106	0.82	23,970,675	0.75
Due from the Central Bank	55,440,043	0.20	46,840,594	0.23
Financial assets mandatorily classified as at fair value through profit or loss - bonds	127,297,813	2.40	149,909,846	3.52
Financial assets mandatorily classified as at fair value through profit or loss - bills	464,453,272	0.31	410,845,597	0.45
Securities purchased under resell agreements	2,193,045	0.23	3,486,261	0.34
Accounts receivable factored without recourse	7,391,750	0.89	6,816,733	1.66
Discounts and loans	1,647,745,684	1.56	1,511,824,109	1.78
Receivables on credit cards	30,156,493	6.38	31,183,417	6.49
Debt instruments at fair value through other comprehensive income	283,467,195	1.22	216,747,172	1.50
Investments in debt instruments at amortized cost	52,266,395	1.07	13,241,732	1.31
<u>Interest-bearing liabilities</u>				
Deposits from the Central Bank and other banks	76,016,925	0.45	73,018,824	0.89
Due to the Central Bank and other banks	11,214,007	0.10	4,265,859	0.10
Financial liabilities at fair value through profit or loss	44,950,688	4.72	42,449,331	5.06
Securities sold under repurchase agreements	11,054,201	0.13	9,599,959	0.34
Demand deposits	722,903,924	0.04	586,232,952	0.08
Savings - demand deposits	680,340,748	0.07	593,383,713	0.09
Time deposits	732,113,312	0.56	670,636,442	1.22
Savings - time deposits	301,658,871	0.80	306,396,903	0.89
Negotiable certificates of deposit	26,848,997	0.28	16,384,748	0.65
Bank debentures	33,190,000	1.53	36,169,180	1.56
Principal of structured products	51,402,663	0.52	44,858,003	0.64
Lease liabilities	3,092,025	0.78	2,612,792	0.80

41. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments that are not measured at fair value

Except as detailed in the following table, the management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	December 31			
	2021		2020	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 308,219,235	\$ 308,865,486	\$ 16,465,798	\$ 16,521,979
<u>Financial liabilities</u>				
Bank debentures	34,270,000	36,980,295	33,970,000	36,197,124

Fair value hierarchy as of December 31, 2021

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 308,865,486	\$ 21,111,533	\$ 287,753,953	\$ -
<u>Financial liabilities</u>				
Bank debentures	36,980,295	-	36,980,295	-

Fair value hierarchy as of December 31, 2020

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 16,521,979	\$ 16,521,979	\$ -	\$ -
<u>Financial liabilities</u>				
Bank debentures	36,197,124	-	36,197,124	-

The fair values of the financial assets and financial liabilities included in the Level 2 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis.

b. The valuation techniques and assumptions the Company uses for determining fair values were as follows:

The fair values of financial assets and financial liabilities traded on active markets are determined with reference to quoted market prices. When market prices are not available, valuation techniques are applied. The financial data obtained by the Company for making estimations and assumptions for financial instrument valuation is consistent with those used by other market participants to price financial instruments. The fair value of the unlisted stocks held by the Company is determined by using market approach or asset approach.

The Company estimated the fair value of each forward contract on the basis of the exchange rates quoted by Reuters on each settlement date. Fair values of interest rate swap contracts and cross-currency swap contracts are calculated using the discounted cash flow method, unless the fair values of these two types of contracts are provided by counterparties. Fair values of currency option contracts are based on estimates made using the Black Scholes model, binomial method or Monte Carlo simulation. The fair values of futures contracts are calculated using the prices quoted by the futures exchange.

For valuation of debt instruments with no active market, the fair value is determined on the basis of the discounted cash flow method. The Company uses a discount rate approximating the rate of return of financial instruments with similar terms and characteristics, including the credit risk of the debtors, the residual period during which the fixed interest rate prescribed by contracts is accrued, the residual period for principal repayments, and the type of currency (New Taiwan dollars, U.S. dollars, etc.) to be used for payments. As of December 31, 2021 and 2020, the discount rates used ranged from 0.174% to 1.150% and from 0.170% to 0.793%, respectively, for the New Taiwan dollar and from 0.135% to 1.803% and from 0.050% to 1.408%, respectively, for the U.S. dollar.

If there are trade prices or prices quoted by major market players, the latest trade prices and quoted prices are used as the basis for evaluating the fair value of debt instruments, which are classified as investments in debt instruments at amortized cost; otherwise, the Company uses the foregoing valuation techniques to determine fair value.

The Company takes credit/debit valuation adjustments into consideration in order to reflect the credit risk resulted from counterparties and the credit quality of the Company when determining fair values of the financial instruments.

- c. The fair value hierarchies of the Company's financial instruments, which were measured at fair value on a recurring basis, as of December 31, 2021 and 2020, were as follows:

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ 15,451,044	\$ 56,963	\$ 15,394,081	\$ -
Equity instruments	1,405,137	1,405,137	-	-
Debt instruments	118,639,005	260,590	118,378,415	-
Others	270,625,609	-	270,625,609	-
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instruments	20,009,657	18,879,990	-	1,129,667
Debt instruments	311,937,235	153,299,813	158,637,422	-
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	13,749,747	-	13,749,747	-
Financial liabilities designated as at fair value through profit or loss	47,449,715	-	47,449,715	-

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ 22,729,819	\$ 30,160	\$ 22,699,659	\$ -
Equity instruments	969,361	969,361	-	-
Debt instruments	138,469,345	2,773,337	135,696,008	-
Others	549,117,002	-	549,117,002	-
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instruments	8,468,318	7,415,654	-	1,052,664
Debt instruments	254,338,866	121,200,937	133,137,929	-
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	20,137,985	-	20,137,985	-
Financial liabilities designated as at fair value through profit or loss	50,303,457	-	50,303,457	-

The Company remeasures the classification of fair value hierarchy at the end of each reporting period to determine whether there is a transfer between levels of the fair value hierarchy.

There were no significant transfers between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.

d. Reconciliation of the financial instruments classified in Level 3

For the year ended December 31, 2021

	Financial Assets in Equity Instruments at Fair Value Through Other Comprehensive Income
Balance at January 1	\$ 1,052,664
Valuation recognized in other comprehensive income	(57,226)
Acquisitions	136,000
Disposal	(1,278)
Change in exchange rates	<u>(493)</u>
Balance at December 31	<u>\$ 1,129,667</u>

For the year ended December 31, 2020

	Financial Assets in Equity Instruments at Fair Value Through Other Comprehensive Income
Balance at January 1	\$ 977,254
Valuation recognized in other comprehensive income	<u>75,410</u>
Balance at December 31	<u>\$ 1,052,664</u>

e. Valuation process on fair value in Level 3

The Company's risk management division is responsible for conducting independent fair value verification, using independent source data to bring the valuation results close to market conditions, confirming that the data sources are independent, reliable, consistent with other data messages, and representing executable prices, and regularly calibrating valuation models and updating input values and data required for the model, as well as any other necessary fair value adjustments, to ensure that the valuation results are reasonable.

f. Quantitative information on significant unobservable input (Level 3) in fair value

The significant unobservable inputs of the fair value of financial instruments classified in Level 3 on a recurring basis are as follows:

December 31, 2021

	Fair Value	Valuation Techniques	Significant Unobservable Input	Range (Weighted- average)	The Relation Between Inputs and Fair Value
Financial assets at fair value through other comprehensive income					
Investments in equity instruments	\$ 955,491	Market approach	Lack of liquidity discount	10%	The higher the lack of liquidity, the lower the fair value is
	174,176	Asset approach	Lack of liquidity discount; allowance of minority interest	10%; 10%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is

December 31, 2020

	Fair Value	Valuation Techniques	Significant Unobservable Input	Range (Weighted- average)	The Relation Between Inputs and Fair Value
Financial assets at fair value through other comprehensive income					
Investments in equity instruments	\$ 1,017,184	Market approach	Lack of liquidity discount	10%	The higher the lack of liquidity, the lower the fair value is
	35,480	Asset approach	Lack of liquidity discount; allowance of minority interest	10%; 10%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is

g. Sensitivity analysis of fair value hierarchy classified in Level 3

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different results. For financial instruments classified in Level 3, if one parameter changes by 10%, the effects on profit or loss or other comprehensive income for the current period are as follow:

December 31, 2021

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	Unfavorable Changes
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	\$ 112,967	\$ (112,967)

December 31, 2020

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	Unfavorable Changes
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	\$ 105,266	\$ (105,266)

h. Information on financial liabilities designated as at fair value through profit or loss was as follows:

	December 31	
	2021	2020
Difference between carrying amounts and the amounts due on maturity		
Fair value	\$ 47,449,715	\$ 50,303,457
Amounts due on maturity	<u>45,447,639</u>	<u>45,711,540</u>
	<u>\$ 2,002,076</u>	<u>\$ 4,591,917</u>
		Change in Fair Values Resulting from Credit Risk Variations
Accumulated amount of change		
As of December 31, 2021		<u>\$ 651,427</u>
As of December 31, 2020		<u>\$ 651,070</u>

The change in fair value of bank debentures resulting from credit risk variation is the difference between the total change in fair value and the change in fair value due to market risk variations of these financial instruments. The change in fair value resulting from market risk variations is calculated using the benchmark yield rate plus a fixed credit spread. The fair values of bank debentures are the present values of future cash flows discounted by the benchmark yield rate quoted in the market as of the balance sheet date plus the credit spread estimated using the interest rates of the debt issuers' borrowings with similar maturities.

i. Information on financial risk management

1) Risk management

The Bank established the Risk Management Division to draw up the principles and policies of risk management to be followed by each department, to coordinate and monitor the enforcement of risk management policies of each department, and to deliberate whether proposals brought up by each risk-based unit to deal with a variety of issues are suitable for the Bank.

2) Credit risk

Credit risk refers to the Company's exposure to financial losses due to inability of customers or counterparties to meet the contractual obligations on financial instruments. Credit risk exists in both on- and off-balance sheet items. The on-balance sheet exposure to credit risks is mainly in loans and the credit card business, due from other banks, call loans to other banks, investment in debt instrument and derivatives. The off-balance sheet exposure to credit risks is mainly in financial guarantees, acceptance, letter of credits and loan commitments.

To ensure its credit risks fall within the acceptable range, the Company has stipulated in the Guidelines for Credit Risk Management that for all the products provided and businesses conducted, including all on- and off-balance sheet transactions in the banking and trading books, the Company should make a detailed analysis to identify existing and potential credit risks. Before launching new products or businesses, the Company ensures compliance with all applicable rules and regulations and identifies relevant credit risks. For sophisticated credit extensions, such as accounts receivable factored without recourse and credit derivative instruments, etc., the Company also requires the use of a certain risk management system described in related rules and guidelines. The assessment of asset qualities and provision for possible losses of the overseas operating units, unless regulated by the local authorities, are in accordance with the Company's risk management policies and guidelines.

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

a) Loans and credit card business (including loan commitment and guarantees)

On each reporting date, the Company assesses the change in the default risk of financial assets, as well as consider reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situation, credit investigation result, announcement of dishonored checks and negotiation of the debts from other financial institutions, or the debtor has reorganized or is likely to reorganize to determine whether the credit risk has increased significantly.

The Company adopts the 12-month ECLs to evaluate the loss allowance of financial instruments whose credit risk do not increase significantly since initial recognition, and adopt the lifetime ECLs to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or of that are credit-impaired.

The Company considers both the 12-month and lifetime probability of default (“PD”) of the borrower with the loss given default (“LGD”), multiplying, the exposure at default (“EAD”), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

“PD” refers to the borrower’s probability to default and “LGD” refers to losses caused by the default. The Company applies the “PD” and “LGD” to the credit business according to each group’s historical information (such as credit loss experience) from internal statistical data, and adjust historical data based on current observable and forward-looking macroeconomic information, then calculate by applying the progressive one factor model respectively. The Company periodically reviews forward-looking macroeconomic information and timely adjusts “PD” for impact of factors such as the COVID-19.

The Company estimates the account balance based on the ways in repayment, and considers the possible survival rate to calculate the EAD. In addition, the Company estimates the 12-month ECLs and lifetime ECLs of loan commitments by considering the portion of the loan commitments expected to be used within 12 months after the reporting date and within expected lifetime based on the guidelines issued by the Bank’s Association and Basel Accords to determine the amount of “EAD” for calculating expected credit losses.

The Company uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 90 days, or the credit investigation appears to be abnormal, the Company determines that the financial assets are defaulted and credit-impaired.

Credit assets are classified into five categories. In addition to normal credit assets that are classified as sound assets, the unsound assets are classified, on the basis of the valuation of collaterals and the length of time the payments become overdue, as special mention, substandard, with collectability high doubtful and uncollectable. The Company also set up policies for the management of doubtful credits and the collection of overdue debts to deal with collection problems.

For risk management purposes, the Company rates credit qualities (by using an internal rating model for credit risk, a credit score table, etc.) in accordance with the nature and scale of a business.

With the use of statistical method and judgment by experts, the Company has developed a credit rating model for clients. The Company reviews the model periodically to examine if the outcome matches reality and adjusts each parameter to optimize the result. Except the petit credits and residential mortgages, which are assessed by using the credit rating model, consumer loans are assessed individually for default risks.

The Company classifies the credit qualities of corporate loans as strong, medium and weak.

The Company evaluates the credit rating of borrowers at least once a year. In addition, to ensure the estimates used are reasonable and to make sure the outcome calculated matches reality, the Company annually conducts validity test and back testing on the models using data on customers’ actual defaults.

b) Due from and call loans to other banks

The Company evaluates the credit status of counterparties before deals are closed. The Company grants different limits to the counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating institutes.

c) Investments in debt instruments and derivatives

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

December 31, 2021

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 312,290,287	\$ 308,234,469	\$ 620,524,756
Less: Allowance for impairment loss	<u>(100,203)</u>	<u>(15,234)</u>	<u>(115,437)</u>
Amortized cost	312,190,084	<u>\$ 308,219,235</u>	620,409,319
Adjustment to fair value	<u>(252,849)</u>		<u>(252,849)</u>
	<u>\$ 311,937,235</u>		<u>\$ 620,156,470</u>

December 31, 2020

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 252,614,603	\$ 16,467,373	\$ 269,081,976
Less: Allowance for impairment loss	<u>(71,696)</u>	<u>(1,575)</u>	<u>(73,271)</u>
Amortized cost	252,542,907	<u>\$ 16,465,798</u>	269,008,705
Adjustment to fair value	<u>1,795,959</u>		<u>1,795,959</u>
	<u>\$ 254,338,866</u>		<u>\$ 270,804,664</u>

The Company only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Company's exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the investment was recognized.

In order to minimize credit risk, the Company has tasked a team to develop and maintain a credit risk grading framework to categorize exposures according to degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the team uses other publicly available financial information to rate the debtors.

The Company considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Company's current credit risk grading framework comprises the following categories:

December 31, 2021

Credit Rating	Description	Basis for Recognizing Expected Credit Losses	Expected Credit Loss Rate	Gross Carrying Amount
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	-%-0.17%	\$ 620,524,756

December 31, 2020

Credit Rating	Description	Basis for Recognizing Expected Credit Losses	Expected Credit Loss Rate	Gross Carrying Amount
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	-%-0.25%	\$ 269,081,976

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost grouped by credit rating is reconciled as follows:

	<u>Credit Rating</u> Performing (12-month ECL)
Allowance for Impairment Loss	
Balance at January 1, 2021	\$ 73,271
New financial assets purchased	65,167
Derecognition	(16,339)
Change in model or risk parameters	(5,928)
Change in exchange rates or others	<u>(734)</u>
Balance at December 31, 2021	<u>\$ 115,437</u>

	<u>Credit Rating</u> Performing (12-month ECL)
Allowance for Impairment Loss	
Balance at January 1, 2020	\$ 57,403
New financial assets purchased	33,025
Derecognition	(16,507)
Change in model or risk parameters	122
Change in exchange rates or others	<u>(772)</u>
Balance at December 31, 2020	<u>\$ 73,271</u>

The Company identifies and manages credit risks from debt instruments through using external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparties risks.

The other banks with which the Company conducts derivative transactions are mostly considered investment grade. The Company monitors the credit limits (including lending limits) by counterparties. The credits extended to counterparties that are not rated as investment grade are assessed case by case. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

The Company classifies the debt instruments and derivatives into different categories, which are mainly based on the credit ratings provided by external credit agencies (Moody's, S&P, Fitch or Taiwan Ratings).

The Company has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collaterals from the borrowers. To secure the debt, the Company manages and assesses the collaterals following the procedures that determine the scope of collateralization and valuation of collaterals and the process of disposition. In credit contracts, the Company stipulates the security mechanism for debts; the conditions and terms for collaterals; and the terms and conditions of offsetting to state clearly that the Company reserves the right to reduce the granted quota, to reduce the repayment period, to demand immediate settlement or to offset the debts of the borrowers by their deposits in the Company in order to reduce the credit risks. The requirements for collaterals for other non-credit businesses depend on the nature of the financial instruments. Asset-backed securities and similar financial instruments are required to provide a pool of underlying financial assets as collaterals.

To avoid the concentration of credit risks, the Company has included credit limits for a single counterparty and for a single group in its credit-related guidelines. The Company has also included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, the Company set credit limits by industry, conglomerate, country, transactions collateralized by stocks, and other categories and integrated within one system the supervision of concentration of credit risk in these categories.

The Company settles most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or some circumstances where the transactions with counterparties are terminated due to defaults.

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

December 31, 2021

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	\$ 1,178,318,384	\$ 1,660,114	\$ 68,817	\$ -	\$ 1,180,047,315
Allowance for possible losses	(95,148)	(99,444)	(4,171)	-	(198,763)
Difference of impairment loss under regulations	-	-	-	(719,207)	(719,207)
	<u>\$ 1,178,223,236</u>	<u>\$ 1,560,670</u>	<u>\$ 64,646</u>	<u>\$ (719,207)</u>	<u>\$ 1,179,129,345</u>

December 31, 2020

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	\$ 1,272,959,941	\$ 156,606	\$ 19,074,252	\$ -	\$ 1,292,190,799
Allowance for possible losses	(421,939)	(1,685)	(3,228)	-	(426,852)
Difference of impairment loss under regulations	-	-	-	(397,535)	(397,535)
	<u>\$ 1,272,538,002</u>	<u>\$ 154,921</u>	<u>\$ 19,071,024</u>	<u>\$ (397,535)</u>	<u>\$ 1,291,366,412</u>

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

The maximum exposures of consolidated balance sheet items (recognized as financial assets), collateral, master netting arrangements and other credit enforcement instruments are as follows:

December 31, 2021

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
<u>Credit-impaired financial assets</u>					
Receivables					
Credit cards	\$ 2,532,974	\$ -	\$ -	\$ -	\$ -
Other	72,949	-	-	-	-
Discounts and loans	7,688,413	3,835,340	-	-	3,835,340

December 31, 2020

		Maximum Exposure to Credit Risk Mitigated by			
	Carrying Amount	Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
<u>Credit-impaired financial assets</u>					
Receivables					
Credit cards	\$ 2,609,208	\$ -	\$ -	\$ -	\$ -
Other	39,567	-	-	-	-
Discounts and loans	8,238,531	4,328,179	-	-	4,328,179

Concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Group or industry, regions and collaterals that were 10% or more of total outstanding loans of the Bank were as follows:

Credit Risk Profile by Group or Industry	December 31			
	2021		2020	
	Amount	%	Amount	%
Natural person	\$ 897,620,361	50	\$ 828,583,073	50
Manufacturing	347,834,553	19	302,958,374	18
Finance, insurance and real estate	189,689,679	11	167,374,463	10

Credit Risk Profile by Regions	December 31			
	2021		2020	
	Amount	%	Amount	%
Domestic	\$ 1,558,897,685	87	\$ 1,420,878,973	87

Credit Risk Profile by Collaterals	December 31			
	2021		2020	
	Amount	%	Amount	%
Unsecured	\$ 451,367,628	25	\$ 399,459,492	24
Secured				
Real estate	1,161,610,355	65	1,082,599,716	66

Some financial assets held by the Company, such as cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, securities purchased under resell agreements and refundable deposits, are exposed to low credit risks because the counterparties have rather high credit ratings.

The credit quality of discounts and loans evaluation on a 12-month expected credit loss basis were as follows:

	December 31	
	2021	2020
Credit rating		
Strong	\$ 1,258,199,636	\$ 889,058,344
Medium	492,556,246	699,310,944
Weak	<u>25,723,699</u>	<u>40,114,730</u>
Carrying amount	1,776,479,581	1,628,484,018
Allowance for possible losses	<u>(1,107,559)</u>	<u>(3,536,235)</u>
	<u>\$ 1,775,372,022</u>	<u>\$ 1,624,947,783</u>

3) Market risk

Market risk refers to the risk of fluctuation in the fair values or the future cash flows of the on- and off-balance sheet instruments held by the Company because of market price changes. The risk factors that cause market price changes usually include interest rates, exchange rates, and the prices of equity securities and commodities. Changes in these risk factors will cause risk of fluctuation in the net income or in the value of investment portfolio of the Company.

The main market risks the Company faces are the risks on equity securities, interest rates, and exchange rate risks. The equity securities exposed to market risks mainly include stocks listed on the TWSE or traded on the Taipei Exchange and stock index futures in Taiwan; the instruments exposed to interest rate risk mainly include bonds and interest rate derivatives such as the fixed-for-floating interest rate swap; and the instruments exposed to exchange rate risk mainly include the consolidated positions of the investment held by the Company, such as the derivatives denominated in foreign currency and foreign-currency bonds.

The Bank monitors the market risk positions and the tolerable loss of the Bank in accordance with the goals of risk management and the amount limits authorized by the board of directors. The Bank has set up market risk information systems to effectively monitor the management of amount limits on financial instruments, to evaluate the profit and loss, to conduct sensitivity analysis, stress test and calculation of value at risk (VaR), etc. The result is reported in the meetings of risk management and to the board of directors as their reference for making managerial decisions.

The Company mainly divides the positions exposed to market risks into investment portfolios held for trading and investment portfolios not held for trading. The portfolios are monitored by the Risk Management Division, and the management results are reported regularly to the board of directors and the supervisors of each division.

The business units and the risk management units both identify market risk factors for the Company's exposed positions in order to measure market risks. Market risk factors refer to the factors that affect interest rates, exchange rates and values of held financial instruments such as equity securities, etc. The Company analyzes the impact of risk factors on its holding positions, profit and loss, negative result of stress test, sensitivity, VaR, etc., and measures the levels within which the investment portfolios and equity securities might suffer from interest rate risks, exchange rate risks, etc.

The Risk Management Division reports regularly to the board of directors the achievement of management objectives on market risks, the control of holding positions and profit and loss, the sensitivity analysis, the stress test, the value at risk of equity securities, etc. for their understanding of the Bank's market risk control. The Bank also has sound mechanisms for reporting and set limits and stop-loss regulations for all the transactions. If a trade reaches the stop-loss limit, the stop-loss will be executed immediately. Trades that do not follow the stop-loss rule should be reported to the management for their approval, and the reasons for their noncompliance as well as corresponding strategies should also be presented to the management.

Effect of interest rate benchmark reform

The Company is exposed to the LIBOR (with the highest percentage in USD LIBOR), which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. The SOFR (Secured Overnight Financing Rate) is expected to replace the USD LIBOR. There are key differences between the USD LIBOR and SOFR. The USD LIBOR is "forward looking", which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. The SOFR is currently a "backward-looking" rate, based on interest rates from actual transactions, and excludes a credit spread. To transition existing contracts and agreements that reference the USD LIBOR to the SOFR, adjustments for these differences might need to be applied to the SOFR to enable the two benchmark rates to be economically equivalent.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If bilateral negotiations with the counterparties of the Company are not successfully concluded before the cessation of the LIBOR, there would be significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

The Company established a LIBOR transition project plan. This transition project is considering product conversion, contract modification, communication between customers and investors, adjustments to systems and processes, finance and tax implications as well as the risk model, and will be implemented by the corresponding LIBOR transition response team. As of December 31, 2021, the Company is finalizing the amendments of related systems. The Company is continuously discussing with the clients and counterparty about how to revise the contracts which are expected to be impacted. In terms of credit business, the Company has already completed the conversion of credit contracts whose rates ceased at the end of December, 2021. The remaining USD credit contracts will complete bilateral negotiations before June 30, 2023.

In terms of investments in debt instruments, the Company is continuously negotiating with the counterparties about the contracts which have been identified. The Company is ceasing to sell financial instruments connected to LIBOR but will sell those that connect to alternative benchmark interest rate, TAIFX3 or local USD rate, to make sure the rights of clients and the Company will not be impacted.

The following table contains the details of non-derivative financial instruments held by the Company at December 31, 2021, which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Carrying Amount
Financial assets that reference the USD LIBOR	
Financial assets at FVTPL	\$ 113,127,627
Financial assets at FVTOCI	38,424,390
Investments in debt instruments at amortized cost	3,322,542
Discounts and loans	<u>96,636,403</u>
Non-derivative financial assets affected by the interest rate benchmark reform	<u>\$ 251,510,962</u>

The following table contains details of derivative financial instruments held by the Company at December 31, 2021, which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

		Carrying Amount	
	Nominal Amount	Financial Assets	Financial Liabilities
Derivative financial instruments that reference the USD LIBOR			
interest rate swaps	\$ 248,237,070	\$ 4,059,076	\$ 1,753,528
Cross-currency swaps	276,890	1,369	-

The Bank uses the VaR model and stress tests to evaluate risks on investment portfolios for trading. The Bank also assesses market risks and evaluates the maximum expected loss of positions through making assumptions on changes in various market conditions. The board of directors set amount limits based on VaR. The whole risk management process is monitored daily by the Risk Management Division.

VaR statistically estimates the potential loss of the positions due to adverse market movements. The Bank may suffer the “maximum potential loss” within a certain confidence interval (99%), so it is still probable that the actual loss is larger than the VaR to some extent. VaR model assumes that the Bank holds the positions at least for the minimum holding periods (10 days) before they can be settled, and that the market fluctuation in these 10 days is similar to that in the past. The Bank evaluates historical market fluctuation based on historical data in the past two years. The Bank evaluates the VaR of its holding positions using the variance/covariance method. The computation will be used for periodic examinations and verification of assumptions and parameters used. However, this evaluation method cannot prevent losses from significant market fluctuations.

Information on the VaR of the Bank was as follows:

For the year ended December 31, 2021

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	December 31, 2021
<u>By risk type</u>				
Currency	\$ 3,340,311	\$ 2,402,325	\$ 4,155,766	\$ 3,516,984
Interest	5,288,307	3,518,810	6,988,286	5,170,067
Equity	806,523	649,966	1,236,931	1,236,931
Risk diversification	<u>(4,005,028)</u>	-	-	<u>(4,579,535)</u>
Total risk exposure	<u>\$ 5,430,113</u>			<u>\$ 5,344,447</u>

For the year ended December 31, 2020

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	December 31, 2020
<u>By risk type</u>				
Currency	\$ 3,223,971	\$ 1,989,772	\$ 4,108,441	\$ 3,243,184
Interest	5,243,051	3,700,329	6,952,590	5,727,202
Equity	402,932	175,387	672,918	672,918
Risk diversification	<u>(3,871,450)</u>	-	-	<u>(4,174,418)</u>
Total risk exposure	<u>\$ 4,998,504</u>			<u>\$ 5,468,886</u>

Stress test is used to measure the greatest potential losses of the portfolio of risk assets under the worst scenarios. The Risk Management Division performs it, and it includes (a) a stress test on risk factors, in which the stress test is applied to all kinds of risks; and (b) a temporary stress test, in which the stress test is applied to special investment positions or specific investment areas, for example, areas where exchange rates fluctuate dramatically. The results of stress tests are reported to the senior management.

For the information on the foreign-currency financial assets and liabilities with significant effect, please refer to Table 3.

4) Liquidity risk

Liquidity risk refers to the possibility of financial loss resulting from the shortage of funds in meeting the needs of asset acquisition or debt repayment on maturity. Examples are the depositors' withdrawal of deposits before maturity, difficulty in raising funds from other banks or worsening funding conditions due to the fluctuations in specific markets, unstable recovery of money due to credit defaults, deterioration of the convertibility of financial instruments, early termination of interest-sensitive instruments, etc. These situations might result in decrease of cash inflows from loans, trades and investments. In some extreme cases, lack of liquidity may cause decrease of asset values in balance sheets, disposal of assets or other situations in which loan commitments cannot be met. Liquidity risks exist in all banking operations, and are influenced by specific events from industries or markets, including but not limited to credit events, mergers and acquisitions, systematic risks in the industry or natural disasters.

Liquidity risk management is done by the money market division and monitored by the risk management division. The procedures include (a) maintaining daily money market operations and monitoring future cash flows to ensure the meeting of liquidity requirements; (b) holding an appropriate amount of readily convertible and highly liquid assets to prevent from unpredictable events that disrupt cash flows; (c) monitoring the liquidity ratios for the balance sheets in accordance with internal and external policies; and (d) managing security products during their remaining maturity periods. Liquidity risk monitoring and reporting are based on the valuation and prediction of future cash flows from different terms to maturity (maturity gap is used by the Bank as a tool to manage liquidity risk). The prediction of cash flows involves the cash outflows at the maturity date of the financial liabilities and the cash inflows at the receipt date of financial assets.

For maintaining solvency and meeting the needs of emergency assistance arrangements, the Company holds cash and high-quality, liquid interest-bearing assets. The assets held for liquidity risk management include cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, discounts and loans, financial assets at fair value through other comprehensive income and debt instruments at amortized cost, etc.

The liquidity reserve ratios of the Bank for December 2021 and 2020 were 33.81% and 35.84%, respectively.

The Company disclosed the analysis of cash outflows from nonderivative financial liabilities by the residual maturities as of the balance sheet date. The amounts of cash outflows are based on contractual cash flows, so some amounts may not correspond to those that shown in the consolidated balance sheets.

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 51,151,644	\$ 30,863,439	\$ 952,113	\$ 513,962	\$ -	\$ 83,481,158
Due to the Central Bank and other banks	-	-	-	14,021,010	-	14,021,010
Nonderivative financial liabilities at fair value through profit or loss	-	-	-	508,259	44,939,380	45,447,639
Securities sold under repurchase agreements	4,072,567	3,097,930	551,588	771,427	8,192,500	16,686,012
Payables	21,583,427	752,479	377,740	339,009	146,624	23,199,279
Deposits and remittances	1,054,471,949	242,878,740	258,370,651	413,676,105	728,673,362	2,698,070,807
Bank debentures	-	-	3,220,000	6,600,000	24,450,000	34,270,000
Lease liabilities	110,302	149,431	260,197	458,016	3,144,783	4,122,729
Other items of cash outflow on maturity	5,110,604	3,690,773	289,603	279,659	55,855,122	65,225,761

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 41,977,252	\$ 10,665,356	\$ 1,516,729	\$ 809,649	\$ -	\$ 54,968,986
Due to the Central Bank and other banks	-	8,044,340	-	-	-	8,044,340
Nonderivative financial liabilities at fair value through profit or loss	-	-	-	523,330	45,188,210	45,711,540
Securities sold under repurchase agreements	9,158,366	1,203,256	965,810	-	-	11,327,432
Payables	20,940,060	995,627	395,298	427,341	100,505	22,858,831
Deposits and remittances	935,095,060	241,610,977	229,107,360	387,240,913	700,039,728	2,493,094,038
Bank debentures	-	1,300,000	-	-	32,670,000	33,970,000
Lease liabilities	94,511	110,842	263,880	469,871	2,284,405	3,223,509
Other items of cash outflow on maturity	6,500,520	3,682,178	934,496	431,642	53,005,256	64,554,092

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

a) Derivative financial liabilities to be settled at net amounts

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives	\$ 28,970	\$ 143,425	\$ 162,555	\$ 20,631	\$ -	\$ 355,581
Interest derivatives	4	35	2	-	-	41

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives	\$ 28,000	\$ 2,766	\$ 56	\$ 4,984	\$ -	\$ 35,806

b) Derivative financial liabilities to be settled at gross amounts

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 245,358,741	\$ 310,653,624	\$ 183,685,736	\$ 263,860,542	\$ 24,120,443	\$ 1,027,679,086
Cash inflow	242,148,705	308,129,842	181,884,643	260,531,476	24,019,037	1,016,713,703
Interest derivatives						
Cash outflow	1,212,767	4,418,381	835,494	2,932,764	3,118,579	12,517,985
Cash inflow	907,025	4,146,365	461,784	2,261,976	1,300,643	9,077,793
Total cash outflow	246,571,508	315,072,005	184,521,230	266,793,306	27,239,022	1,040,197,071
Total cash inflow	243,055,730	312,276,207	182,346,427	262,793,452	25,319,680	1,025,791,496
Net cash outflow	\$ 3,515,778	\$ 2,795,798	\$ 2,174,803	\$ 3,999,854	\$ 1,919,342	\$ 14,405,575

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 195,010,621	\$ 179,441,854	\$ 99,630,398	\$ 124,771,856	\$ 7,883,904	\$ 606,738,633
Cash inflow	191,116,965	175,513,004	97,229,967	122,179,598	7,699,643	593,739,177
Interest derivatives						
Cash outflow	3,003,798	2,115,759	2,835,019	5,851,789	60,323,217	74,129,582
Cash inflow	1,846,704	1,686,936	2,200,178	4,536,015	56,141,893	66,411,726
Total cash outflow	198,014,419	181,557,613	102,465,417	130,623,645	68,207,121	680,868,215
Total cash inflow	192,963,669	177,199,940	99,430,145	126,715,613	63,841,536	660,150,903
Net cash outflow	\$ 5,050,750	\$ 4,357,673	\$ 3,035,272	\$ 3,908,032	\$ 4,365,585	\$ 20,717,312

The Company conducted the maturity analysis of off-balance sheet items based on the residual maturities as of the consolidated balance sheet date. For the financial guarantee contracts issued, the maximum amounts of the guarantees are included in the earliest periods that the guarantee obligation might have been required to be fulfilled. The amounts used in the maturity analysis of off-balance sheet items are based on contractual cash flows, so some amounts may not correspond to those shown in the consolidated balance sheets.

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 848,406	\$ 1,510,135	\$ 3,197,127	\$ 8,448,319	\$ 45,367,989	\$ 59,371,976
Credit card commitments	10,918	13,006	17,928	3,242,956	475,410,582	478,695,390
Letters of credit issued and yet unused	2,454,038	4,458,888	1,261,456	551,496	514,534	9,240,412
Other guarantees	5,064,101	7,428,846	2,083,383	15,384,181	6,222,521	36,183,032

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 443,893	\$ 1,750,566	\$ 1,701,169	\$ 6,702,697	\$ 34,271,321	\$ 44,869,646
Credit card commitments	118,185	21,111	47,363	264,204	470,523,610	470,974,473
Letters of credit issued and yet unused	1,445,159	5,181,479	1,374,154	412,180	1,483	8,414,455
Other guarantees	4,320,472	6,792,798	2,412,244	14,241,758	5,594,172	33,361,444

j. Transfers of financial assets

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

December 31, 2021					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Investments in debt instruments at FVTOCI - securities sold under repurchase agreements	\$ 17,043,122	\$ 15,778,699	\$ 17,043,122	\$ 15,778,699	\$ 1,264,423
Investments in debt instruments at amortized cost under repurchase agreements	911,582	869,940	929,579	869,940	59,639

December 31, 2020					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Investments in debt instruments at FVTOCI - securities sold under repurchase agreements	\$ 12,153,396	\$ 11,305,248	\$ 12,153,396	\$ 11,305,248	\$ 848,148

k. Offsetting financial assets and financial liabilities

The Company is eligible to present certain derivative assets and derivative liabilities on a net basis on the balance sheet since the offsetting criteria are met. Cash collateral has also been paid by part of counterparties for the net amount of the derivative assets and derivative liabilities. The cash collateral does not meet the offsetting criteria, but it can be set off against the net amount of the derivative assets and derivative liabilities in the case of default and insolvency or bankruptcy, in accordance with an associated collateral arrangement.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2021

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	\$ 15,451,044	\$ -	\$ 15,451,044	\$ (7,529,927)	\$ (2,889,087)	\$ 5,032,030
Settlements	49,467	-	49,467	(49,467)	-	-
	<u>\$ 15,500,511</u>	<u>\$ -</u>	<u>\$ 15,500,511</u>	<u>\$ (7,579,394)</u>	<u>\$ (2,889,087)</u>	<u>\$ 5,032,030</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	\$ 13,749,747	\$ -	\$ 13,749,747	\$ (7,529,927)	\$ (2,567,492)	\$ 3,652,328
Repurchase agreements	16,664,444	-	16,664,444	(12,579,906)	-	4,084,538
Settlements	475,482	-	475,482	(49,467)	-	426,015
	<u>\$ 30,889,673</u>	<u>\$ -</u>	<u>\$ 30,889,673</u>	<u>\$ (20,159,300)</u>	<u>\$ (2,567,492)</u>	<u>\$ 8,162,881</u>

December 31, 2020

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	\$ 22,729,819	\$ -	\$ 22,729,819	\$ (10,465,309)	\$ (5,892,275)	\$ 6,372,235
Resell agreements	2,300,419	-	2,300,419	(2,300,419)	-	-
	<u>\$ 25,030,238</u>	<u>\$ -</u>	<u>\$ 25,030,238</u>	<u>\$ (12,765,728)</u>	<u>\$ (5,892,275)</u>	<u>\$ 6,372,235</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	\$ 20,137,985	\$ -	\$ 20,137,985	\$ (10,465,309)	\$ (4,087,457)	\$ 5,585,219
Repurchase agreements	11,308,940	-	11,308,940	(11,308,940)	-	-
	<u>\$ 31,446,925</u>	<u>\$ -</u>	<u>\$ 31,446,925</u>	<u>\$ (21,774,249)</u>	<u>\$ (4,087,457)</u>	<u>\$ 5,585,219</u>

42. CAPITAL MANAGEMENT

The two main objectives of capital management of the Bank are (a) meeting the requirements for legal capital set by the authorities and building an effective system for capital management and (b) balancing risk control and business development under the premise of “undertaking risks and earning returns on capital” and maximizing the stockholders’ profits.

The Banking Act and related regulations require that the Bank maintains both standalone and consolidated ratios of regulatory capital to risk-weighted assets (including ratio of the common equity to risk-weighted assets, ratio of Tier 1 capital to risk-weighted assets and capital adequacy ratio (CAR)) should comply with the minimum ratio requested by authorities.

The capital of the Bank is jointly managed by the Capital Management Team and the Risk Management Division. The management process starts from the evaluation and adjustments to plans or budgets by using different quantitative methods that consider risks, returns and growth rates. Subsequently, the evaluation and adjustments are used to confirm the total amount of capital requirement and is eventually used to allocate the capital to the respective branches and operating units. The whole process takes into consideration the quantitative risk assessment, plans and budgets, capital balance and allocation of economic capitals to corresponding units on the basis of risk appetite. The process is a combination of risk appetite, capital management, risk management, managerial decisions and performance assessment.

Information on the Bank’s CAR was as follows:

(Unit: In Thousands of New Taiwan Dollars, %)

Year			December 31, 2021	
Items			Standalone	Consolidated
Eligible capital	Common equity		\$ 176,736,385	\$ 179,167,854
	Other Tier 1 capital		24,343,828	27,972,199
	Tier 2 capital		38,145,366	46,187,663
	Eligible capital		239,225,579	253,327,716
Risk-weighted assets	Credit risk	Standardized approach	1,483,148,972	1,545,993,477
		Internal ratings-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	123,407,213	128,379,838
		Advanced measurement approach	-	-
	Market risk	Standardized approach	106,201,563	117,232,825
		Internal model approach	-	-
	Risk-weighted assets		1,712,757,748	1,791,606,140
Capital adequacy ratio (%)			13.97	14.14
Ratio of common equity to risk-weighted assets (%)			10.32	10.00
Ratio of Tier 1 capital to risk-weighted assets (%)			11.74	11.56
Leverage ratio (%)			6.02	6.07

Year			December 31, 2020	
Items			Standalone	Consolidated
Eligible capital	Common equity		\$ 167,478,087	\$ 169,746,710
	Other Tier 1 capital		24,486,398	27,972,199
	Tier 2 capital		39,032,950	46,734,557
	Eligible capital		230,997,435	244,453,466
Risk-weighted assets	Credit risk	Standardized approach	1,281,158,937	1,339,559,309
		Internal ratings-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	121,079,875	125,793,513
		Advanced measurement approach	-	-
	Market risk	Standardized approach	74,951,988	81,222,275
		Internal model approach	-	-
	Risk-weighted assets		1,477,190,800	1,546,575,097
	Capital adequacy ratio (%)			15.64
Ratio of common equity to risk-weighted assets (%)			11.34	10.98
Ratio of Tier 1 capital to risk-weighted assets (%)			13.00	12.78
Leverage ratio (%)			6.28	6.32

Note 1: Eligible capital and risk-weighted assets are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and “Explanation of Methods for Calculating the Eligible Capital and Risk - Weighted Assets of Banks”.

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

43. THE BANK'S ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

- a. Asset quality: Table 4 (attached).

b. Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2021			December 31, 2020		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of E.SUN Bank's Equity	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of E.SUN Bank's Equity
1	Group A Manufacture of other electronic parts and components not elsewhere classified	\$ 13,372,939	7.12	Group B Other activities auxiliary to financial service activities not elsewhere classified	\$ 9,820,456	5.53
2	Group B Other activities auxiliary to financial service activities not elsewhere classified	9,743,425	5.18	Group A Manufacture of other electronic parts and components not elsewhere classified	8,313,005	4.68
3	Group C Real estate development	7,405,626	3.94	Group K Air transport	8,273,310	4.66
4	Group D Activities of head offices	6,731,996	3.58	Group D Activities of head offices	6,888,566	3.88
5	Group E Wholesale of computers, computer peripheral equipment and software	6,271,694	3.34	Group H Manufacture of electronic passive devices	6,814,764	3.84
6	Group F Electricity supply	6,122,645	3.26	Group L Real estate activities for sale and rental with own or leased property	5,828,145	3.28
7	Group G Manufacture of computers	5,749,770	3.06	Group C Real estate development	5,527,771	3.11
8	Group H Manufacture of electronic passive devices	5,667,575	3.02	Group M Manufacture of computers	5,487,723	3.09
9	Group I Retail sale of computers, computer peripheral equipment and software	5,619,141	2.99	Group E Wholesale of computers, computer peripheral equipment and software	4,720,957	2.66
10	Group J Wired telecommunications activities	5,387,450	2.87	Group N Other holding companies	4,367,883	2.46

Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate - General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings".

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

c. Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars, %)

December 31, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,882,953,674	\$ 54,387,259	\$ 48,649,915	\$ 207,823,909	\$ 2,193,814,757
Interest rate-sensitive liabilities	1,514,320,094	82,528,196	101,926,440	83,951,870	1,782,726,600
Interest rate sensitivity gap	368,633,580	(28,140,937)	(53,276,525)	123,872,039	411,088,157
Net worth					169,680,579
Ratio of interest rate-sensitive assets to liabilities					123.06
Ratio of interest rate sensitivity gap to net worth					242.27

December 31, 2020

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,785,776,454	\$ 65,674,821	\$ 85,272,799	\$ 131,460,676	\$ 2,068,184,750
Interest rate-sensitive liabilities	1,432,001,698	60,808,236	99,812,199	87,199,479	1,679,821,612
Interest rate sensitivity gap	353,774,756	4,866,585	(14,539,400)	44,261,197	388,363,138
Net worth					149,067,460
Ratio of interest rate-sensitive assets to liabilities					123.12
Ratio of interest rate sensitivity gap to net worth					260.53

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

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

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

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

Interest Rate Sensitivity (U.S. Dollars)

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

December 31, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 15,730,374	\$ 296,280	\$ 81,320	\$ 2,639,317	\$ 18,747,291
Interest rate-sensitive liabilities	23,890,173	3,677,284	4,429,102	1,772,657	33,769,216
Interest rate sensitivity gap	(8,159,799)	(3,381,004)	(4,347,782)	866,660	(15,021,925)
Net worth					292,196
Ratio of interest rate-sensitive assets to liabilities					55.52
Ratio of interest rate sensitivity gap to net worth					(5,141.04)

December 31, 2020

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 13,451,973	\$ 653,834	\$ 251,516	\$ 2,213,351	\$ 16,570,674
Interest rate-sensitive liabilities	21,754,001	2,502,288	3,011,604	1,765,415	29,033,308
Interest rate sensitivity gap	(8,302,028)	(1,848,454)	(2,760,088)	447,936	(12,462,634)
Net worth					304,178
Ratio of interest rate-sensitive assets to liabilities					57.07
Ratio of interest rate sensitivity gap to net worth					(4,097.15)

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

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

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

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

d. Profitability

Unit: %

Items		December 31, 2021	December 31, 2020
Return on total assets	Before income tax	0.68	0.71
	After income tax	0.58	0.62
Return on equity	Before income tax	11.21	10.76
	After income tax	9.61	9.45
Net income ratio		34.43	32.09

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

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

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

Note 4: Income before (after) income tax represents income from January to each period-end date.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars)

December 31, 2021

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,753,974,033	\$ 343,521,892	\$ 341,068,487	\$ 186,990,208	\$ 160,879,468	\$ 191,999,331	\$ 1,529,514,647
Main capital outflow on maturity	3,167,648,859	123,115,404	203,655,100	458,550,892	397,173,330	580,099,582	1,405,054,551
Gap	(413,674,826)	220,406,488	137,413,387	(271,560,684)	(236,293,862)	(388,100,251)	124,460,096

December 31, 2020

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,448,831,778	\$ 344,703,588	\$ 299,351,504	\$ 149,592,376	\$ 155,542,547	\$ 193,849,860	\$ 1,305,791,903
Main capital outflow on maturity	2,842,099,491	109,238,336	207,374,677	382,804,737	299,536,324	519,960,283	1,323,185,134
Gap	(393,267,713)	235,465,252	91,976,827	(233,212,361)	(143,993,777)	(326,110,423)	(17,393,231)

Note: The above amounts included only New Taiwan dollar amounts held by the Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

(In Thousands of U.S. Dollars)

December 31, 2021

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 59,228,869	\$ 13,927,018	\$ 14,017,727	\$ 7,908,105	\$ 10,127,270	\$ 13,248,749
Main capital outflow on maturity	67,459,369	14,948,358	15,920,369	12,949,531	20,264,471	3,376,640
Gap	(8,230,500)	(1,021,340)	(1,902,642)	(5,041,426)	(10,137,201)	9,872,109

December 31, 2020

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 42,481,080	\$ 11,662,662	\$ 9,746,837	\$ 4,425,030	\$ 5,236,198	\$ 11,410,353
Main capital outflow on maturity	50,066,649	12,207,491	11,545,415	9,832,924	13,142,825	3,337,994
Gap	(7,585,569)	(544,829)	(1,798,578)	(5,407,894)	(7,906,627)	8,072,359

Note 1: The above amounts included only U.S. dollar amounts held by the Bank.

Note 2: If overseas assets exceed 10% of E.SUN Bank total assets, supplementary information shall be disclosed.

Maturity Analysis of Assets and Liabilities of Overseas Branches (U.S. Dollars)

(In Thousands of U.S. Dollars)

December 31, 2021

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 14,406,427	\$ 3,676,348	\$ 3,161,085	\$ 1,069,808	\$ 2,216,277	\$ 4,282,909
Main capital outflow on maturity	14,961,395	3,637,380	4,381,985	2,309,788	4,201,807	430,435
Gap	(554,968)	38,968	(1,220,900)	(1,239,980)	(1,985,530)	3,852,474

December 31, 2020

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 8,851,797	\$ 2,341,572	\$ 2,030,000	\$ 535,446	\$ 530,682	\$ 3,414,097
Main capital outflow on maturity	9,288,016	2,789,615	2,642,746	1,861,288	1,602,404	391,963
Gap	(436,219)	(448,043)	(612,746)	(1,325,842)	(1,071,722)	3,022,134

44. TRUST BUSINESS UNDER THE TRUST ENTERPRISE ACT

- a. Trust-related items, as shown in the following balance sheet, statements of income and trust property list

The trust-related items shown below were managed by the Bank's Trust Department. However, these items were not included in the Company's consolidated financial statements.

Balance Sheets of Trust Accounts December 31, 2021 and 2020

Trust Assets	2021	2020	Trust Liabilities	2021	2020
Cash in banks	\$ 5,399,931	\$ 5,366,156	Accounts payable		
Investments	293,835,419	270,827,820	on administrative		
Receivables	275	-	expense	\$ 4	\$ 2
Real estate	4,864,484	3,578,841	Accounts payable		
Securities under			on securities		
custody	<u>619,710,798</u>	<u>557,862,049</u>	under custody	619,710,798	557,862,049
			Trust capital		
			Cash	294,987,173	274,243,585
			Securities	4,482,833	2,535,035
			Real estate	4,542,789	3,198,696
			Reserves and		
			accumulated		
			deficit	(15,128,998)	(8,172,277)
			Net income	<u>15,216,308</u>	<u>7,967,776</u>
Total assets	<u>\$ 923,810,907</u>	<u>\$ 837,634,866</u>	Total liabilities	<u>\$ 923,810,907</u>	<u>\$ 837,634,866</u>

Note: Investments of the OBU are included in total trust-related assets. As of December 31, 2021 and 2020, the amounts of the OBU's investments were \$24,857,118 thousand and \$21,390,045 thousand, respectively.

Trust Property List December 31, 2021 and 2020

	2021	2020
Cash in banks	\$ 5,395,438	\$ 5,364,307
Cash in other banks	4,493	1,849
Stocks	13,605,755	9,279,372
Mutual funds	237,275,855	227,981,262
Bonds	23,056,184	24,215,511
Structured products	19,890,149	9,155,149
Beneficial certificates pending settlement	7,476	196,526
Receivables	275	-
Real estate	4,864,484	3,578,841
Securities under custody	<u>619,710,798</u>	<u>557,862,049</u>
	<u>\$ 923,810,907</u>	<u>\$ 837,634,866</u>

Statements of Income on Trust Accounts
For the Years Ended December 31, 2021 and 2020

	2021	2020
<u>Revenues</u>		
Interest	\$ 10,866	\$ 12,285
Cash dividend	11,723,137	11,069,408
Realized capital gain - common stocks	7,938	268
Unrealized capital gain - common stocks	-	44,775
Property gain	8,206,688	6,069,775
Realized capital gain - bonds	2,713,134	1,628,532
Realized capital gain - mutual funds	923,827	920,807
Other revenues	2,133	11,235
Revenues from beneficial certificates	42,302	16,592
Revenues from rent for stocks	49	301
Total revenues	<u>23,630,074</u>	<u>19,773,978</u>
<u>Expenses</u>		
Management fees	682,178	322,403
Supervisor fees	-	30
Service fees	1,122	5,340
Property loss	7,583,668	11,131,539
Income tax	603	762
Tax expenditures	11,371	12,772
Other expenses	28,954	30,182
Realized capital loss - common stocks	52	210
Realized capital loss - mutual funds	71,879	302,267
Unrealized capital loss - common stocks	<u>33,939</u>	<u>697</u>
Total expenses	<u>8,413,766</u>	<u>11,806,202</u>
Net income	<u>\$ 15,216,308</u>	<u>\$ 7,967,776</u>

- b. Nature of trust business operations under the Trust Enterprise Act: Note 1.

45. ALLOCATION OF REVENUE, COST AND EXPENSE THAT RESULTED FROM THE SHARING OF RESOURCES BETWEEN E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Under cooperation arrangements, the Bank and E.SUN Securities shared some equipment and operating sites; thus, related expenses were allocated as follows:

	Bank	E.SUN Securities	Total	Allocation Method
For the year ended December 31, 2021				
Others	\$ 299	\$ 324	\$ 623	Utilities - 50% each Building maintenance fee - based on space actually occupied
For the year ended December 31, 2020				
Others	\$ 325	\$ 650	\$ 975	Utilities - 50% each Building maintenance fee - based on space actually occupied

The cross-selling transactions between the Bank and E.SUN Securities were as follows (the amounts below refer to the Bank):

	For the Year Ended December 31	
	2021	2020
Revenue	\$ 4,604	\$ 3,837
Expense	\$ 138,326	\$ 93,139

46. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

For the year ended December 31, 2021

	Opening Balance	Cash Inflows (Outflows)	New Leases	Non-cash Changes Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance
Due to the Central Bank and other banks	\$ 8,044,340	\$ 5,976,670	\$ -	\$ -	\$ -	\$ 14,021,010
Short-term borrowings	868,371	(294,591)	-	-	-	573,780
Bank debentures	33,970,000	300,000	-	-	-	34,270,000
Long-term borrowings	344,971	-	-	-	(9,934)	335,037
Financial liabilities designated as at fair value through profit or loss-bank debentures	50,303,457	-	-	(2,589,841)	(263,901)	47,449,715
Guarantee deposits received	5,204,333	(3,261,894)	-	-	-	1,942,439
Lease liabilities	3,105,185	(1,071,081)	1,823,470	-	(16,503)	3,841,071
	<u>\$ 101,840,657</u>	<u>\$ 1,649,104</u>	<u>\$ 1,823,470</u>	<u>\$ (2,589,841)</u>	<u>\$ (290,338)</u>	<u>\$ 102,433,052</u>

For the year ended December 31, 2020

				Non-cash Changes		
	Opening Balance	Cash Inflows (Outflows)	New Leases	Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance
Due to the Central Bank and other banks	\$ -	\$ 8,044,340	\$ -	\$ -	\$ -	\$ 8,044,340
Short-term borrowings	20,000	848,371	-	-	-	868,371
Bank debentures	32,070,000	1,900,000	-	-	-	33,970,000
Long-term borrowings	361,356	2,851	-	-	(19,236)	344,971
Financial liabilities designated as at fair value through profit or loss-bank debentures	48,974,699	-	-	2,804,631	(1,475,873)	50,303,457
Guarantee deposits received	1,568,974	3,635,359	-	-	-	5,204,333
Lease liabilities	<u>3,126,192</u>	<u>(1,008,753)</u>	<u>1,000,338</u>	<u>-</u>	<u>(12,592)</u>	<u>3,105,185</u>
	<u>\$ 86,121,221</u>	<u>\$ 13,422,168</u>	<u>\$ 1,000,338</u>	<u>\$ 2,804,631</u>	<u>\$ (1,507,701)</u>	<u>\$ 101,840,657</u>

47. ADDITIONAL DISCLOSURES

a. Significant transactions and b. investees:

- 1) Financing provided: The Bank, UCB and ESBC are not applicable. Other investees: None.
- 2) Endorsement/guarantee provided: The Bank, UCB and ESBC are not applicable. Other investees: None.
- 3) Marketable securities held: The Bank, UCB and ESBC are not applicable. Other investees: None.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (the Bank, UCB and ESBC disclosed its investments acquired or disposed of): None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: Table 5 (attached).
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital: None.
- 7) Financial asset securitization: None.
- 8) Allowance of service fees to related parties amounting to at least NT\$5 million: None.
- 9) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: None.
- 10) Sale of nonperforming loans: None.
- 11) Other significant transactions that may affect the decisions of users of financial reports: None.
- 12) Related information and proportionate share in investees: Table 6 (attached).

13) Derivative transactions: Notes 8 and 41 to the consolidated financial statements.

c. Investment in mainland China:

The information on major operating items, paid-in capital, methods of investment, investment inflows and outflows, proportion of stockholdings, investment income or loss, book value at year-end, the remitted investment profits and the limit on the amount of investment in mainland China - is shown in Table 7 (attached).

d. Business relationship and significant transactions among the parent company and subsidiaries: Table 8 (attached).

48. OPERATING SEGMENTS

The information reported to the Company's chief operating decision makers for the assessment of segment performance focuses mainly on operation and profitability. The Company's reportable segments are as follows:

- a. Corporate banking unit, which handles corporate loans, foreign exchange business, and financial banking operations, etc.;
- b. Individual banking unit, which handles residential mortgage, unsecured personal loans (UPLs), wealth management, and credit cards;
- c. Overseas branches and subsidiaries, including overseas branches and subsidiaries' business; and
- d. Others, including the head office and other performance units except for the above operating segments.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 4. Segment profit is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The terms of transactions between segments are similar to those for third parties.

The revenues, expenses and related information of the Company's reportable segments were as follows:

(In Millions of New Taiwan Dollars)

	For the Year Ended December 31, 2021				
	Corporate Banking Unit	Individual Banking Unit	Overseas Branches and Subsidiaries	Others	Total
Net interest revenues (expenses)	<u>\$ 13,235</u>	<u>\$ 16,964</u>	<u>\$ 5,124</u>	<u>\$ (9,732)</u>	<u>\$ 25,591</u>
Total net revenues (expenses)	\$ 19,660	\$ 32,713	\$ 7,252	\$ (6,868)	\$ 52,757
Bad-debt expenses and provision for losses on commitments and guarantees	(522)	(897)	(103)	(612)	(2,134)
Operating expenses	<u>(4,850)</u>	<u>(20,997)</u>	<u>(2,591)</u>	<u>(1,497)</u>	<u>(29,935)</u>
Income (loss) before income tax	<u>\$ 14,288</u>	<u>\$ 10,819</u>	<u>\$ 4,558</u>	<u>\$ (8,977)</u>	<u>\$ 20,688</u>

For the Year Ended December 31, 2020					
	Corporate Banking Unit	Individual Banking Unit	Overseas Branches and Subsidiaries	Others	Total
Net interest revenues (expenses)	<u>\$ 9,474</u>	<u>\$ 14,624</u>	<u>\$ 4,736</u>	<u>\$ (7,739)</u>	<u>\$ 21,095</u>
Total net revenues (expenses)	\$ 21,194	\$ 26,326	\$ 7,129	\$ (1,534)	\$ 53,115
Bad-debt expenses and provision for losses on commitments and guarantees	(30)	(975)	(626)	(1,609)	(3,240)
Operating expenses	<u>(5,400)</u>	<u>(16,533)</u>	<u>(2,593)</u>	<u>(6,359)</u>	<u>(30,885)</u>
Income (loss) before income tax	<u>\$ 15,764</u>	<u>\$ 8,818</u>	<u>\$ 3,910</u>	<u>\$ (9,502)</u>	<u>\$ 18,990</u>

TABLE 1

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

**CONSOLIDATED ENTITIES
DECEMBER 31, 2021 AND 2020**

Entities included in the consolidated financial statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)		Note
				December 31, 2021	December 31, 2020	
E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	China	Banking	100.00	100.00	
	Union Commercial Bank PLC.	Cambodia	Banking	100.00	100.00	
	BankPro E-Service Technology Co., Ltd	Taipei	Information software	61.67	61.67	
Union Commercial Bank PLC.	URE Land Holding Co., Ltd.	Cambodia	Real estate leasing and management	90.00	90.00	Note

Entities did not include in the consolidated financial statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)		Note
				December 31, 2021	December 31, 2020	
None						

Note: Union Commercial Bank PLC. holds a 49% interest in URE Land Holding Co., Ltd. In the Articles of Incorporation of URE Land Holding Co., Ltd., Union Commercial Bank PLC. has power to control the composition of the board of directors and owns at least 90% of economic benefit of URE Land Holding Co., Ltd.; hence, URE Land Holding Co., Ltd. is deemed as a subsidiary of Union Commercial Bank PLC.

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

**RELATED-PARTY TRANSACTIONS
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

Loans

December 31, 2021

Type	Account Volume or Name	Highest Balance for the Year Ended December 31, 2021 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	106	\$ 44,963	\$ 28,253	\$ 28,253	\$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	402	2,874,296	2,287,233	2,287,233	-	Land and buildings	None
Other loans	Others	1,151,175	895,583	895,583	-	Land, buildings and plant	None

December 31, 2020

Type	Account Volume or Name	Highest Balance for the Year Ended December 31, 2020 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	124	\$ 59,650	\$ 34,911	\$ 34,911	\$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	378	2,463,762	2,032,613	2,032,613	-	Land and buildings	None
Other loans	Others	1,206,794	895,230	895,230	-	Land, buildings and plant	None

Note: The sum of the respective highest balances of each account for the years ended December 31, 2021 and 2020.

TABLE 3**E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES****INFORMATION ON FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES WITH SIGNIFICANT EFFECT
DECEMBER 31, 2021 AND 2020
(In Thousands)**

	December 31					
	2021			2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 21,446,873	27.6890	\$ 593,842,466	\$ 19,435,765	28.5100	\$ 554,113,660
CNY	24,287,793	4.3497	105,644,613	16,447,881	4.3858	72,137,116
AUD	5,583,714	20.0990	112,227,068	4,834,027	21.9930	106,314,756
Non-monetary items						
USD	283,991	27.6890	7,863,427	467,083	28.5100	13,316,536
CNY	118,403	4.3497	515,018	2,839,989	4.3858	12,455,624
AUD	1,866	20.0990	37,505	2,082	21.9930	45,789
<u>Financial liabilities</u>						
Monetary items						
USD	\$ 36,805,998	27.6890	\$ 1,019,121,279	\$ 32,606,578	28.5100	\$ 929,613,539
CNY	25,204,268	4.3497	109,631,005	25,804,607	4.3858	113,173,845
AUD	2,963,613	20.0990	59,565,658	2,724,312	21.9930	59,915,794
Non-monetary items						
USD	186,255	27.6890	5,157,215	283,350	28.5100	8,078,309
CNY	41,375	4.3497	179,969	43,473	4.3858	190,664
AUD	422	20.0990	8,482	2,578	21.9930	56,698

TABLE 4

E.SUN COMMERCIAL BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2021				December 31, 2020					
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		\$ 1,048,194	\$ 431,358,368	0.24	\$ 4,917,890	469.18	\$ 946,794	\$ 409,753,709	0.23	\$ 4,599,080	485.75
	Unsecured		599,974	414,472,104	0.14	4,834,825	805.84	729,640	365,610,752	0.20	4,529,362	620.77
Consumer banking	Residential mortgage (Note 4)		289,183	490,971,422	0.06	7,164,836	2,477.61	353,016	460,277,809	0.08	6,764,149	1,916.10
	Cash card		206	905	22.76	220	106.80	-	1,163	-	220	-
	Small-scale credit loans (Note 5)		531,990	137,669,562	0.39	1,632,397	306.85	655,547	121,251,280	0.54	1,524,198	232.51
	Other (Note 6)	Secured	249,105	264,897,964	0.09	2,730,503	1,096.13	359,958	244,315,399	0.15	2,550,436	708.54
		Unsecured	214	2,862,131	0.01	30,928	14,452.34	214	1,641,714	0.01	17,815	8,324.77
Loan			2,718,866	1,742,232,456	0.16	21,311,599	783.84	3,045,169	1,602,851,826	0.19	19,985,260	656.29
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards			78,017	83,118,497	0.09	1,102,670	1,413.37	92,477	81,905,399	0.11	1,008,403	1,090.44
Accounts receivable factored without recourse (Note 7)			-	12,539,839	-	162,536	-	-	10,290,562	-	132,733	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			5,405					7,415				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			19,172					28,911				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			1,178,631					1,221,840				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			1,660,823					1,658,823				

- Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans.” Nonperforming receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).
- Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loans balance.
Ratio of nonperforming receivables: Nonperforming receivables ÷ Outstanding receivables balance.
- Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.
Coverage ratio of receivables: Allowance for possible losses for receivables ÷ Nonperforming receivables.
- Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.
- Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.
- Note 6: Other consumers’ banking loans refer to secured or unsecured loans that exclude residential mortgage, cash cards, credit cards and small-scale credit loans.
- Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.
- Note 8: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau’s letter dated April 25, 2006 (Ref. No. 09510001270).
- Note 9: Amounts of executed debt-restructuring projects not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau’s letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Property	Transaction Date	Transaction Amount	Payment Term/ Payment Status	Counterparty	Nature of Relationship	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Union Commercial Bank PLC.	Construction of new building for the operation of UCB’s head office	2014.12.18 2018.07.04 2019.06.06	US\$ 25,027 thousand (Note 1)	US\$24,999 thousand has been paid as of December 31, 2021	LBL International	-	-	-	-	\$ -	Negotiation	For the operation of UCB’s head office	None
E.SUN Commercial Bank, Ltd.	Construction of new building for the operation in Kaohsiung	2018.11.09 2019.11.28	\$ 745,300 (Note 2)	\$448,314 has been paid as of December 31, 2021	Chun Yuan Construction Co., Ltd.	-	-	-	-	-	Tender	For the operation of the branch of E.SUN Bank	None
	Construction of new building for the head office of E.SUN Commercial Bank, Ltd.	2018.11.09 2021.06.10	6,465,400 (Note 3)	\$6,465,400 has been paid as of December 31, 2021	Kindom Construction Corp.	-	-	-	-	-	Appraisal	For relocating the head office of E.SUN Bank	None
	Construction of new building for the operation in Taichung	2021.11.12 2021.11.17	328,159	\$328,159 has been paid as of December 31, 2021	Lien Jade Construction Co., Ltd. and Mr. Liao	-	-	-	-	-	Appraisal	For the operation of the branch of E.SUN Bank	None

Note 1: The initial transaction amount was US\$21,835 thousand and additional decoration amount of US\$3,192 thousand.

Note 2: The initial transaction amount was \$707,000 thousand and additional amount of \$38,300 thousand.

Note 3: The initial transaction amount was \$6,392,400 thousand and additional amount of \$73,000 thousand.

TABLE 6

E.SUN COMMERCIAL BANK, LTD.

**THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Amount	Investment Income	Proportionate Share of the Bank and its Affiliates in Investees (Note 1)				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)	Percentage of Ownership	
E.SUN Commercial Bank, Ltd. (The Bank)	<u>Finance-related business</u>										
	Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81	\$ 10,867	\$ 1,200	160	-	160	0.81	
	Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	0.45	270,347	5,386	1,889	-	1,889	0.45	
	Financial Information Service Co., Ltd.	Taipei	Information service	2.28	434,168	32,658	11,876	-	11,876	2.28	
	Taiwan Asset Management Corporation	Taipei	Acquisition of delinquent loans	0.57	43,680	3,900	6,000	-	6,000	0.57	
	Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94	44,750	500	5,000	-	5,000	2.94	
	Taiwan Finance Corp.	Taipei	Bills financing	0.41	28,048	1,314	2,120	-	2,120	0.41	
	All Win Fintech Company Limited	Taipei	Electronic payment	17.89	136,000	-	-	-	-	17.89	
	Sunny Asset Management Co.	Taipei	Acquisition of delinquent loans	4.35	5,302	481	261	-	261	4.35	
	Taiwan Mobile Payment Co.	Taipei	Information service	3.00	12,600	-	1,800	-	1,800	3.00	
	BankPro E-Service Technology Co., Ltd.	Taipei	E-commerce application service	61.67	330,272	44,245	11,533	-	11,533	64.07	Note 3
	Union Commercial Bank PLC.	Phnom Penh Cambodia	Commercial banking	100.00	4,180,887	427,738	80	-	80	100.00	Note 3
	E.SUN Bank (China), Ltd.	Shenzhen, China	Commercial banking	100.00	9,223,938	226,968	-	-	-	100.00	Note 3
	<u>Non-finance-related business</u>										
	Taiwan Incubator Small & Medium Enterprises Development Co., Ltd.	Taipei	Small and medium enterprise incubation	3.44	20,292	970	2,425	-	2,425	3.44	
	EASYCARD Investment Holding Co., Ltd.	Taipei	Investment	4.82	105,729	4,357	5,013	-	5,013	4.82	

Note 1: Shares or pro forma shares held by the Bank, directors, supervisors, president, vice president and affiliates have been included in accordance with the Company Act.

Note 2: a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Article 74 of the Banking Act.

b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of “Securities and Exchange Law Enforcement Rules.”

c. Derivative contracts, such as stock options, are those conforming to the definition of derivatives in International Financial Reporting Standard 9.

Note 3: When preparing the consolidated financial statements, it has been eliminated.

TABLE 7**E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES****INVESTMENT IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow					
E.SUN Bank (China), Ltd.	Deposits, loans, import and export, exchange and foreign exchange business	\$ 9,758,742 (Note 1)	Direct	\$ 9,758,742	\$ -	\$ -	\$ 9,758,742 (Note 1)	100	\$ 226,968	\$ 9,223,938	\$ -

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
\$9,758,742 (Note 1)	\$9,758,742 (Note 1)	\$112,869,772

Note 1: Translation into New Taiwan dollars at the spot rates on the dates of investment outflow from Taiwan.

Note 2: Based on the Investment Commission's "Regulation on the Examination of Investment or Technical Cooperation in Mainland China," investments are limited to larger of 60% of the Bank's net assets value or 60% of the Company's consolidated net assets value.

TABLE 8**E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES****BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES****FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Transaction Company	Counterparty	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Due from the Central Bank and call loans to other banks	\$ 8,146,620	Note 4	0.25
2	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Deposits from the Central Bank and other banks	8,146,620	Note 4	0.25
0	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Discounts and loans	2,719,060	Note 4	0.09
1	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Other financial liabilities	2,719,060	Note 4	0.09
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Interest revenue	191,659	Note 4	0.36
2	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Interest expense	191,659	Note 4	0.36

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

- a. Parent company: 0
- b. Subsidiaries are numbered in an order starting from 1.

Note 2: Transaction flows are as follows:

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

Note 3: For calculating the percentages, asset or liability account is divided by the total consolidated assets and the revenue or expense account is divided by the total consolidated net revenue of the same period.

Note 4: The terms for the transactions between the transaction companies and related parties are similar to those for unrelated parties.

Note 5: Referring to transactions exceeding \$100,000 thousand.



E.SUN's 30th Anniversary Towards a Sustainable Future.

Thanks for your long-term support.

We are devoted to sustainable development for a beautiful and better society.

E.SUN FINANCIAL HOLDING COMPANY, LTD.



Yung-Jen Huang

Chairman





Service Network of E.SUN Commercial Bank, Ltd.

Branch	Phone	Branch	Phone	Branch	Phone
Business Department	+886 2 2719 1313	Yonghe Branch	+886 2 2949 1313	Changhua Branch	+886 4 728 1313
Customer Services Division	+886 2 2175 1313	Yongan Branch	+886 2 8921 1313	Yuanlin Branch	+886 4 836 1313
International Banking Department	+886 2 2577 1313	Shuanghe Branch	+886 2 2923 1313	Caotun Branch	+886 4 9238 1313
Trust Department	+886 2 2562 1313	Xinzhuang Branch	+886 2 2202 1313	Douliu Branch	+886 5 532 1313
Insurance Agency Department	+886 2 2562 1313	North Xinzhuang Branch	+886 2 2997 1313	East Chiayi Branch	+886 5 216 1313
Nanjing East Road Branch	+886 2 2760 1313	Xinshu Branch	+886 2 2203 1313	Chiayi Branch	+886 5 223 1313
Zhonglun Branch	+886 2 2731 1313	Xindian Branch	+886 2 2916 1313	Puzi Branch	+886 5 379 1313
Xinyi Branch	+886 2 8789 1313	Beixin Branch	+886 2 8911 1313	Xinying Branch	+886 6 656 8813
Nan Shan Plaza Branch	+886 2 2722 8913	Shulin Branch	+886 2 8675 1313	Jiali Branch	+886 6 721 1313
Keelung Road Branch	+886 2 2378 1313	Huilong Branch	+886 2 2689 1313	Rende Branch	+886 6 270 6613
Songshan Branch	+886 2 3765 1313	Sanxia Branch	+886 2 8970 6613	Yanhang Branch	+886 6 253 1313
NTU Branch	+886 2 2368 1313	Xizhi Branch	+886 2 2647 6613	Yongkang Branch	+886 6 201 1313
Dunnan Branch	+886 2 2754 1313	Tucheng Branch	+886 2 2274 1313	South Yongkang Branch	+886 6 313 1313
Heping Branch	+886 2 2362 1313	South Tucheng Branch	+886 2 2267 1313	East Tainan Branch	+886 6 289 1313
Daan Branch	+886 2 2755 1313	Luzhou Branch	+886 2 2848 1313	Jinhua Branch	+886 6 291 1313
Zhongxiao Branch	+886 2 8772 1313	Jixian Branch	+886 2 8283 1313	Annan Branch	+886 6 357 1313
Dongmen Branch	+886 2 2321 1313	Wugu Branch	+886 2 2290 1313	Tainan Branch	+886 6 241 1313
Renai Branch	+886 2 2708 1313	Xinzhuangfuduxin Branch	+886 2 2297 1313	Zuoying Branch	+886 7 348 8813
Fuxing Branch	+886 2 2771 1313	East Linkou Branch	+886 2 2606 9813	Nanzi Branch	+886 7 364 1313
Minsheng Branch	+886 2 2509 1313	Taoyuan Branch	+886 3 332 1313	North Kaohsiung Branch	+886 7 350 1313
Xinsheng Branch	+886 2 2740 1313	Zhonglutequ Branch	+886 3 337 1313	Dachang Branch	+886 7 341 1313
Changchun Branch	+886 2 2546 1313	Taoying Branch	+886 3 375 1313	Chengqing Branch	+886 7 386 1313
Zhongshan Branch	+886 2 2537 1313	Yiwen Branch	+886 3 357 1313	Qixian Branch	+886 7 357 1313
Chengdong Branch	+886 2 2504 1313	Zhongli Branch	+886 3 427 1313	Kaohsiung Branch	+886 7 336 1313
Minquan Branch	+886 2 2568 1313	Zhongyuan Branch	+886 3 428 1313	Lingya Branch	+886 7 716 1313
Taipei Branch	+886 2 2507 1313	Yangmei Branch	+886 3 488 1313	Qianzhen Branch	+886 7 761 1313
Chengzhong Branch	+886 2 2389 1313	Nankan Branch	+886 3 352 1313	Xiaogang Branch	+886 7 807 1313
Guting Branch	+886 2 2364 1313	Linkou Branch	+886 3 396 1313	Fengshan Branch	+886 7 743 1313
Jiancheng Branch	+886 2 2556 1313	Bade Branch	+886 3 367 1313	Linyuan Branch	+886 7 643 1313
Muzha Branch	+886 2 2936 1313	Lixin Branch	+886 3 492 1313	Houzhuang Branch	+886 7 702 1313
Nangang Branch	+886 2 2789 1313	Hsinchu Branch	+886 3 523 1313	Gangshan Branch	+886 7 621 1313
Neihu Branch	+886 2 2659 1313	Zhuke Branch	+886 3 564 1313	Pingtung Branch	+886 8 733 1313
Chenggong Branch	+886 2 2791 8813	Guanghua Branch	+886 3 533 1313	Donggang Branch	+886 8 835 1313
Donghu Branch	+886 2 2632 1313	Zhubei Branch	+886 3 554 1313	Keelung Branch	+886 2 2427 1313
Xinhu Branch	+886 2 8791 6613	Liujia Branch	+886 3 658 9013	Luodong Branch	+886 3 957 1313
Ruiguang Branch	+886 2 2797 8813	Xinfeng Branch	+886 3 557 1313	Hualien Branch	+886 3 831 1313
Shilin Branch	+886 2 2834 1313	Zhunan Branch	+886 3 746 1313	Taitung Branch	+886 89 36 1313
Tianmu Branch	+886 2 2835 1313	Toufen Branch	+886 3 768 3313	Penghu Branch	+886 6 927 1313
Beitou Branch	+886 2 2895 1313	Houlong Branch	+886 3 773 1313	Los Angeles Branch	+1 626 810 2400
Credit Card and Payment Division	+886 2 2182 1313	Wuri Branch	+886 4 2260 8813	Hong Kong Branch	+852 3405 6168
Sanhe Branch	+886 2 2280 1313	Wuquan Branch	+886 4 2377 1313	Singapore Branch	+65 6533 1313
Sanchong Branch	+886 2 2984 1313	Taichung Branch	+886 4 2254 1313	Dong Nai Branch	+84 251 3671313
Erchong Branch	+886 2 2278 1313	Xitun Branch	+886 4 2461 1313	Yangon Branch	+95 1 9345186 190
East Sanchong Branch	+886 2 2971 1313	Zhonggong Branch	+886 4 2350 8913	Sydney Branch	+61 2 9295 1399
Banqiao Branch	+886 2 8257 1313	Nantun Branch	+886 4 2380 1313	Brisbane Branch	+61 7 3033 8813
Puqian Branch	+886 2 2963 1313	Dadun Branch	+886 4 2320 1313	Tokyo Branch	+81 3 6213 1301
Panshin Branch	+886 2 8952 1313	Beitun Branch	+886 4 2241 6813	Hanoi Representative Office	+84 24 35551313
Xinbantequ Branch	+886 2 2954 1313	Wenxin Branch	+886 4 2291 1313	E.SUN Bank (China) Co., Ltd.	+86 755 8898 1313
Guangfu Branch	+886 2 2957 1313	Fengyuan Branch	+886 4 2512 1313	Shenzhen Branch	+86 755 8360 1313
Zhonghe Branch	+886 2 2222 1313	Shalu Branch	+886 4 2662 1813	Guangzhou Branch	+86 20 6199 1313
Liancheng Branch	+886 2 8228 1313	Daya Branch	+886 4 2568 1313	Dongguan Branch	+86 769 2868 1313
Nanshijiao Branch	+886 2 2942 8813	Taiping Branch	+886 4 2270 8813	Dongguan Changan Sub-branch	+86 769 2330 8813
Taihe Branch	+886 2 2242 1313	Dali Branch	+886 4 2418 1313	Union Commercial Bank Plc.	+855 2391 1313



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