

E.SUN BANK

31th

E. SUN BANK 5847
<https://www.esunbank.com.tw>
<http://mops.twse.com.tw>
Printing Date : 2023.3.20

ANNUAL REPORT 2022



E.SUN BANK



Pure as Jade, Sturdy as Mountain.

Spokeperson

Name: Mao-Chin Chen
Position: President
Telephone: +886 2 2175 1313
Email: spokesperson@esunbank.com

Deputy Spokeperson

Name: Anthony Cheng
Position: Senior Vice President
Telephone: +886 2 2175 1313
Email: spokesperson@esunbank.com

Registered Office and Branches

Name	Address	Telephone	Website
Registered Office	No.115 & 117, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City, Taiwan	+886 2 2175 1313	www.esunbank.com.tw
Branches	Please refer to the back cover		

Stock Transfer and Service Contact

Name: Stock Service Department, General Affairs Division, E.SUN Bank
Address: No.115, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City, Taiwan
Website: www.esunbank.com.tw
Telephone: +886 2 2175 1313

Rating Agency

Name: Moody's Investors Service Inc.
Address: 7 World Trade Center, 250 Greenwich Street, New York, NY 10007, U.S.A.
Telephone: +1 212 553 0300

Name: S&P Global Ratings
Address: 55 Water Street, New York, NY 10041, USA
Telephone: +1 212 438 1000

Name: Taiwan Ratings Corporation
Address: 2F, No. 167, Dunhua N. Rd., Songshan Dist., Taipei City, Taiwan
Telephone: +886 2 2175 6800

Independent Auditor

Independent Auditor: Yin-Chou Chen and Chen-Hsiu Yang
Accounting Firm: Deloitte Taiwan
Address: 20F, No. 100, Songren Rd., Xinyi District, Taipei City, Taiwan
Website: www.deloitte.com.tw
Telephone: +886 2 2725 9988



E.SUN BANK 31th

CONTENTS

1. Letter to Shareholders	1
2. Company profile	3
2.1 Introduction	4
3. Corporate Governance Report	7
3.1 Organization	8
3.2 Directors, Independent Directors and Management Team	9
3.3 Implementation of Corporate Governance	26
4. Capital Overview	35
4.1 Shares and Dividends	36
4.2 Preferred Shares Issuance	38
4.3 GDR Issuance	38
4.4 Status of Employee Stock Option Plan and Restricted Stock Awards	38
4.5 Basic Information of Other Financial Institutions Acquired or Transferred	38
4.6 Merger and Acquisition	38
5. Business Operation	39
5.1 Business Scope	40
5.2 Business Plan	41
5.3 Market Analysis	41
5.4 Financial Products R&D and Business Status	43
5.5 Short-term and Long-term business development plan	44
5.6 Human Resource	45
5.7 Corporate Responsibility and Ethics	47
5.8 Environmental protection expenditure information	48
5.9 IT Facilities	48
5.10 Cyber Security Management	50
5.11 Labor-Management Relations	52
6. Financial Information	54
6.1 Condensed Financial Statements in Recent 5 Years	55
6.2 Independent Auditors' Auditing Opinion in Recent 5 Years	63
6.3 Condensed Financial Statements in Recent 5 Years	63
6.4 Audit Committee Report	68
7. Risk Management	69
7.1 Qualitative and Quantitative Information Concerning Risk Types	70
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	78
7.3 The influence of bank image change on corporate crisis management and corresponding measures	80
7.4 Anticipated Benefits and Possible Risks Associated with Mergers and Acquisitions, and Countermeasures	80
7.5 Anticipated Benefits and Possible Risks Associated with Development of Multichannel	81
7.6 Anticipated Benefits and Possible Risks from Concentration of Operations, and Countermeasures.	81
7.7 Influence of Changes in Ownership of the Bank, Possible Risks and Countermeasures	81
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	81
7.9 Litigious or Non-litigious Incidents	81
7.10 Other Major Risk Countermeasures	81
8. Special Disclosure	82
8.1 Summary of Affiliated Companies	83
8.2 Declaration of Consolidated Financial Statements of Affiliated Enterprises	85
8.3 Private Placement Securities and Financial Debentures in the Most Recent Years	85
8.4 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years	85
8.5 Other Required Supplementary Disclosure	85

Appendix Consolidated Financial Statements and Independent Auditors' Report

1. Letter to Shareholders

Dear shareholders,

2022 was a turbulent year. Although the world is gradually coming out from the shadow of the pandemic, variables such as the war in Ukraine and Russia, rising global inflation, and international political and economic competition still pose a high degree of uncertainty for the global economic outlook. Central banks around the world have accelerated raising their interest rate to fight inflation, weak end demand has created pressure on the inventories, and corporate investment has also become cautious and conservative. Taiwan's export growth momentum has clearly weakened in the second half of 2022, which slowed down the overall economic growth momentum for the year. Looking towards 2023, there are still many challenges for domestic and international economic development.

Facing global issues such as climate change, geopolitical conflicts, and the post-pandemic era, it challenges the wisdom of both the countries' and corporates' management. This is a crisis but also a greater turning point. We believe that having a clear vision and stable long-term core values, together with precision strategies and effective execution, are the key abilities for enterprises to demonstrate resilience, overcome challenges, and advance toward the future.

E.SUN chose a different path in 1992, with the vision of becoming a first-class citizen and making eternal commitments to this land. It has become the most respected enterprise with the best overall performance and is dedicated to incorporating ESG and technology into its financial services. E.SUN joined forces with like-minded partners to advance toward a new era of net zero and digital transformation and to work together toward a sustainable society and environment.

Propelling stably forward in times of changes, growing sturdily through challenges.

E.SUN has continued to strengthen its capabilities for the past 30 years, focusing on its core business operations, and demonstrating robust performance overall. Affected by the violent fluctuations in the overall financial environment in 2022, the banks' valuation of financial asset were impacted in the short term. However, this will contribute to the sound development of the banks' deposit and loan business in the medium and long term.

Regarding financial indicators, E.SUN reported net earnings amount of NT\$52.11 billion, with an after-tax earnings amount of NT\$14.809 billion and EPS at NT\$1.43, ROA at 0.45%, ROE at 7.81%, and capital adequacy ratio at 14.33%.

In terms of business indicators, E.SUN's total assets was NT\$3.4580 trillion. As of the end of 2022, total deposits amounted to NT\$2.9027 trillion, and foreign currency deposits were equivalent to NT\$1.1303 trillion, with a growth of 12.67%. Total loans grew 9.42% to NT\$1.9573 trillion, and asset quality remains at a sound level with an NPL ratio of 0.16% and an NPL coverage ratio of 752.56%. However, due to the impact of the market headwinds, the net service fee income was NT\$17.135 billion.

International Rating: E.SUN was selected as a constituent stock of the Dow Jones Sustainability Index (DJSI) for 9 consecutive years and ranked in the top 1% for the banking sector around the world. E.SUN was also rated as AAA level, the highest level, by MSCI ESG. Both achievements set the best record in Taiwan's banking industry. In addition, E.SUN has won the "Best Bank in Taiwan" award from four international financial media with authorities, including The Asset, Asiamoney, Finance Asia, and Forbes, demonstrating that E.SUN's sustainability practices and overall performances have been highly recognized and praised internationally.

Advancing toward sustainable management is turning corporate's businesses into enduring great companies

Just as the modern management guru Jim Collins said: "Great companies do not believe in 'greatness'. They only believe in continuous improvement and change" While upholding their core values and beliefs, corporates must constantly innovate and pursue progress to stand the test of time and strive toward build to last to build a century-old legacy. Looking towards the fourth decade, E.SUN will put risk management as its foundation and cultivate the overseas market, FinTech innovation, and ESG sustainable development.

Regarding overseas expansion, E.SUN successively established two representative offices in Bangkok, Thailand, and Ho Chi Minh City, Vietnam, and received approval from the Financial Supervisory Commission to establish a branch in Fukuoka, Japan in 2022. E.SUN has currently established 30 business locations in 10 countries and regions overseas; they collectively account for 30% of

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-1	Stable	2022.07
Domestic Ratings	Taiwan Ratings	twAA+	twA-1+	Stable	2022.07

after tax earnings, making E.SUN's expansion in Asia more complete. In the future, E.SUN will continue to integrate financial platforms in Taiwan and overseas, link up locations in the Asia Pacific, Greater China, and ASEAN countries to give domestic and overseas Taiwanese businesses more comprehensive banking services. Its goal is to become the best dependable partner for customers to expand their business in the Asia-Pacific region.

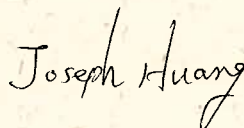
In terms of FinTech, as technology continues to evolve rapidly and financial services become more diverse, E.SUN has assembled a technology team with nearly 1,300 talents with expertise in technology to coordinate the overall digital development, smart applications, IT development, and information security management. Using technology as an accelerator, E.SUN actively promotes digital transformation by creating an agile information structure to improve digital resilience and the flexibility to adapt. It also continues to expand its use of AI applications to enhance service quality, efficiency, and customer experience, and create a digital financial ecosystem so that financial services can be like water and electricity, integrating into customers' daily lives.

In terms of ESG and sustainable development, in early 2022, E.SUN became the first financial institution in Taiwan to pass the review of the SBTi. It actively follows the SBTi guidelines and sets its own carbon reduction, and investment and financing transformation strategies. E.SUN pledged to completely phase out coals by 2035 and use 100% renewable energy at domestic and overseas locations by 2040. E.SUN has already called on 133 influential leading corporates to support and work towards the goal of net zero by 2050 together through "E.SUN ESG and sustainability initiative". To continue to align with international standards and promote sustainable development, E.SUN not only joined initiatives such as RE100 and TNFD (Task Force on Nature-related Financial Disclosures), but it has also personally participated in the United Nations Climate Change Conference (COP27) and the World Climate Summit (WCS) held in Egypt. E.SUN has delivered a speech on "Taiwan's New Climate Finance," not only allowing Taiwan's voice be heard by the world but also hoping to expand positive financial influences and get more people to pay attention to and be aware of climate change issues.

Give Asia a better E.SUN and the world a better Taiwan.

Since its establishment, E.SUN upholds the core values of honesty, integrity, professional, and responsible. It strives to climb the mountains of "overall performance, corporate social responsibility, and sustainable development, hoping to become its employees', customers' and this land's favorite. Amidst the rapidly changing world, only by having insight into future trends, actively embracing innovation and change, can one seize critical opportunities and create astonishing moments.

We fully understand that sustainable development is an important issue for a lifetime for corporates. E.SUN members have high hopes and exceptions for giving Asia a better E.SUN and the world a better Taiwan. It's a long road ahead with heavy responsibilities, and we are grateful for the long-term support, expectations, and encouragement from all walks of life. We will continue to work hard for our customers, society, and a better sustainable future with hope and firm beliefs and offer our deepest gratitude and best wishes.



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

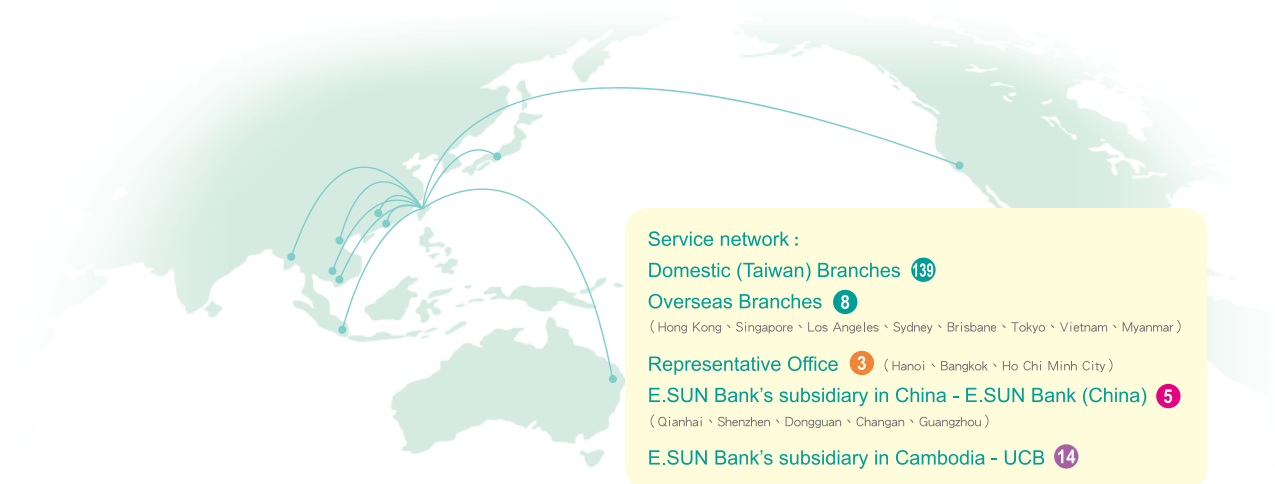
E.SUN aims to establish first choice financial platform in Asia, by expanding business to other Asian countries. There are 28 operational sites in 9 countries and regions covering China, Hong Kong, Japan, Singapore, Vietnam, Cambodia, Myanmar, Australia and the United States. With respect to Fintech, 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.
- (10) In August 2022, E.SUN Bank established Bangkok Rep Office in Thailand and Ho Chi Minh City Rep Office in Vietnam.



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



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					
										Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name	
								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	10,363,700,000	100	0	0	0	0
Managing Director	R.O.C	Representative of E.SUN Financial Holding Company Jackson Mai	Male	70-79 years old	2020.06.12	3	2008.6.13	9,524,100,000	100	10,363,700,000	100	0	0	0	0
Independent Director (Managing Director)	R.O.C	Representative of E.SUN Financial Holding Company Ryh-Yan Chang	Male	70-79 years old	2020.06.12	3	2008.6.13	9,524,100,000	100	10,363,700,000	100	0	0	0	0
Independent Director	R.O.C	Representative of E.SUN Financial Holding Company Chun-Yao Huang	Male	50-59 years old	2020.06.12	3	2008.6.13	9,524,100,000	100	10,363,700,000	100	0	0	0	0

2023.03.20 Unit: shares;%

	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		
			Position	Name	Relation
	MBA of the City University of New York, 30 years in Financial Industry	- Director of E.SUN FHC and Rock Biomedical, Inc.	None	None	None
	Kai-Nan Commercial & Technical High School	- 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. - 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.. - Director of E.SUN FHC.	None	None	None
	- Master of Finance, EMBA, National Taiwan University - Bachelor of Accounting, National Taipei University	- Independent Director and member of remuneration committee of Panion & BF Biotech Inc., Ccti Advanced Systems Inc., Savior Lifetec Corporation. - Chairperson of Chin Jheng Financial Advisory Co., Ltd. - Director of Foundation of Taiwan Radiological Medicine for Cancer. - Member of remuneration committee of Super Dragon Technology Co., Ltd., - Independent Director of E.SUN FHC.	None	None	None
	- Ph.D. of Department of Marketing at London Business School	- Professor of Department of Business Administration at National Taiwan University. - Independent Director of E.SUN FHC and 91APP, Inc. - Member of remuneration committee of 91APP, Inc, E.SUN FHC and E.SUN Bank.	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					
									Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name	
							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	2008.6.13	9,524,100,000	100	10,363,700,000	100	0	0	0	0
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	10,363,700,000	100	0	0	0	0
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	10,363,700,000	100	0	0	0	0
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	10,363,700,000	100	0	0	0	0
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	10,363,700,000	100	0	0	0	0
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	10,363,700,000	100	0	0	0	0
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	10,363,700,000	100	0	0	0	0

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.

	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		
			Position	Name	Relation
	<ul style="list-style-type: none"> - LLM and Ph.D. in Law, University of Tokyo - LLB and LLM, National Taiwan University 	<ul style="list-style-type: none"> - Professor of College of Law National Taiwan University . - Member of remuneration committee of E.SUN FHC and E.SUN Bank. - Independent Director of E.SUN FHC. 	None	None	None
	<ul style="list-style-type: none"> - Ph.D. of Business and Administration, National Taiwan University - Bachelor and Master of Industrial Engineering, National Tsing Hua University 	<ul style="list-style-type: none"> - Professor of Institute of Technology Management National Tsing Hua University. - Member of remuneration committee of E.SUN FHC and E.SUN Bank. - Independent Director of E.SUN FHC. 	None	None	None
	<ul style="list-style-type: none"> - Ph.D. of Industrial and Business Studies, Department of Information Systems & Management, Warwick Business School, University of Warwick - Master of Science, Engineering Business Management, Warwick Manufacturing Group, University of Warwick - M.Phil, Information Systems School of Management Cranfield University 	<ul style="list-style-type: none"> - Professor of Institute of Technology , Innovation & Intellectual Property Management National Chengchi University. - Member of remuneration committee of E.SUN FHC and E.SUN Bank. - Independent Director of E.SUN FHC. 	None	None	None
	Junan Junior High School	<ul style="list-style-type: none"> - Chairman of Ron Yuan Investment Co., Ltd., Fu Yuan Investment Co., Ltd., Jia Tien Sia Investment Co., Ltd., and Panda Investment Co., Ltd. - Director of E.SUN FHC. 	None	None	None
	Chung Jung High School	<ul style="list-style-type: none"> - 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., Sin Yi Li Investment and Development Co., Ltd, Shan-Yue Energy Co., Ltd. and Shan-Yun Energy Co., Ltd. - 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. 	None	None	None
	MBA. The University of Tennessee, 45 years of experience in financial industry	<ul style="list-style-type: none"> - President of E.SUN FHC. - Chief Sustainability Officer of E.SUN FHC. - Chairman of E.SUN Bank(China). 	None	None	None
	Master of Economics, National Taiwan University, 31 years of experience in financial industry	<ul style="list-style-type: none"> - Director, Deputy President, and CSO of E.SUN FHC. - Chairman of Union Commercial Bank Plc. 	None	None	None

3.2.2 Major Shareholders of the Institutional Shareholders

December 31, 2022

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 (4.04%)</p> <p>Morgan Stanley & Co. International Plc (2.49%)</p> <p>Government of Singapore (2.01%)</p> <p>Norges Bank (1.41%)</p> <p>Labor Pension Fund (New Scheme) (1.40%)</p> <p>Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.31%)</p> <p>JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.27%)</p> <p>Labor Pension Fund Supervisory Committee-Labor Retirement Fund (1.22%)</p> <p>Allcan Investment Co.,Ltd. (1.11%)</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 31 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:	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. 	<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. 	0
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. 	<ul style="list-style-type: none"> - 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. 	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. 	<ul style="list-style-type: none"> - 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. 	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 18 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 28 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 and Chief Sustainability Officer 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 of a sustainable future. She was selected awarded the Best CEO Award by The Asset and Corporate Governance Asia, the 25 Most Influential Women in Treasury by Corporate Treasurer, Best CFO in Asia by Institutional Investor and FinanceAsia, and led E. SUN in obtaining MSCI ESG Rating AAA and the highest praise by Sustainalytics for "best performance in Asia" and "best performing bank". - 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. He has led E. SUN in winning the SME Credit Guarantee Fund Partner Award for Outstanding Headquarters issued by the S&M Enterprise Credit Guarantee Fund of Taiwan, Ministry of Economic Affairs and is the finance industry's sole winner of the Best Enterprise Finance Award and Best Overseas Development Award given by the Taiwan Academy of Banking and Finance. He has also earned praise as "Taiwan's Best Bank" by The Asset, Forbes, Asiamoney, FinanceAsia, and other international media outlets. - 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:

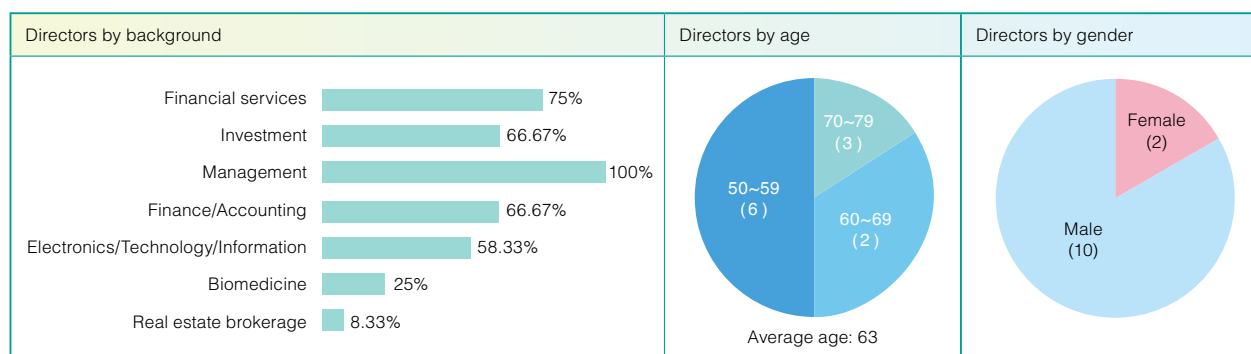
A. Board Diversity:

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%, and will continue to strive to increase the proportion of female directors in the future, continuing to improve towards the target ratio of 1/4. 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 respond to a crisis	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 above									
Joseph N.C. Huang	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jackson Mai	-	-	-	✓		✓		✓	✓	✓	✓	
Ron-Chu Chen	-	-	-	✓		✓		✓	✓	✓	✓	
Chien-Li Wu	-	-	-	✓		✓		✓	✓	✓	✓	
Magi Chen	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mao-Chin Chen	-	-	-	✓		✓	✓	✓	✓	✓	✓	✓
Ryh-Yan Chang	✓			✓	✓	✓	✓		✓	✓	✓	✓
Chun-Yao Huang		✓						✓	✓	✓	✓	✓
Ying-Hsin Tsai	✓				✓				✓	✓	✓	✓
Hung-Chang Chiu	✓			✓			✓		✓	✓	✓	
Ruey-Lin Hsiao	✓			✓		✓		✓	✓	✓	✓	

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. (Ben Chen, the original director, has resigned as a director on 2022.04.29. As of 2022.12.31, there are 11 directors in the bank)

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



Title	Nationality	Name	Gender	Date of Appointment	Personal Shareholding (Note)		Shareholding of spouse and minor children		Shareholding of nominees		
					Number held	%	Number held	%	Number held	%	
President	ROC	Mao-Chin Chen	M	2020.07.30	-	-	-	-	-	-	
CEO of Corporate Banking Division	ROC	L.C. Lin	M	2021.01.27	-	-	-	-	-	-	
Chief Information Officer /SEVP	ROC	Wan-Li Hsieh	M	2020.01.15	-	-	-	-	-	-	
Chief Human Resources Officer/ SEVP	ROC	J.C. Wang	M	2012.01.07	-	-	-	-	-	-	
SEVP	ROC	Louis Chang	M	2018.01.31	-	-	-	-	-	-	
SEVP	ROC	Cathy Kuo	F	2022.04.22	-	-	-	-	-	-	
SEVP	ROC	Wu-Ming Hsieh	M	2018.01.31	-	-	-	-	-	-	
SEVP	ROC	Jung-Hua Lin	M	2020.01.15	-	-	-	-	-	-	
Chief Risk Officer /SEVP	ROC	Oliver Hsieh	M	2023.01.12	-	-	-	-	-	-	
Chief Digital Officer /SEVP	ROC	Danny Tang	M	2021.08.12	-	-	-	-	-	-	

March 20, 2022

	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		
			Position	Name	Relation
	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
	SEVP, ESB	"SEVP, ESUN FHC Chairman, E.SUN Venture Capital"	None	None	None
	SEVP, ESB	CIO, ESUN FHC	None	None	None
	SEVP, ESB	CHRO, ESUN FHC	SVP	Pei-Hua Wang	Younger Sister
	SEVP, ESB	SEVP, ESUN FHC	None	None	None
	SEVP, ESB	"SEVP, ESUN FHC Director, Union Commercial Bank (Cambodia)"	None	None	None
	SEVP, ESB	SEVP, ESUN FHC	None	None	None
	SEVP, ESB	"SEVP, ESUN FHC Director, EasyCard Investment Holdings Corp."	None	None	None
	SEVP, ESB	CRO, ESUN FHC	None	None	None
	IBM Director of Global Banking Solutions	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		
					Number held	%	Number held	%	Number held	%	
Deputy Chief Information Officer / SEVP	ROC	Jeff Liu	M	2022.01.19	-	-	-	-	-	-	
SEVP	ROC	"Jyh-Shing Roger Jang"	M	2020.08.18	-	-	-	-	-	-	
General Auditor	ROC	Yao-Pin Lin	M	2022.01.22	-	-	-	-	-	-	
SEVP	ROC	Chi-Kan Chung	M	2016.12.16	-	-	-	-	-	-	
SEVP	ROC	Kenneth Tsao	M	2019.01.24	-	-	-	-	-	-	
SEVP	ROC	Jacky Chiang	M	2023.01.12	-	-	-	-	-	-	
SEVP	ROC	Steven Hung	M	2023.01.12	-	-	-	-	-	-	
SEVP	ROC	Te-Ming Chung	M	2009.05.08	-	-	-	-	-	-	
SEVP	ROC	Tony Wan	M	2020.01.15	-	-	-	-	-	-	
SEVP	ROC	Tsun-Jen Ko	M	2015.02.06	-	-	-	-	-	-	
Chief Compliance Officer / Legal Compliance Head	ROC	Fion Ouyang	F	2014.01.24	-	-	-	-	-	-	
Chief Information Security Officer	ROC	Huai-Tsung Liu	M	2017.01.20	-	-	-	-	-	-	
Financial Officer/EVP	ROC	Fred Chen	M	2022.01.19	-	-	-	-	-	-	
Deputy Chief Financial Officer/EVP	ROC	Sarah Chen	F	2020.01.15	-	-	-	-	-	-	
Deputy Chief Financial Officer/EVP	ROC	Davis Tsai	M	2019.01.24	-	-	-	-	-	-	
Chief Marketing Officer/ Special Assistant	ROC	Chun-Yu Lin	M	2022.01.19	-	-	-	-	-	-	
Corporate Governance Officer / SVP	ROC	Mei-Cheng Chu	F	2022.01.19	-	-	-	-	-	-	
Chief Accountant Officer / SVP	ROC	Jhy-Hung Ke	M	2022.01.19	-	-	-	-	-	-	

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.

	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		
			Position	Name	Relation
	EVP, ESB	Chief Information Security Officer, ESUN FHC	None	None	None
	Professor, Department of Computer Science, NTU	"CTO, ESUN FHC consultancy,eCloud Mobile Corp."	None	None	None
	Auditor General, ESUN FHC	None	None	None	None
	EVP, ESB	Director, Union Commercial Bank (Cambodia)	None	None	None
	SEVP, ESB	"President, ESB (China) Director, ESB (China)"	None	None	None
	EVP, ESB	President, Union Commercial Bank (Cambodia)	None	None	None
	EVP, ESB	None	None	None	None
	EVP, ESB	None	None	None	None
	EVP, ESB	None	None	None	None
	EVP, ESB	None	None	None	None
	SVP, ESB	CCO, ESUN FHC	None	None	None
	SVP, ESB	CISO, ESUN FHC	None	None	None
	VP, ESB	Financial Officer/EVP,ESB	None	None	None
	VP, ESB	EVP, ESUN FHC	None	None	None
	VP, ESB	EVP, ESUN FHC	None	None	None
	SVP, ESB	CMO, ESUN FHC Director, ESB (China)	None	None	None
	VP, ESB	Corporate Governance Officer, ESUN FHC	None	None	None
	VP, ESB	CAO, ESUN FHC	None	None	None

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

(1) Remuneration of Non-Independent/Independent Directors

Title	Name	Remuneration of Directors								Total remuneration (A+B+C+D) and the ratio of Total Remuneration to Net Income (%)			
		Base Remuneration (A)		Severance Pay (B)		Bonus (C)		Allowance (D)					
		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	
E.SUN FHC		0	0	0	0	43,059	43,059	0	0	43,059	0.29%	43,059	0.29%
Directors	(Names listed below)	10,580	10,580	0	0	10,941	10,941	480	480	22,001	0.15%	22,001	0.15%
Independent Directors	(Names listed below)	0	0	0	0	0	0	750	750	750	0.005%	750	0.005%

※ 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 stepped down as president and 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 2022. 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.

December 31, 2022 Unit: NT\$ thousand

	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
	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 statements		The company		Companies in consolidated financial statements		
					Cash	Stock	Cash	Stock					
	0	0	0	0	0	0	0	0	43,059	0.29%	43,059	0.29%	None
	30,991	34,364	23,118	23,118	3,596	0	3,596	0	79,706	0.54%	83,079	0.56%	39,120
	0	0	0	0	0	0	0	0	750	0.005%	750	0.005%	33,908

(2) Remuneration Bracket

Bracket	Name of Directors		
	Total of (A+B+C+D)		
	The company	Companies in consolidated financial statements (H)	
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	
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)			
NT\$ 10,000,000 (inclusive) ~ 15,000,000 (not inclusive)			
NT\$ 15,000,000 (inclusive) ~ 30,000,000 (not inclusive)	Joseph N. C. Huang	Joseph N. C. Huang	
NT\$ 30,000,000 (inclusive) ~ 50,000,000 (not inclusive)	E.SUN FHC	E.SUN FHC	
NT\$ 50,000,000 (inclusive) ~ 100,000,000 (not inclusive)			
Over NT\$ 100,000,000			
Total	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'.

Name of Directors		
	Total of (A+B+C+D+E+F+G)	
	The company	Parent company and invested companies(I)
	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,
		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
	Joseph N. C. Huang, Mao-Chin Chen	Magi Chen, Mao-Chin Chen
	E.SUN FHC, Ben Chen	E.SUN FHC, Joseph N. C. Huang,
	13	13

- (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	2022						2021					
	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	123,515	0.83%	13	126,888	0.86%	13	106,345	0.61%	13	109,321	0.62%
President and SEVPs	24	239,155	1.61%	24	260,384	1.76%	23	158,802	0.90%	23	177,652	1.01%

※ 2022 Bank net income was 14,809,136 thousand dollars ; 2021 Bank net income was 17,558,577 thousand dollars.

※ The increment of remuneration of SEVPs in 2022 is mainly due to the pension.

(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, 2023 Unit: NT\$ thousand

Position	Name	Stock Amount	Cash Amount	Total	Ratio of Total to Net Income (%)
President	Mao-Chin Chen	0	16,705	16,705	0.11%
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	Cathy Kuo				
SEVP	Wu-Ming Hsieh				
SEVP	Jung-Hua Lin				
Chief Risk Officer / SEVP	Oliver Hsieh				
Chief Digital Officer / SEVP	Danny Tang				
Deputy Chief Information Officer / SEVP	Jeff Liu				
SEVP	Jyh-Shing Roger Jang				
General Auditor	Yao-Pin Lin				
SEVP	Chi-Kan Chung				
SEVP	Kenneth Tsao				
SEVP	Jacky Chiang				
SEVP	Steven Hung				
SEVP	Te-Ming Chung				
SEVP	Tony Wan				
SEVP	Tsun-Jen Ko				
Chief Compliance Officer / Legal Compliance Head	Fion Ouyang				
Chief Information Security Officer	Huai-Tsung Liu				
Financial Officer / EVP	Fred Chen				
Chief Marketing Officer / EVP /Special Assistant	Chun-Yu Lin				
Corporate Governance Officer / SVP	Mei-Cheng Chu				
Chief Accountant Officer / SVP	Jhy-Hung Ke				

※ SEVP Jacky Chiang assuming office 2023.1.12, SEVP Steven Hung assuming office 2023.1.12.

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	9	0	100	Newly appointed
Managing Director	E.SUN FHC representative Jackson Mai	9	0	100	Re-elected
Independent Director	E.SUN FHC representative Ryh-Yan Chang	9	0	100	Newly appointed
Independent Director	E.SUN FHC representative Chun-Yao Huang	9	0	100	Re-elected
Independent Director	E.SUN FHC representative Ying-Hsin Tsai	9	0	100	Newly appointed
Independent Director	E.SUN FHC representative Hung-Chang Chiu	9	0	100	Newly appointed
Independent Director	E.SUN FHC representative Ruey-Lin Hsiao	9	0	100	Newly appointed
Director	E.SUN FHC representative Ron-Chu Chen	9	0	100	Re-elected
Director	E.SUN FHC representative Chien-Li Wu	9	0	100	Re-elected
Director	E.SUN FHC representative Magi Chen	9	0	100	Re-elected
Director	E.SUN FHC representative Mao-Chin Chen	9	0	100	Re-elected
Director	E.SUN FHC representative Ben Chen	3	0	100	Re-elected 2022.04.29 resign

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
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
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	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.
Mao Chin Chen	Motion on 2021 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.
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	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	Refrained from participation in discussions and voting.
Mao Chin Chen	Motion on deciding on an interbank lending quota for UCB	Motion concerning a business in which the directors serve as a responsible person	Refrained from participation in discussions and voting.
Mao Chin 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.
Mao Chin Chen	Making of 2022 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 2022 annual bonus and Long Term Incentive Remuneration Practice on the levels below senior executive vice presidents.
Joseph N.C. Huang, Jackson Mai, Ryh-Yan Chang, Chun-Yao Huang, Ying-Hsin Tsai, Hung-Chang Chiu, Ruey-Lin Hsiao, RonChu Chen, ChienLi Wu	Proposal on the Company's 2022 remuneration of directors along with evaluation of rationality of remuneration and assessment standard of board performance	Motion concerning personal interests of the directors	Joseph N.C. Huang, Jackson Mai, Ryh-Yan Chang, Chun-Yao Huang, Ying-Hsin Tsai, Hung-Chang Chiu, Ruey-Lin Hsiao, RonChu Chen, ChienLi Wu Proposal on the Company's 2022 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. Nonindependent 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 2023, the company evaluated performance of the board of directors and the functional committees for the period between January 1, 2022 and December 31, 2022. 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 2023.	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 2022 was completed on January 06, 2023 and January 04, 2023, 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. 47 items were rated "excellent". The score is 100%.
- (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 February 20, 2023, the company presented the results of the 2022 director performance evaluation based on self-assessments by the directors and peer reviews.
- Self-assessment score: 99.42%
 - Overall self-evaluation score: 99.85%
4. 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.
5. 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 2022, the Company organized three director training courses for a total of 9 hours, on "Principle for Financial Service Industries to Treat Clients Fairly", "Anti-money laundering and the impact of the implementation of IRB law on risk governance" and "Important Information Security Standards and Compliance". 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 8(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:

- 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
2022.01.12	13th session of 5th Audit Committee	AML/CFT Programs of 2022	<p>Audit Committee: Approved by committees attending the meeting and will be proposed to the Board of Directors.</p> <p>The Board of Directors: Approved by Directors attending the meeting. Some directors are excused from the meeting due to personal interest.</p>
2022.03.09	14th session of 5th Audit Committee	Financial statement (standalone and consolidated) of 2021	
		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	
2022.04.18	15th session of 5th Audit Committee	Nomination of newly appointed Finance Director of E. SUN Commercial Bank	
		Financial statement (standalone and consolidated) of 2021	
		Amendment of Internal Control System for the bank's cooperating insurance brokerage	
2022.05.13	16th session of 5th Audit Committee	Amendment of Practice for Stock Affairs	
		Established the "Internal Control Measures for OTC Derivative Clearing Operations" of E. SUN Commercial Bank	
2022.08.17	17th session of 5th Audit Committee	Financial statement (standalone and consolidated) of 2022 Q2	
		Amendment of Internal Control System for the bank's cooperating insurance brokerage	
		Purchased real estate in Taoyuan City for the future migration of the "Jixian Branch"	
		Purchased real estate in Taoyuan City for the future migration of the "Taoyuan Branch"	
		Loan to Union Commercial Bank PLC.	
2022.11.09	18th session of 5th Audit Committee	Increment of interbank line of credit for E.SUN China	
		Increment of interbank line of credit for UCB	
2023.02.20	20th session of 5th Audit Committee	Financial statement (standalone and consolidated) of 2022	
		Recapitalization by retained earnings	
		Audit confirmation report and statement of AML and anti-terrorism financing for the bank's cooperating insurance brokerage 2022	
		Statement of Internal control System of 2022	
		Closing Report, Agreement Settlement, and Other Affairs Related to the Completion of E. SUN Commercial Bank Kaohsiung Digital Flagship Building	

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: None.

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
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
2022.04.18	Audit Committee	General Auditor of E.SUN Bank	Report of the 2022 Q1 auditing work of E.SUN	1. Questions raised by the independent directors were answered. 2. Proceed as recommended
2022.08.17	Separate communication meeting between independent directors and accountants	Appointed accountant of E.SUN Bank	Report the preliminary audit results of financial statements.	1. Questions raised by the independent directors were answered and opinions exchanged 2. There are no major abnormalities in this audit.
2022.08.17	Audit Committee	Appointed accountant of E.SUN Bank	Report on the 2022 Q2 financial statement audit results	Acknowledged
		General Auditor of E.SUN Bank	Report of the 2022 Q2 auditing work of E.SUN	1. Questions raised by the independent directors were answered 2. Acknowledged
2022.11.09	Audit Committee	General Auditor of E.SUN Bank	Report of the 2022 Q3 auditing work of E.SUN	1. Questions raised by the independent directors were answered 2. Acknowledged
			Submission of the Company's 2023 audit plan	Executed and no other recommendation
2022.11.09	Committee	General Auditor and auditors of E.SUN Bank	Discussion related to internal auditing work of E.SUN Bank	1. Questions raised by the independent directors were answered. 2. Proceed as recommended
2023.01.04	Audit Committee	Appointed accountant of E.SUN Bank	Report on the 2022 financial statement audit plan	1. Questions raised by the independent directors were answered and opinions exchanged 2. Acknowledged and proceed as recommended 3. Regarding the case of the Singapore Branch of the Bank appointing Deloitte Accountants to provide consulting services, the authorizing convener was agreed to reply and agree to handle it.
		General Auditor of E.SUN Bank	Report of the 2022 Q4 auditing work of E.SUN	1. Questions raised by the independent directors were answered. 2. Acknowledged
2023.02.20	Audit Committee	Appointed accountant of E.SUN Bank	CPA communicate with independent directors individually	Report the preliminary inspection results, and explain and communicate with independent directors on inquiries.
			CPA report of the result for auditing of 2022 Financial Statements	1. Questions raised by the independent directors were answered. 2. Acknowledged and proceed as recommended

A. 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.

B. 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.

C. 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.

D. 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

- A. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- B. Assessment of the effectiveness of the internal control system.
- C. 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.
- D. A matter bearing on the personal interest of a director.
- E. A material asset or derivatives transaction.
- F. The offering, issuance, or private placement of any equity-type securities.
- G. Appointment, discharge, or remuneration of CPA.
- H. Appointment or removal of chief officers of finance, accounting and internal audit.
- I. 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.
- J. 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>

3.3.5 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, 2022 to December 31, 2022, 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”. With respect to concurrent operation of insurance 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 Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies”. 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.

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 February 20, 2023.

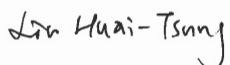
Declarant: E.SUN Commercial Bank, Ltd.

Chairman:  (Signature/ Seal)

President:  (Signature/ Seal)

Chief Auditor:  (Signature/ Seal)

Chief Compliance Officer:  (Signature/ Seal)

Chief Information Security Officer:  (Signature/ Seal)

Date: February 20, 2023

Items for Improvement of deficiencies Status

(As of December 31, 2022)

Item for Improvement	Improvement Measures	Target Date
The foreign exchange business system (FBS) in the inward remittance notification operation due to system abnormality caused the content of the notification to be incorrectly inserted.	Had corrected the system function and launched it after the test.	Completed.
Re-query the Joint Credit Information for credit cases before appropriation of loans, and there are cases where the review has not been implemented.	1. Re-organized the credit operation, added the role of reviewer, and will add the system control process. 2. Processed the education and training, and post the findings for case study use.	The improvement measures will be completed, while the system will be completed by the end of June.

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, 2023 Unit: thousand shares, NT\$ thousands

Month/Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Source	Others
2007.01.01		2,890,991	28,909,905	2,890,991	28,909,905		
2007.06.05 (note1)	10	29,009	290,095	2,920,000	29,200,000	Retained Earnings	
2007.06.21 (note2)	20	200,000	2,000,000	3,120,000	31,200,000	Rights offering	
2009.06.26 (note3)	10	62,400	624,000	3,182,400	31,824,000	Retained Earnings	
2009.12.04 (note4)	14	180,000	1,800,000	3,362,400	33,624,000	Rights offering	
2010.06.03 (note5)	10	147,600	1,476,000	3,510,000	35,100,000	Retained Earnings	
2011.06.13 (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	
2012.06.08 (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	
2013.06.06 (note10)	10	412,500	4,125,000	4,985,000	49,850,000	Retained Earnings	
2014.03.21(note11)	15	140,000	1,400,000	5,125,000	51,250,000	Rights offering	
2014.05.19(note12)	10	435,000	4,350,000	5,560,000	55,600,000	Retained Earnings	
2014.05.23(note13)	16.6	576,000	5,760,000	6,136,000	61,360,000	Rights offering	
2015.05.25(note 14)	10	408,000	4,080,000	6,544,000	65,440,000	Retained Earnings	
2015.06.03(note15)	17	140,000	1,400,000	6,684,000	66,840,000	Rights offering	
2016.05.27(note16)	10	44,183	441,830	6,728,183	67,281,830	Share conversion	
2016.07.06(note17)	10	534,700	5,347,000	7,262,883	72,628,830	Retained earnings	
2017.06.20(note18)	17.38	604,000	6,040,000	7,866,883	78,668,830	Rights offering	
2017.06.20(note18)	10	445,217	4,452,170	8,312,100	83,121,000	Retained earnings	
2018.06.15(note19)	10	324,900	3,249,000	8,637,000	86,370,000	Retained earnings	
2019.06.20(note20)	10	411,100	4,111,000	9,048,100	90,481,000	Retained earnings	
2020.06.18(note21)	10	476,000	4,760,000	9,524,100	95,241,000	Retained earnings	
2021.06.16(note22)	10	369,600	3,696,000	9,893,700	98,937,000	Retained earnings	
2022.07.01(note23)	10	470,600	4,700,000	10,363,700	103,637,000	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.

Note23 : Approved under Letter No. Jing-Shou-Shang-11101096540 issued by the Ministry of Economic Affairs on Jul 01, 2022; Approved under Letter No. Jin-Guan-Yin-Kong-1110219232 issued by the Financial Supervisory Commission on Jul 20, 2022.

4.1.2 Type of Shares

March 20, 2023 Unit: Share

Type of Shares	Authorized Capital			Remark
	Issued Shares *	Un-issued Shares	Total Shares	
Common Shares	10,363,700,000	-	10,363,700,000	

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 2023 shareholders' meeting that shareholders would be entitled to a stock dividend of NT\$0.56 per share, totaling NT\$5,835,000,000, accounts for 99.89% 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 Criteria for the Compulsory Publication of Complete Financial Forecasts by TWSE-Listed Companies, the Company did not publish such forecasts for 2023. 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:

- A. 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.
- B. All distributed as cash bonus.

C. In the event actual allotted amounts are at variance with estimated amounts due to changes in estimation, there sulting differences shall be listed as losses for the 2023 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 565,120,712, and directors' cash compensation is NTD 54,000,000. Compensation distribute to directors is NTD 18,000,000 lower than estimated amount. The difference was due to the change of accounting estimate and will reflect on 2023 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 636,351,617 in employee cash compensation, and NTD 68,000,000 in directors' compensation. Cash remuneration to directors is NTD 21,000,000 lower than estimated amount. This difference was incurred by changes in accounting estimations and has been listed as losses for the 2022 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 and private banking 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 buildings, reconstruction of urban unsafe and old buildings, regional revitalization businesses, solar panels, electric vehicles, energy-efficient equipment and appliances, etc.
Wealth Management Services	E.SUN wealth management provides various financial products and services, including TWD and foreign currency deposits and exchange services, bonds and securities, insurance, trust and family legacy planning, and high-net-worth individuals wealth management 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	2022/12	Annual growth%	2021/12
Total deposits	2,850.0	7.5%	2,652.4
TWD Demand deposits	1,102.1	0.8%	1,093.0
Foreign currency deposits	1,084.9	13.0%	960.4
Total loans	1,898.1	9.2%	1750.5
Foreign currency loans	316.8	8.4%	261.9
Corporate loans	931.1	10.8%	839.6
SME loans	506.0	8.0%	468.6
Consumer loans	967.0	7.6%	898.7
Mortgage loan	480.1	8.8%	440.7
Unsecured personal loan	130.5	-4.9%	137.3
Credit card revolving balance	13.3	8.1%	12.3
Credit cards			
Card in circulation (Thousand cards)	6,891.3	4%	6,624.1
Active cards (Thousand cards)	4,691.9	3.5%	4,531.4
Card consumption	485.4	6.5%	455.9
Net income	50.2	-1.6%	51.0
Net interest income	27.2	14.3%	23.8
Net fee income	17.0	-6.1%	18.1
Net fee income of wealth management	7.9	-20.2%	9.9
Net fee income of credit card	6.4	12.8%	5.7
Foreign exchange, Fixed income, and others	6.0	-34.1%	9.1

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	In response to the international trend of supply chain restructuring and net zero emissions, E.SUN Bank focuses on the development of supply chain and sustainable finance business opportunities, and supports them to set up production capacity in Taiwan and business transformation. Following government's policy "Three Major Programs for Investing in Taiwan" to guide Taiwanese businesses return from overseas, we assist companies in the layout of overseas production bases and digital transformation. We provide companies with comprehensive cross-border financial services by cross-border cooperation as a team. We build professional teams to develop sustainable finance services and family inheritance, and move toward sustainability together with clients. More than 100 corporate partners has joined "E.SUN ESG and Sustainability Initiative" to sign the "Sustainable Development Advocacy" taking carbon reduction and ESG actions.
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 buildings, reconstruction of urban unsafe and old buildings, regional revitalization businesses, solar panels, electric vehicles, energy-efficient equipment and appliances, etc., to promote positive financial impact.
Wealth Management Services	E.SUN wealth management provides its valued customers with comprehensive wealth planning services, including TWD and foreign currency deposits, bonds, securities, insurance, and trust. Based on market trends and customer needs, its expert team integrates cross-platform resources, continuously promotes product innovation, improves customer experience, implements risk management, develops sustainable finance, and is committed to creating value for customers and becoming the most trustworthy wealth management bank.
Credit card and payment services	E.SUN bank combines digital technology and big data analyst 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 diversified and cross-border financial demand of Taiwanese enterprises, E.SUN provides cross-border banking services mainly in developed financial markets, Greater China and ASEAN countries with the networks cover 30 offices in 10 countries and regions. Looking forward, E.SUN will continue to expand its Asian network with integral cooperation within cross-border network and localized business to provide a comprehensive financial services for Taiwanese and local customers.
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) Tracking the inventory adjustment progress : Rising needs of remote work and the supply chain chaos caused high demand for industrial components and commodities in manufacturing sector during the outbreak. However, market demand declined dramatically, suffering from high inflation and war between Russian and Ukraine. Consumer electronics such as laptops, tablets, phones, panels and traditional manufacturing industries such as bicycles, clothing, and footwear generally have inventory depletion issues. Facing the global inflation and high interest rate environment, it is important to keep tracking whether the market demand is strong enough to reduce the high inventory level.
- (2) Supply chains in post-Covid era. Due to the competition between China and the US in the technology field and supply chain disruption brought on by the pandemic, stabilization becomes more crucial than cost when choosing suppliers, and accelerate the deglobalization and manufactures are forced to adjust their manufacturing strategies in response to the market demand . Strategies resources like Chips, batteries, rare earth, API and high-tech and information-sensitive industries are highly affected since they have to follow the national policy.
- (3) Pay attention to China's real estate crisis. The real estate bubble had brought uncertainty to the economy, and the support from government is limited. Aids from financial institution temporarily stopped the bubble from bursting, however the market has lost its confidence in real estate. Market demand cannot meet the current supply, high leverage and fast turnaround pattern are no longer applicable for construction companies, could lead to a huge shock on the industries chain. Keep paying attention on the real estate market.
- (4) Put ESG into action and make impact : "Delivering action on commitments" is the main axis of COP27. Under supervision of all parties, urging major countries and well-known companies to take real actions and extending their influences on ESG to the supply chain. In response to international trends, the National Development Council has proposed 12 key strategies for achieving net-zero emissions by 2050, including promoting electric vehicles, renewable energy, hydrogen energy, energy storage, energy conservation, carbon capture/storage, and circular economy. These strategies are expected to drive the development of relevant industries and new technologies.

5.3.3 Challenges in the Future and in the External Environment

Challenges in the future and in the external environment
<p>A. Cross-industry competition and cooperation: The development of new technologies and business models accelerates changes in the boundaries of various industries, and the government's new laws and deregulation promote the development of cross-industry competition and cooperation and various ecosystems. Traditional financial business may be affected.</p> <p>B. Volatile global environment and higher geopolitical risk: Major regional economies around the world are competing or cooperating, affecting the layout of global supply chains. Providing cross-border financial services is challenging for financial institutions.</p> <p>C. Regulation changes: Regulations on the fields of anti-money laundering(AML), countering the financing of terrorism(CFT), personal information protection, global tax reporting standards, and so on are becoming stricter. Companies face the increasing cost of legal compliance, which examines companies' adaptability.</p> <p>D. The trend of sustainable development: As global climate change intensifies, the United Nations is tirelessly promoting carbon reduction actions, and governments are responding by setting policies and targets one after another. Sustainable development has become a crucial subject for business operations.</p>
Countermeasures and E.SUN's competitive advantages
<p>A. Fintech and digital financial development: Continue to promote digital transformation to increase the operational efficiency of the organization and create good customer experience; Leverage technology and digital power to develop innovative business models.</p> <p>B. Increase overseas presence and expand cross-border business: Increase overseas locations and expand the service network to meet customer needs.</p> <p>C. Three lines of defense and risk management: Build organizational resilience, take the initiative to identify emerging risks, and carry out corresponding management measures.</p> <p>D. ESG and sustainable development: Integrating ESG with the financial industry and working with customers and partners to exert a positive influence. Benchmark our operation against international best practices and continue to improve relevant management measures.</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. Innovation in green finance: Following the government's green energy policy, E.SUN Bank provides diversified renewable energy credit products actively, and promotes various types of financing business of wind power, solar energy, waste-to-energy and other renewable energy as well as energy storage projects. We will continue to support the construction of various types of green power, and provide one-stop financing services. Companies are assisted in the purchases of green power to exert the positive influence of sustainable development together.</p> <p>B. Cross-border finance platform: E.SUN Bank continues to manage cross-border clients. We launched a new generation of E.SUN eBanking to serve multi-border fund management and become a cross-border digital management platform. With the layout of companies in Asia, the establishment of overseas eBanking in Vietnam, Singapore, Myanmar and Australia were completed in 2020-2022. The platform creates special financial services, and offers total solutions. As the Covid-19 pandemic is slowing down, we will continue to develop products and integrated services. We provide digital services in combination with cross-industry cooperation to assist clients in digital transformation, and create a customer-oriented service model.</p>
Consumer banking services	<p>A. Upgrading E.SUN Extremely Fast Mortgage Loans: E.SUN launches "online contract signing services for mortgages," which allows existing customers to complete loan increases from application to setting up collateral within their original credit limit entirely online. The bank also introduces an "AI automated property valuation model" to the internal operations, which provides real-time quotes to customers and improves the overall efficiency of credit approval. This not only makes the process more convenient and faster but also reduces the carbon footprint of financial services.</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. 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>D. E.SUN Extremely Fast Revolving Loan: The service provides customers with a flexible option for small loans. The entire loan Application process can be completed automatically online. Customers can determine the loan amount and repayment time according to their needs, and interest is only calculated when the amount is used, making it suitable for short-term turnovers or daily needs.</p>
Wealth Management Services	<p>A. Asset Allocation Service E.SUN leverages Fintech to deliver a better customer experience. Customers can have quick access to consulting services from its experts that offer tailor-made investment strategies with the assistance of big data technology.</p> <p>B. Innovative and Sustainable Product Development E.SUN builds a complete product platform to provide customers with financial planning at all stages of life. In addition, to offer high-end services to high-net-worth individuals (HNWI), E.SUN is committed to innovating exclusive wealth management products to fulfill the investment needs of HNWI customers. Simultaneously, in response to sustainable development, E.SUN continues to consider ESG when formulating wealth management strategies.</p> <p>C. Tailored Trust Planning Service Cooperating with the concierge brand "Aspire" of the strategic partner International SOS, E.SUN is the first to launch the "Trust Concierge Service", providing E.SUN's trust customer home care, medical examination arrangements, and other preferred services. E.SUN also innovates a digital trust consulting platform for personal trust customers and the "E.SUN trust service web" for cooperate employee benefit trust's customers' real-time query. E.SUN is committed to promoting innovative products in different fields, continuing to practice inclusive finance, and fulfilling corporate social responsibilities.</p>
Credit card and payment services	<p>A. E.SUN Digital e-Card: E.SUN issued the first non-physical credit card in Taiwan and has reduced the carbon emissions of each physical card by about 900 grams. E.SUN has also promoted electronic bills and green consumption channels, including the purchase of electric cars and motorcycles, the use of public transportation, and the purchase of organic meals, among others. E.SUN encourages our cardholders to implement sustainable actions through daily consumption.</p> <p>B. Pharmacist Infinite/Signature Co-Branded Credit Card: E.SUN has cooperated with the Federation of Taiwan Pharmacists Associations and the Pharmacists Association of R.O.C. to issue exclusive credit cards for pharmacists. During the COVID-19 pandemic, E.SUN donated vests to improve the identification of pharmacists in remote areas while they delivered medicine to residents. E.SUN Bank has supported pharmacists and responded to pandemic prevention efforts through practical actions.</p> <p>C. E.SUN ezTravel Co-Branded Credit Card: E.SUN has cooperated with a preferred travel e-commerce company to connect online and offline travel channels and meet customers' travel itinerary needs, including air ticket bookings and room reservations, while jointly managing the travel ecosystem.</p> <p>D. E.SUN Wallet App: The newly upgraded version of the E.SUN Wallet App is now open to noncardholders who can register as members. E.SUN has increased electronic payment services on the E.SUN Wallet App, and customers can now link their E.SUN account to consume in 240,000 channels of Taiwan Pay. E.SUN also created the first card number checking service on a payment App in Taiwan. This means that cardholders can shop at physical and digital channels by loading their card number onto the E.SUN Wallet App and international mobile payment services before they receive their physical cards.</p> <p>E. E.SUN Store e-Quick Pay: E.SUN provides merchants with a safe and convenient payment collection service. To use this service, merchants enter their collection information on the E.SUN Store e-Quick Pay website, and an exclusive order payment link will be generated for consumers to complete payments. This service helps protect the rights and interests of both merchants and consumers, making payments easier and safer.</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	E.SUN Bank continues to explore needs of clients, and develops diversified products and services. We assist companies in digital transformation by enhancing cross-border operation and integrating platform. By the improvement of cross-border resource and collaboration with overseas offices, we develop high-quality clients and strengthen domestic and foreign risk management. Following the 2050 national net-zero goal, we continue to develop sustainable business, and assist companies to establish ESG business models. Initiative partners also work with E.SUN Bank to exert ESG influence.
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	E.SUN is committed to creating customer-centric services and is devoted to sustainable finance and high-end customer management. Via integrating cross-unit resources, E.SUN is able to provide comprehensive consulting services and construct a cross-border wealth management platform to meet customers' investment needs and improve satisfaction. E.SUN also implements ESG into business development, continues to exert financial influence, fulfills the goals of sustainable development, and collaborates with partners and customers to create a win-win situation.
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	"Detailed client classification, and focused operation", E.SUN Bank improves the efficiency in management of SME by simplifying the credit granting process and strengthening the application of digital platforms. We strengthen the characteristic management of hidden champions and private banking clients, and integrates financial services for medium and large-sized companies. With the restructuring of global supply chains, we provide cross-border financial services to assist in the development of companies, and establish professional teams to assist companies tailor-made customized solutions in terms of sustainable operation and family inheritance. E.SUN Bank becomes the partner of corporate succession and sustainability. In order to cooperate with government policies, we provide preferential loans to promote green projects and support six core strategic industries. Our internal rating model, risk management mechanisms and implement internal control are further improved to maintain credit quality.
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	E.SUN accelerates the upgrade of digital wealth management services such as WME 2.0, and remote and mobile insurance applications that optimizes the customer experience and improve the overall transaction process and efficiency. In addition, E.SUN will strengthen the construction of wealth management teams, deepen the layout of compound professionals, vigorously develop high-net-worth customer management, senior finance, and family trust, etc., improve E.SUN's product research and development and overall risk control capabilities to fulfill customers' asset planning needs.
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

Offer the World a Better Taiwan, Offer Asia a Better E.SUN

Since its inception in 1992, E.SUN has adhered to a path of its own. We believe that if the U.S., Europe, and Japan can produce world-class banks, there is no reason why Taiwan cannot do the same. E.SUN is precisely such a bank. Incessant efforts have been made to secure a solid foundation by building systems, growing talent, and developing information. A professionalism-centered team has thus seen E.SUN set a milestone after another. 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 and act as a corporate entity. 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. To attain the vision of "Build on Taiwan's home base to expand in Asia" in our fourth decade, E.SUN is keen to vie for a greater overseas presence by fostering talent in the Asia Pacific and offering scholarships 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. Ultimately E.SUN aims to rally all employees for the goal of creating a unique bellwether bank in Asia through precise stratagems, swift action, and solid teamwork.

Talent is a leading indicator and a key indicator.

E.SUN's workforce averages 34.5 in age, with holders of master's or higher degrees accounting for 27.7%. 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. We do believe that "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 2022, E.SUN organized 466 internal education and training classes of various types, and sent personnel to 521 external training sessions offered by professional organizations. The total of 2022 trainees came in at 199,777; every employee thus attended an average of 23.7 training sessions.

To foster talent for the future, E.SUN makes it a point to have key personnel undergo "2*2*2+5" rotation across headquarters and branches, different lines of work, and domestic and overseas operations. Given such diverse learning opportunities and ample career possibilities, all career-minded employees will have a chance to chart their own future.

Over the years E.SUN has adhered to a path of its own. With professional managers at the helm, like-minded partners work together to strive for shared ideals and make a bellwether for the financial services industry. E.SUN employees from different generations and with different backgrounds have all done their share to help achieve a common cause. An extraordinary team made up of ordinary people has thus been able to fare admirably in the three key gauges of business success—overall performance, corporate social responsibility, and sustainable development—as E.SUN stays on track to assert itself in Asia in a journey from good to great to sustainable.

5.6.1 Breakdown of employees

Item \ Year		Current year to March 20, 2023	2022	2021
No. of Employees		8,595	8,421	8,593
Average Age		34.5	34.7	34.1
Average Years of Service		9.5	9.7	9.1
Educational background (%)	Master's	27.7	27.4	27.4
	Bachelor's	68	68.2	68.2
	Junior college	3.9	3.9	3.9
	High School (Vocational)	0.4	0.5	0.5
Number of professional licenses held by employees	Banking	30,230	30,313	29,492
	Insurance	10,474	10,499	10,514
	Securities	6,658	6,667	6,788
	Others	1,735	1,707	1,353

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

5.6.2 Continuing education and training for employees

- (1) The Bank systematically plans and implements continuing education and training in accordance with the applicable annual plan and Employee Training Guidelines for E.SUN FHC and Its Subsidiaries.
- (2) In accordance with Employee Continuing Education and Inspection Tour Guidelines for E.SUN FHC and Its Subsidiaries, the Bank 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 Bank 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. It is only fitting for E.SUN to adapt to the post-pandemic era in talent cultivation. In place of the shift from offline to online, we now focus on integrating training courses of both modes as the pandemic subsides. Specialized digital sessions are offered as a supplementary learning tool to strengthen physical training. As such, physical training is now bolstered with the help of digital teaching media, platforms, and tools. This allows employees to apply what they have learned to real-world scenarios in no time. Additionally, E.SUN encourages employees to attend high-quality external training courses so that they can pick up the latest in international finance and expertise in ESG, fintech, and risk management among others.
- (4) During 2022, the Bank and its subsidiaries held 466 internal education and training classes of various types, and sent personnel to participate in 521 training sessions held by external professional organizations. As a result, our colleagues took part in training a total of 199,777 person-times.
- (5) The Bank education and training funding accounted for 0.75% of operating revenue in 2022.

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

	2022	2021	Growth Rate
Number of employees serving in non-supervisory positions	7,218	7,599	-5.01%
Average salary of employees serving in non-supervisory positions	1,213	1,154	5.11%
Median salary of employees serving in non-supervisory positions	1,118	1,068	4.68%

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 its 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 provides tests with regard to "Code of Conduct for E.SUN Employees" to all employees annually. All employees are required to take the online courses and pass the tests afterwards. This is to remind employees to comply with the code.
- (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 7 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) Continuously promote the "Green Building" and "Solar Energy" projects. As of the end of 2022, there are a total of 2 LEED Platinum international certifications (Nanzi and Linyuan branches), 6 LEED Gold international certifications (Data center of the Technology Building and Hope Building, Esun Human Resources Development Center, Building A of the Second Headquarters, Chiayi and Dali branches), 3 EEWB Gold certifications (Building A and Building B of the Second Headquarters, Rende branch), and 7 EEWB Qualified certifications (Chiayi, Daya, Yuanlin, Toufen, Annan, East Tainan, and Shalu branches), as well as 23 solar energy sites (Headquarters Building, Dengfeng Building, Technology Building, Boai Building, Building A of the Second Headquarters, Nanzi, Lingya, Linyuan, Toufen, Daya, Dali, Taiping, Shalu, Changhua, Yuanlin, Douliou, Chiayi, Rende, East Tainan, Annan, Jinhua, Houjhuang, and Houlong branches).
- (2) Continuously introduce ISO14001 environmental management system, ISO50001 energy management system, ISO14064 greenhouse gas inventory, ISO14046 organizational water footprint inventory, and introduce ISO46001 water resource efficiency management system in 2021. The certification scope will be expanded in 2022 and will include 15 sites, including the Headquarters Building, Building A and Building B of the Second Headquarters, Boai Building, Hsinchuang, Tucheng, Fuhshing, Changchun, Chengjiong, Sindian, Mujha, Erchong, Banciao, South Tucheng, and Shwangho branches.

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 420,000 books to 173 E.SUN Libraries by the end of 2022. More than 120,000 students have benefited from the program. E.SUN will be moving on to building its next 100 E.SUN Libraries. E.SUN keeps cultivating excellent students. In 2022, the E.SUN Outstanding Management Talent Scholarship was rewarded to 36 outstanding students in the field of management, technology, and humanities and arts. The E.SUN ASEAN Scholarship was rewarded to 7 students from ASEAN countries. The E.SUN Nursing Talent Scholarship was rewarded to 8 students in the field of nursing. E.SUN teamed 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. 68 teachers have received the award so far.
- (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 16 consecutive years. Over 3,500 baseball players have received training. Through the Remote Caring Program, E.SUN has supplied appropriate sports aids to over 38 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 regularly holds "One simple act of love can inspire others to love" blood donation activities, where 7,712 bags (250 ml per bag) of blood were donated in 2022. Thanks to the commitment of E.SUN employees 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..



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

- (1) 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.
- (2) To enhance the efficiency of using resource, adjust the existing network structure for overseas branch and introduce SD-WAN (Software Defined-Wide Area Network) design to strengthen the integration and utilization of existing network dedicated lines. Promote the recycling of resources in the virtualized environment. Through regular analysis of reports, the optimal resource allocation for virtual machines is given according to recommendations, and virtual machine resources that have not been used for more than three months are regularly recycled to improve resource utilization efficiency.

5.9.2 Future development and procurement plans

In 2023, 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 2023:

(1) Global Financial Services

- Core Banking System Upgrade for UCB
- Core Banking System Migration for Overseas Branch
- Data Warehouse Development for Overseas Branch
- Cloud Migration of Oversea Branches System

(2) Customer Relationship Management

- Wealth Management System Reengineering
- Next Generation Call Center System Development
- Integrated Apply Platform Upgrade
- Personal Loan Unify System Development

(3) Technology Driven Digital Transformation

- Core Banking System Migration for Credit Card and Payment Division
- Optimization of Cloud Foundation Infrastructure
- Machine Learning as a Service Platform Upgrade
- Embedded Efficient Automatic IT Operation

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, to avoid the immediate temperature rise in the event of a power failure causing the computer system to heat up. 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 and import an automatic verification mechanism to shorten the service recovery time. In the other hand, we execute 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 already obtained the ISO/IEC 27001:2013 international certification for the Information Security Management System (ISMS), and completed two follow-up reviews in 2022 to maintain the validity of the certification. E.SUN Bank has also expanded the application of the certificate to its Intelligent Banking Division in 2022. Moreover, its credit card receipt system has also achieved the Payment Card Industry Data Security Standard (PCIDSS) certification on an annual basis since 2017 to maintain the validity of the certification. In 2022, the Digital and Information Division of E.SUN Securities also deployed and obtained the Information Security Management System (ISMS) ISO/IEC 27001:2013 certification.

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) E.SUN continues to examine the completeness and appropriateness of existing control measures through information security evaluation procedures undertaken by independent third parties. To continuously strengthen its information security defensive strategies and response mechanisms, E.SUN Bank has partnered with professional white hat hackers to engage in comprehensive real hacking drills since 2021. Remote working simulations have also been added to the hacking drills in 2022 to ensure the safety in remote connections, as well as the effectiveness of its information security defense and business continuity measures.
- (4) To build a dedicated team in which information security personnel will actively monitor, detect, analyze, and respond accordingly, as well as action measures that support the financial information exchange from the Financial Supervisory Commission, E.SUN Bank has been cultivating the incident response and investigation competencies of Security Operation Center (SOC), connecting various cybersecurity devices, and automated threat intelligence feeds. This helps E.SUN Bank to continuously optimize the SOC and comprehensively enhance the timeliness in handling information security incidents as well as the skills in managing information security threats, thereby achieving its target for joint information security surveillance and defense in the financial sector.

5.10.3 Cyber Security Management Investments

- (1) The Company persistently invests resources into information security-related matters. The amounts spent on information security in 2022 were approximately NT\$308 million, and were intended to improve systematic and technical infrastructures, enhance information security defense equipment, conduct intelligence monitoring and analysis, and organize incident response and attack/defense drills and training to enhance information security governance capacity and achieve wellrounded information security protections.
- (2) The Company regularly implements information security training and social engineering drills to continuously strengthen the information security awareness of all employees. In addition, programming safety courses as well as consulting channels are established to enhance the security and development competencies of the IT Department.
- (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) A total of 102 external fraudulent emails were received and reported by E.SUN employees in 2022. After investigating this incident, it was determined that the emails did not pose any impact to E.SUN and that all monitoring, warning, and relevant control measures can effectively help E.SUN defends against external threats..

A-Cyber Security Incident	2022 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

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) In dealing with major threats including domestic and foreign major information security incidents, network system vulnerabilities, ransomware attacks, and malware, the Company has formulated standard operating procedures for intelligence collection and handling, and risk analysis was completed for a total of 323 relevant data in 2022. Preventive response measures were proposed for issues with higher intelligence or key concerns, and 19 information security messages were disseminated to the IT Departments of all E.SUN FHC subsidiaries in order to reduce the likelihood of impact on the

overall information assets in E.SUN FHC, while also ensuring the consistency of information security defense across subsidiaries.

- (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 Bank 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 Bank. The Bank 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 Bank 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 Bank 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 Bank 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 Bank 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. E.SUN was awarded the National Occupational Safety and Health Award and Work-Life Balance Award by the Ministry of Labor.
- (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)

Item		Year	2022(Note 3)	
Cash and cash equivalents, due from the central bank and call loans to other banks			228,865,146	
Financial assets at fair value through profit or loss			355,947,222	
Financial assets at fair value through other comprehensive income			345,819,992	
Debt Instrument Investments Measured at Amortized Cost			401,405,743	
Derivative financial assets for hedging			-	
Securities purchased under resell agreements			7,881,831	
Receivables, net			115,768,162	
Current tax assets			15,423	
Assets held for sale, net			-	
Discounts and loans, net			1,934,791,917	
Investments accounted for using equity method, net			-	
Restricted assets			-	
Other financial assets, net			2,442,798	
Properties and equipment, net			34,067,033	
Right-of-use asset, net			7,005,143	
Investment properties, net			2,071,205	
Intangible assets			6,076,961	
Deferred tax assets, net			3,380,119	
Other assets			12,485,250	
Total assets			3,458,023,945	
Due to the Central Bank and other banks			72,514,434	
Funds borrowed from the Central Bank and other banks			-	
Financial liabilities at fair value through profit or loss			89,569,651	
Derivative financial liabilities for hedging			-	
Securities sold under repurchase agreements			18,495,295	
Payables			30,054,581	
Current tax liabilities			1,691,586	
Liabilities directly associated with assets held for sale			-	
Deposits and remittances			2,904,381,354	
Bonds payable			37,850,000	
Preferred stock liabilities			-	
Other financial liabilities			101,041,886	
Provisions			1,104,994	
Lease liabilities			4,169,899	
Deferred tax liabilities			1,882,213	
Other liabilities			3,723,044	
Total liabilities	Before distribution		3,266,478,937	
	After distribution		(Note2)	
Equity attributable to owners of the Company			191,369,650	
Capital stock	Before distribution		103,637,000	
	After distribution		(Note2)	
Capital surplus			27,412,151	
Retained earnings	Before distribution		65,422,036	
	After distribution		(Note2)	
Other equity			(5,101,537)	
Treasury stock			-	
Non-controlling interests			175,358	
Total equity	Before distribution		191,545,008	
	After distribution		(Note2)	

Note 1: All financial statements above have been audited and certified by accountants.

Note 2: Earnings distribution of the year (ended December 31) 2022 shall be resolved in the shareholders' meeting.

Note 3: Based on financial statements that have been audited and certified by accountants for previous years.

Unit NT\$ thousand

Financial information in recent 5 years (Note1)				
2021(Note 3)	2020(Note 3)	2019 (Note 3)	2018 (Note 3)	
210,381,909	175,678,445	128,431,888	132,378,411	
406,120,795	711,285,527	515,299,796	471,874,547	
331,946,892	262,807,184	215,119,990	183,206,425	
308,219,235	16,465,798	12,599,698	8,165,004	
-	-	-	-	
-	2,300,196	4,971,085	-	
108,589,280	102,011,546	103,685,720	85,316,920	
238,479	260,826	312,812	11,644	
-	-	158,036	-	
1,768,641,241	1,620,374,068	1,444,322,101	1,333,277,269	
-	-	-	-	
-	-	-	-	
6,508,506	4,231,528	6,413,948	12,051,606	
33,265,727	32,689,294	32,725,301	31,949,501	
6,772,103	2,993,610	3,124,618	-	
2,096,113	2,069,994	2,098,556	2,192,930	
6,134,220	6,119,931	6,141,747	6,045,548	
2,294,370	1,800,830	1,413,052	1,053,310	
4,908,271	5,890,339	4,192,232	4,814,375	
3,196,117,141	2,946,979,116	2,481,010,580	2,272,337,490	
83,481,158	54,968,986	57,903,786	72,223,020	
14,021,010	8,044,340	-	-	
61,199,462	70,441,442	59,630,516	50,277,088	
-	-	-	-	
16,648,639	11,305,248	7,228,239	12,526,789	
23,557,174	23,219,244	23,641,318	24,505,102	
1,692,108	571,907	1,642,424	880,576	
-	-	-	-	
2,698,070,807	2,493,094,038	2,084,141,236	1,887,658,287	
34,270,000	33,970,000	32,070,000	36,850,000	
-	-	-	-	
65,225,761	64,554,092	34,688,249	24,516,845	
1,081,140	1,151,669	640,003	824,373	
3,841,071	3,105,185	3,126,192	-	
1,332,936	1,412,062	1,302,184	1,338,385	
3,579,589	3,342,843	3,906,099	2,466,805	
3,008,000,855	2,769,181,056	2,309,920,246	2,114,067,270	
3,015,173,788	2,776,323,482	2,319,239,090	2,121,581,672	
187,947,202	177,657,283	170,959,135	158,146,891	
98,937,000	95,241,000	90,481,000	86,370,000	
103,637,000	98,937,000	95,241,000	90,481,000	
26,978,796	26,394,914	25,894,945	25,316,367	
62,861,565	55,542,067	54,137,758	45,794,293	
50,988,632	44,703,641	40,058,914	34,168,891	
(830,159)	479,302	445,432	666,231	
-	-	-	-	
169,084	140,777	131,199	123,329	
188,116,286	177,798,060	171,090,334	158,270,220	
180,943,353	170,655,634	161,771,490	150,755,818	

6.1.2 Condensed Statement of Comprehensive Income (Consolidated)

Item	Year		
		2022 (Note1)	
Interest revenue		53,400,605	
Interest expenses		(24,162,089)	
Net interest		29,238,516	
Net revenues and gains other than interest		22,871,500	
Total net revenues		52,110,016	
Bad-debt expenses and provision for losses on guarantees		(2,080,656)	
Operating Expenses		(31,164,613)	
Income before income tax from continuing operations		18,864,747	
Income tax (expenses) benefit		(4,031,787)	
Net income from continuing operation		14,832,960	
Net income (loss) from discontinued operations		-	
Net income		14,832,960	
Other comprehensive income (loss)		(4,645,340)	
Other comprehensive income (loss) for the year, net of tax		(4,645,340)	
Total comprehensive income		10,187,620	
Net income attributable to owners of the Company		14,809,136	
Net income attributable to non-controlling interests		23,824	
Total comprehensive income attributable to owners of the Company		10,162,026	
Total comprehensive income attributable to non-controlling interests		25,594	
Earnings per share (New Taiwan Dollars)		1.43	

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.

Unit:NT\$ thousand, Except Earnings Per Share

Financial data 2018-2022 (Note1)			
2021 (Note1)	2020 (Note1)	2019 (Note1)	2018 (Note1)
35,011,380	35,779,038	40,950,651	37,003,677
(9,420,166)	(14,683,748)	(21,293,502)	(16,972,375)
25,591,214	21,095,290	19,657,149	20,031,302
27,166,121	32,020,153	33,311,310	28,158,324
52,757,335	53,115,443	52,968,459	48,189,626
(2,134,325)	(3,240,639)	(1,603,019)	(3,209,215)
(29,934,556)	(30,884,890)	(28,652,283)	(24,652,636)
20,688,454	18,989,914	22,713,157	20,327,775
(3,101,634)	(2,502,362)	(3,053,793)	(3,204,365)
17,586,820	16,487,552	19,659,364	17,123,410
-	-	-	-
17,586,820	16,487,552	19,659,364	17,123,410
(710,050)	(948,014)	78,491	(416,560)
(710,050)	(948,014)	78,491	(416,560)
16,876,770	15,539,538	19,737,855	16,706,850
17,558,577	16,464,910	19,642,947	17,108,315
28,243	22,642	16,417	15,095
16,848,463	15,517,023	19,722,222	16,691,577
28,307	22,515	15,633	15,273
1.77	1.73	2.17	1.98

6.1.3 Condensed Balance Sheet (Standalone)

Item		Year	2022 (Note 3)	
Cash and cash equivalents, due from the central bank and call loans to other banks			223,438,924	
Financial assets at fair value through profit or loss			355,620,362	
Financial assets at fair value through other comprehensive income			326,925,713	
Debt Instrument Investments Measured at Amortized Cost			398,051,472	
Derivative financial assets for hedging			-	
Securities purchased under resell agreements			7,881,831	
Receivables, net			114,100,019	
Current tax assets			9,544	
Assets held for sale, net			-	
Discounts and loans, net			1,878,924,693	
Investments accounted for using equity method, net			15,008,986	
Restricted assets			-	
Other financial assets, net			1,372,280	
Properties and equipment, net			31,648,604	
Right-of-use asset, net			6,585,747	
Investment properties, net			572,777	
Intangible assets			4,779,939	
Deferred tax assets, net			3,125,750	
Other assets			12,231,839	
Total assets			3,380,278,480	
Due to the Central Bank and other banks			67,133,658	
Funds borrowed from the Central Bank and other banks			-	
Financial liabilities at fair value through profit or loss			89,101,408	
Derivative financial liabilities for hedging			-	
Securities sold under repurchase agreements			12,280,579	
Payables			28,492,271	
Current tax liabilities			1,436,013	
Liabilities directly associated with assets held for sale			-	
Deposits and remittances			2,851,621,558	
Bonds payable			37,850,000	
Preferred stock liabilities			-	
Other financial liabilities			90,837,889	
Provisions			1,083,412	
Lease liabilities			3,720,012	
Deferred tax liabilities			1,851,346	
Other liabilities			3,500,684	
Total liabilities	Before distribution		3,188,908,830	
	After distribution		(Note 2)	
Equity attributable to owners of the Company			191,369,650	
Capital stock	Before distribution		103,637,000	
	After distribution		(Note 2)	
Capital surplus			27,412,151	
Retained earnings	Before distribution		65,422,036	
	After distribution		(Note 2)	
Other equity			(5,101,537)	
Treasury stock			-	
Non-controlling interests			-	
Total equity	Before distribution		191,369,650	
	After distribution		(Note 2)	

Note 1: All financial statements above have been audited and certified by accountants.

Note 2: Earnings distribution of the year (ended December 31) 2022 shall be resolved in the shareholders' meeting.

Note 3: Based on financial statements that have been audited and certified by accountants for previous years.

Unit: NT\$ thousand

Financial information in recent 5 years (Note 1)				
2021 (Note 3)	2020 (Note 3)	2019 (Note 3)	2018 (Note 3)	
205,418,718	162,505,435	121,158,407	119,749,611	
405,870,183	710,861,278	515,290,476	471,860,812	
314,853,034	249,639,113	203,207,198	174,034,814	
307,138,136	15,377,331	11,528,075	7,057,308	
-	-	-	-	
-	2,300,196	4,971,085	-	
107,138,143	100,552,105	102,330,053	84,447,741	
232,322	254,992	307,126	5,497	
-	-	158,036	-	
1,721,019,982	1,582,840,048	1,411,123,990	1,308,295,440	
13,735,097	13,116,416	12,842,026	12,784,006	
-	-	-	-	
6,139,587	3,538,640	4,826,328	12,013,815	
30,935,024	30,243,219	30,110,788	29,225,436	
6,363,802	2,535,933	2,593,792	-	
569,018	481,472	484,203	472,228	
4,937,319	4,902,754	4,863,337	4,709,443	
2,078,690	1,621,724	1,207,747	813,234	
4,646,557	5,649,588	3,965,549	4,621,232	
3,131,075,612	2,886,420,244	2,430,968,216	2,230,090,617	
75,911,287	49,650,698	54,796,530	67,786,230	
14,021,010	8,044,340	-	-	
61,021,909	70,250,867	59,620,612	50,248,562	
-	-	-	-	
12,568,620	11,305,248	6,372,008	8,587,909	
22,440,661	22,080,632	22,345,616	23,468,429	
1,467,901	417,702	1,634,865	831,518	
-	-	-	-	
2,651,792,392	2,446,666,723	2,043,956,870	1,857,918,420	
34,270,000	33,970,000	32,070,000	36,850,000	
-	-	-	-	
60,518,541	58,086,738	31,049,971	21,921,658	
1,063,682	1,138,350	622,010	794,915	
3,408,697	2,624,186	2,578,995	-	
1,291,482	1,402,754	1,285,611	1,262,298	
3,352,228	3,124,723	3,675,993	2,273,787	
2,943,128,410	2,708,762,961	2,260,009,081	2,071,943,726	
2,950,301,343	2,715,905,387	2,269,327,925	2,079,458,128	
187,947,202	177,657,283	170,959,135	158,146,891	
98,937,000	95,241,000	90,481,000	86,370,000	
103,637,000	98,937,000	95,241,000	90,481,000	
26,978,796	26,394,914	25,894,945	25,316,367	
62,861,565	55,542,067	54,137,758	45,794,293	
50,988,632	44,703,641	40,058,914	34,168,891	
(830,159)	479,302	445,432	666,231	
-	-	-	-	
-	-	-	-	
187,947,202	177,657,283	170,959,135	158,146,891	
180,774,269	170,514,857	161,640,291	150,632,489	

6.1.4 Condensed Statement of Comprehensive Income (Standalone)

Item	Year		
		2022 (Note1)	
Interest revenue		50,116,958	
Interest expense		(22,904,846)	
Net interest		27,212,112	
Net revenues and gains other than interest		22,983,788	
Total net revenues		50,195,900	
Bad-debt expenses and provision for losses on guarantees		(2,041,228)	
Operating Expenses		(29,588,290)	
Income before income tax from continuing operations		18,566,382	
Income tax (expense) benefit		(3,757,246)	
Net income from continuing operation		14,809,136	
Net income (loss) from discontinued operations		-	
Net income (loss)		14,809,136	
Other comprehensive income		(4,647,110)	
Other comprehensive income for the year, net of tax		(4,647,110)	
Total comprehensive income		10,162,026	
Net income attributable to owners of the Company		14,809,136	
Net income attributable to non-controlling interests		-	
Total comprehensive income attributable to owners of the Company		10,162,026	
Total comprehensive income attributable to non-controlling interests		-	
Earnings per share (New Taiwan Dollars)		1.43	

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.

Unit:NT\$ thousand, except earnings per share

Financial data 2018-2022 (Note1)			
2021 (Note1)	2020 (Note1)	2019 (Note1)	2018 (Note1)
32,332,590	33,307,197	38,648,775	35,064,333
(8,513,041)	(13,743,938)	(20,400,566)	(16,267,268)
23,819,549	19,563,259	18,248,209	18,797,065
27,185,317	31,752,442	33,275,939	27,844,073
51,004,866	51,315,701	51,524,148	46,641,138
(2,025,549)	(3,042,182)	(1,541,891)	(3,023,936)
(28,492,948)	(29,510,565)	(27,311,181)	(23,488,690)
20,486,369	18,762,954	22,671,076	20,128,512
(2,927,792)	(2,298,044)	(3,028,129)	(3,020,197)
17,558,577	16,464,910	19,642,947	17,108,315
-	-	-	-
17,558,577	16,464,910	19,642,947	17,108,315
(710,114)	(947,887)	79,275	(416,738)
(710,114)	(947,887)	79,275	(416,738)
16,848,463	15,517,023	19,722,222	16,691,577
17,558,577	16,464,910	19,642,947	17,108,315
-	-	-	-
16,848,463	15,517,023	19,722,222	16,691,577
-	-	-	-
1.77	1.73	2.17	1.98

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 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. Yang Cheng Hsiu, CPA, and Li Guan Hao, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN Bank for the year of 2022, 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 2018-2022 (Note1)				
		2022	2021	2020	2019	2018
Operating ratio	Loan-to-Deposit Ratio (%)	67.50	66.41	66.00	70.19	71.56
	NPL ratio (%)	0.16	0.16	0.19	0.19	0.23
	Ratio of interest expenses to average deposit(%) (Note 3)	0.74	0.30	0.56	0.92	0.77
	Ratio of interest revenues to average loans(%) (Note 4)	2.05	1.58	1.82	2.22	2.21
	Total assets turnover (Times)	0.02	0.02	0.02	0.02	0.02
	Average revenue per employee	5,563	5,465	5,491	5,834	5,434
	Average net income per employee	1,584	1,822	1,704	2,165	1,931
Profitability ratio	Ratio of return on tier 1 capital (%)	9.14	10.22	9.86	12.52	12.20
	Ratio of return on total assets (Note 5)	0.45	0.57	0.61	0.83	0.79
	Ratio of return on equity (%)	7.81	9.61	9.45	11.94	11.20
	Profit margin ratio (%)	28.46	33.34	31.04	37.12	35.53
	Basic earnings per share (New Taiwan Dollars)	1.43	1.77	1.73	2.17	1.98
Financial structure	Ratio of debt to assets (%)	94.46	94.11	93.96	93.09	93.03
	Ratio of properties and equipment to shareholders' equity (%)	17.79	17.68	18.39	19.13	20.19
Ratio of growing	Ratio of assets growing (%)	8.19	8.45	18.78	9.06	10.47
	Ratio of income growing (%)	-8.82	8.94	-16.39	11.73	19.90
Cash Flow	Cash flow ratio (Note6)	22.60	22.53	9.97	6.19	4.89
	Cash flow Adequacy ratio (%)	201.10	176.23	115.85	121.42	133.64
	Cash flow content ratio (%)	(Note2)	(Note2)	(Note2)	(Note2)	(Note2)
Ratio of liquidity preparation (%)		31.25	34.54	37.86	32.20	30.62
Secured loan balance of related-party		24,534,502	22,501,129	19,595,062	16,979,314	14,977,275
Ratio of secured loans balance of related-party (%)		1.23	1.22	1.16	1.13	1.08
Operating Scale	Market share of assets (%)	4.89	4.91	4.79	4.35	4.15
	Market share of equity (%)	4.15	4.20	4.09	4.09	4.09
	Market share of deposit (%)	5.29	5.34	5.30	4.86	4.67
	Market share of assets loans (%)	5.05	5.02	4.90	4.60	4.43

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 higher in 2022 than 2021, mainly due to the increase in interest paid on deposit.

Note 4: The ratio of interest revenues to average loans is higher in 2022 than 2021, mainly due to the increase in interest earned on loans.

Note 5: The ratio of return on total assets is lower in 2022 than 2021, mainly due to the net income of 2022 is lower than that of 2021 that attributed to overall environmental impact.

Note 6: The ratio of income growing is lower in 2022 than 2021, mainly due to the decrease in operating expenses and bad-debt expenses.

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 or loss + Securities sold under repurchased agreements + Current portion of Payables)
- (b) Cash flow adequacy ratio = Net cash provided by operating activities (from 2018 to 2022) / from 2018 to 2022 (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)				
			2022	2021	2020	2019	2018
Operating ratio	Loan-to-Deposit Ratio (%)		66.75	65.74	65.70	69.91	71.32
	NPL ratio (%)		0.16	0.16	0.19	0.19	0.23
	Ratio of interest expenses to average deposit(%) (Note 3)		0.72	0.29	0.54	0.90	0.77
	Ratio of interest revenues to average loans(%) (Note 4)		1.91	1.50	1.74	2.16	2.14
	Total assets turnover (Times)		0.02	0.02	0.02	0.02	0.02
	Average revenue per employee		5,959	5,865	5,839	6,203	5,707
	Average net income per employee		1,758	2,019	1,874	2,365	2,093
Profitability ratio	Ratio of return on tier 1 capital (%)		9.10	10.42	10.04	12.89	12.49
	Ratio of return on total assets (Note 5)		0.45	0.58	0.62	0.84	0.80
	Ratio of return on equity (%)		7.81	9.61	9.45	11.94	11.20
	Profit margin ratio (%)		29.50	34.43	32.09	38.12	36.68
	Basic earnings per share (New Taiwan Dollars)		1.43	1.77	1.73	2.17	1.98
Financial structure	Ratio of debt to assets (%)		94.34	93.99	93.83	92.96	92.90
	Ratio of properties and equipment to shareholders' equity (%)		16.54	16.46	17.02	17.61	18.48
Ratio of growing	Ratio of assets growing (%)		7.96	8.48	18.74	8.91	9.95
	Ratio of income growing (%) (Note6)		-9.37	9.19	-17.24	12.63	16.83
Cash Flow	Cash flow ratio (%)		25.74	27.06	6.56	11.73	-0.06
	Cash flow Adequacy ratio (%)		207.80	177.94	116.15	125.26	121.68
	Cash flow content ratio (%)		(note2)	(note2)	(note2)	(note2)	(note2)
Ratio of liquidity preparation (%)			31.25	34.54	37.86	32.20	30.62
Secured loan balance of related-party			24,534,502	22,501,129	19,595,062	16,979,314	14,977,275
Ratio of secured loans balance of related-party (%)			1.26	1.26	1.19	1.16	1.10
Operating Scale	Market share of assets (%)		4.78	4.81	4.69	4.26	4.08
	Market share of equity (%)		4.14	4.20	4.09	4.09	4.08
	Market share of deposit (%)		5.20	5.25	5.20	4.77	4.59
	Market share of assets loans (%)		4.90	4.88	4.79	4.50	4.35

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 higher in 2022 than 2021, mainly due to the increase in interest paid on deposit.

Note 4: The ratio of interest revenues to average loans is higher in 2022 than 2021, mainly due to the increase in interest earned on loans.

Note 5: The ratio of return on total assets is lower in 2022 than 2021, mainly due to the net income of 2022 is lower than that of 2021 that attributed to overall environmental impact.

Note 6: The ratio of income growing is lower in 2022 than 2021, mainly due to the decrease in operating expenses and bad-debt expenses.

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 2018 to 2022) / from 2018 to 2022(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)				
			2022	2021	2020	2019	2018	
Eligible capital	Common equity		177,847,945	179,167,854	169,746,710	163,736,378	151,529,663	
	Other Tier 1 capital		27,972,199	27,972,199	27,972,199	23,782,500	23,787,739	
	Tier 2 capital		48,437,242	46,187,663	46,734,557	50,462,950	51,792,894	
	Eligible capital		254,257,386	253,327,716	244,453,466	237,981,828	227,110,296	
Risk-weighted assets	Credit risk	Standardized approach	1,627,327,924	1,545,993,477	1,339,559,309	1,460,785,074	1,352,101,364	
		Internal ratings - based approach	-	-	-	-	-	
		Securitization	2,241,444	-	-	-	-	
	Operational risk	Basic indicator approach	-	-	-	-	-	
		Standardized approach/ alternative standardized approach	126,897,558	128,379,838	125,793,513	85,599,525	77,731,050	
		Advanced measurement approach	-	-	-	-	-	
	Market risk	Standardized approach	84,941,150	117,232,825	81,222,275	70,789,300	47,862,450	
		Internal model approach	-	-	-	-	-	
	Risk-weighted assets		1,841,381,076	1,791,606,140	1,546,575,097	1,617,173,899	1,477,694,864	
	Capital adequacy ratio			13.81%	14.14%	15.81%	14.72%	15.37%
Ratio of Tier 1 capital to risk-weighted assets			11.18%	11.56%	12.78%	11.60%	11.86%	
Ratio of common equity to risk-weighted assets			9.66%	10.00%	10.98%	10.12%	10.25%	
Leverage Ratio			5.69%	6.07%	6.32%	7.06%	7.22%	

Unit:NT\$ thousand

Item			Year	Capital information in recent 5 years (Standalone)				
			2022	2021	2020	2019	2018	
Eligible capital	Common equity		179,150,743	176,736,385	167,478,087	161,585,961	149,446,951	
	Other Tier 1 capital		27,972,199	24,343,828	24,486,398	20,353,674	20,368,923	
	Tier 2 capital		47,782,928	38,145,366	39,032,950	43,289,697	44,371,239	
	Eligible capital		254,905,870	239,225,579	230,997,435	225,229,332	214,187,113	
Risk-weighted assets	Credit risk	Standardized approach	1,574,982,859	1,483,148,972	1,281,158,937	1,395,412,290	1,298,702,048	
		Internal ratings - based approach	-	-	-	-	-	
		Securitization	2,214,444	-	-	-	-	
	Operational risk	Basic indicator approach	-	-	-	-	-	
		Standardized approach/ alternative standardized approach	121,515,048	123,407,213	121,079,875	82,085,088	74,177,125	
		Advanced measurement approach	-	-	-	-	-	
	Market risk	Standardized approach	79,983,088	106,201,563	74,951,988	62,914,525	42,608,000	
		Internal model approach	-	-	-	-	-	
	Risk-weighted assets		1,778,695,439	1,712,757,748	1,477,190,800	1,540,411,903	1,415,487,173	
	Capital adequacy ratio			14.33%	13.97%	15.64%	14.62%	15.13%
Ratio of Tier 1 capital to risk-weighted assets			11.64%	11.74%	13.00%	11.81%	12.00%	
Ratio of common equity to risk-weighted assets			10.07%	10.32%	11.34%	10.49%	10.56%	
Leverage Ratio			5.86%	6.02%	6.28%	7.02%	7.17%	

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.

Audit Committee Report

To: E.SUN Bank

The 2022 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 2022 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 Yang, Chen-Hsiu and CPA Lee, Kuan-Hao, 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: February 20, 2023

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 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

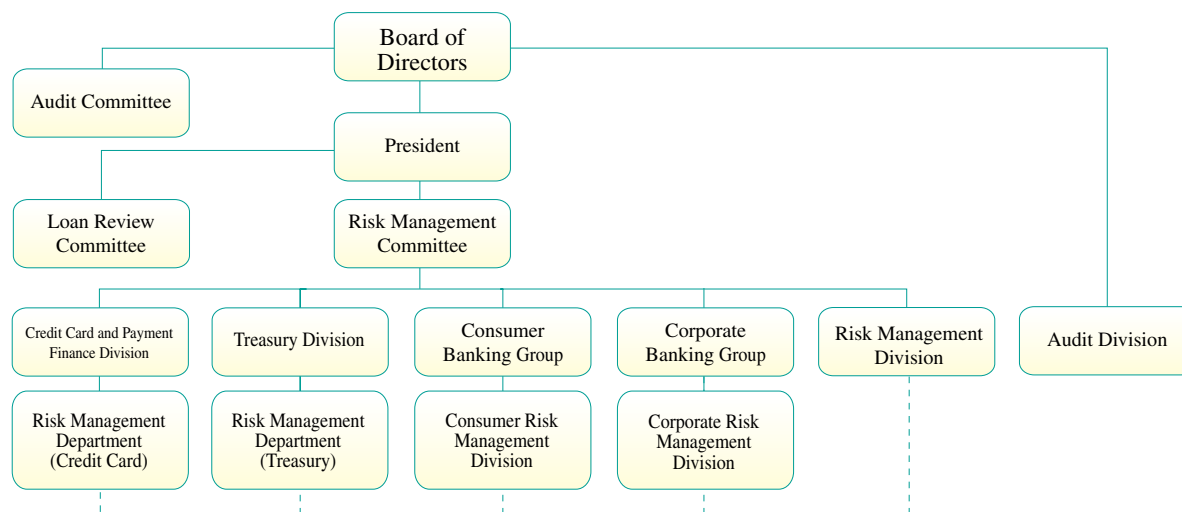
Credit Risk Management Institution

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 connected to the stress testing and 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. Furthermore, with the view of strengthening our own risk management abilities and enhancing the understanding of our risk profile, we report to the management level regularly and conduct stress testing on underlying risk scenarios based on the development of global political and economic situation from time to time, 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 businesses. 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 credit limit 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. The data is forwarded to managers instantaneously at all levels, board of directors and the risk management committee, 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 corporate banking, consumer banking and credit card and payment finance 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

Dec.31,2022. Unit: NT\$ thousand

Category of Exposure	Exposure after Risk Mitigation	Capital Charge
Sovereign	222,830,453	12,758
Public Sector (Non-central government)	5,618,411	90,844
Banks (including multilateral development banks and CCP)	347,451,115	11,175,599
Corporate (including securities and insurance companies)	568,823,297	40,643,394
Retail	218,217,355	11,847,558
Real Estate	1,312,092,280	54,232,824
Equity Investments	24,609,775	3,929,249
Capital requirements for banks' equity investments in funds	-	-
Other Assets	75,487,941	4,066,402
Total	2,775,130,627	125,998,628

7.1.2 Risk management of Securitization, Exposure, and Capital Charge

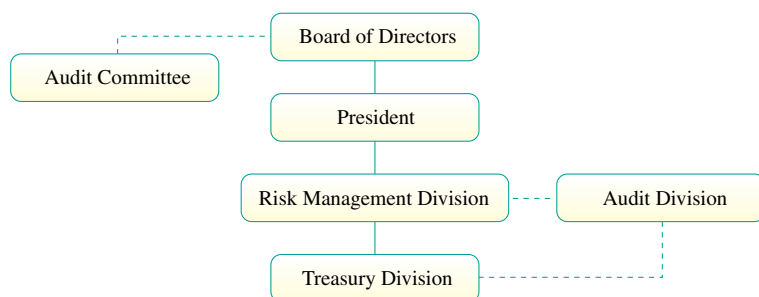
Risk Management of Securitization

A. Management strategies and procedures relating to asset securitization

The purpose of the bank's securitization business is to assist bond funds to reduce the risk of structured notes, improve the liquidity of the secondary market, expand the participation in the securitized commodity market, and internationalize the securitized products of Taiwan.

B. Management framework and organization for securitized instruments

According to the regulations of the competent authority, the securitization proposal must be approved by the board of directors of the originating institution and the competent authority before it can be issued by the trust institution. E.SUN's initial securitization is submitted to the board of directors for approval on a case-by-case basis, and is carried out through project management to meet the requirements of the competent authority. In terms of powers and responsibilities, the Treasury Division is responsible for the original business of securitization, including the overall planning of the issuance structure, financial evaluation and execution of related issuance procedures. The Risk Management Division is responsible for the risk management of asset securitization and the evaluation of fair value. The figure below is the framework of securitization management:



C. Scope and features of asset securitization risk reports and assessment system

The evaluation of the beneficiary securities held by the bank due to its originating is based on the cash flow generated by the cash flow model, which is established by the bank and the financial consultant before the issuance, as well as the market information during evaluation, and the relevant information will be loaded into the Kondor+ system to evaluate the market value so that it can truly reflect the current situation of market risk.

D. Risk avoidance or mitigation policies relating to asset securitization, and strategies and procedures for monitoring the effectiveness of risk mitigation tools

Formulated according to the relevant laws and regulations of the competent authority and the internal risk control mechanism, and is supplemented by measuring the economic and financial situation at home and abroad to make timely adjustments to ensure that the avoidance and risk reduction tools are continuously effective.

E. Methods for calculating capital requirements

Standardized approach.

Exposure of Asset Securitization

As of December 31, 2022, E.SUN does not serve as originator for any securitized asset but holds NT\$177,156 thousand dollars in asset securitization position as the non-originating bank.

Capital Charge of Asset Securitization

Dec.31,2022. Unit: NT\$ thousand

Debt Category	Non-originating bank	Originating bank
	Capital Charge	Capital Charge
Securitization Exposure	177,156	-
Re-securitization Exposure	-	-
Total	177,156	-

Information on Securitized Instruments

A. List of securitized instruments held :

Dec.31,2022. Unit: NT\$ thousand

Item(Note)	Account	Original Cost	Cumulative gain/loss on valuation	Cumulative impairments	Book Value
Beneficiary or asset backed securities (ABS)	122010191	243,100	617	1,638	178,794

Note 1: This table contains domestic and foreign securitized instruments; they are presented according to the following classifications and accounts:

- (1) Mortgage-backed securities (MBS): includes beneficiary securities of securitized residential mortgages, residential mortgage-backed securities (RMBS), securitized commercial mortgages, commercial mortgage-backed securities (CMBS), collateralized mortgage obligations (CMO), and other real estate backed securities.
- (2) Beneficiary securities or asset backed securities (ABS): includes beneficiary securities of corporate debt entitlements, collateralized loan obligation (CLO), securitized bonds, collateralized bond obligations (CBO), securitized credit card receivables or asset-backed securities thereof, securitized auto loan debt or asset-backed securities thereof, securitized consumer loans / cash card debt or asset backed securities thereof, securitized lease receivables or asset backed securities thereof, and other forms of securitized instrument or asset-backed securities.
- (3) Short-term beneficiary securities or short-term asset backed commercial paper (ABCP).
- (4) Collateralized debt obligation (CDO).
- (5) Securitized real estate properties: refers to beneficiary securities of real estate asset trust (REAT).
- (6) Notes and bonds issued by structured investment vehicles (SIV).
- (7) Other securitized instruments.

Note 2: This table contains beneficiary securities or asset backed securities held by the Bank as an originator.

B. (A) Disclosure on single securitized investment totaling more than NT\$300 million in cost (excluding situations where the Bank is the originating bank, and holds securitized assets solely for credit enhancement):

Dec.31,2022. Unit: NT\$ thousand

Security Name	-
Account	
Currency	
Issuer and Location	
Purchase Date	
Maturity Date	
Coupon Rate	
Credit Rating	
Interest and Principal Payment	
Original Cost	
Cumulative gain/loss on Valuation	
Cumulative Impairments	
Book Value	
Attachment Point (Note 2)	
Contents of the Asset Pool (Note 3)	

Note 1: This table covers both domestic and foreign securitized instruments.

Note 2: The attachment point refers to the amount of tranches ranking inferior to the tranche held by the bank, as a percentage of total securitized instruments. For example, the Bank purchases Tranche A of a certain collateralized debt obligation (CDO). The tranches ranking behind Tranche A in terms of the repayment hierarchy are BBB and equity tranches. Tranches BBB and equity account for 12% of CDO's issued value; thus the attachment point of Tranche A is 12%.

Note 3: The asset pool refers to the asset portfolio entrusted by the originating bank to its trustee, or transferred by the originating bank to a special purpose vehicle. Please specify asset types (indicating senior or subordinated repayment), details, face values denominated in original currencies, and transaction count in relation to the asset portfolio.

(B) Disclosure applicable to the Bank as an originating bank of any securitized instrument holding assets solely for credit enhancement:

Dec.31,2022. Unit: NT\$ thousand

Security Name	-
Account	
Currency	
Purchase Date	
Maturity Date	
Coupon Rate	
Credit Rating	
Interest and Principal Payment	
Original Cost	
Cumulative gain/loss on Valuation	
Cumulative Impairments	
Book Value	
Attachment Point	
Contents of the Asset Pool	

Note: Please refer to Table (A) for definition of row items.

(C) Disclosure applicable to the Bank for acting as the receiver of credit-impaired assets on securitized instruments:

Dec.31,2022. Unit: NT\$ thousand

Security Name	-
Currency	
Originator	
Maturity Date	
Contents of the Contract	
Execution Status of the Contract	

C. Disclosure applicable to the Bank for acting as a provider of guarantee or liquidity financing to securitized instruments:

Dec.31,2022. Unit: NT\$ thousand

Security Name	-
Currency	
Originator	
Maturity Date	
Coupon Rate	
Credit Rating	
Role of the Bank	
Amount	
Attachment Point	
Contents of the Asset Pool	

7.1.3 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 response to digital transformation, the underlying factors of the operational risk management mechanism has been renovated. In addition to replacing unused management items, risk events and emerging controls which generated by the application of digital technology are also incorporated to maintain the effectiveness of the overall management structure.

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

Dec.31,2022. Unit: NT\$ thousand

Year	Gross Income	Capital Charged
2020	50,167,827	-
2021	50,797,065	
2022	50,300,409	
Total	151,265,302	9,721,204

Charges: Standardised Approach.

7.1.4 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.

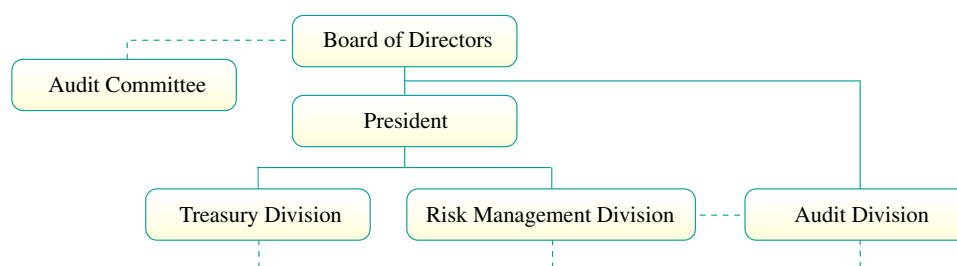
To protect client rights in operating financial derivatives, we have established the Administration Direction for Client Operation in Financial Derivatives, specifying the prices of derivatives and basic complete price evaluation, risk costs, hedge costs, operating costs, and fair return, in order to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

Dec.31,2022. Unit: NT\$ thousand

Risk Type	Capital Charged
Interest rate risk	5,283,283
Equity Securities risk	850,628
FX Risk	268,319
Commodity Risk	1,172
Option based on simple method	(4,755)
Total	6,398,647

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.

7.1.5 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 tasks and goals 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 revise internal regulations in year 2022. The amendment of "Anti-Money Laundering and Combating the Financing of Terrorism Policy of E.SUN Bank" includes the policy and principles of customer approval on virtual currency business, and AML/CFT plan and performance should also be reported to the audit committee. To keep in pace with external regulations updates on insurance agent and electronic payment, the Directions for AML/CFT of E.SUN Bank is revised. Operation Directions for Adverse Media Processing on AML/CFT of E.SUN Bank is also amended in accordance with the 2021 National Risk Assessment report, and the dedicated unit is in charge of collecting the adverse media as well as importing the data into the name screening system.

Regarding AML/CFT management for overseas affiliates, E.SUN continuously promotes mechanisms such as information sharing at group-wide level and regulatory gap analysis to establish unified worldwide management standards. Furthermore, by holding periodic meetings, overseas affiliates are supervised and assisted on fulfilling AML/CFT, refining relevant procedures, as well as enhancing suspicious transaction reports (STR).

B. Organization and framework

In order to effectively execute the AML/CFT program, independency, and the principles of three lines of defenses, we have implemented the following mechanisms:

- (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 the AML/CFT Responsible Officer at least semi-annually.
- (c) In each business division, risk management or compliance department should assign AML/CFT supervisory officers. The officers are responsible for AML/CFT implementation of their divisions, including customer due diligence (CDD), STRs, reports on financing terrorism, and trainings. The mechanism also applies to domestic and overseas branches.
- (d) The Audit Division determines relevant audit subjects 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 developing AML related IT systems, and enhancing the parameters and thresholds setting for transaction monitoring as well as name screening systems etc.

Regarding ongoing due diligence, the new Customer Due Diligence Platform is launched in 2022Q3 featuring integrated CDD information. For name screening, the new Name Screening System is launched in 2022Q4 and will gradually replace the existing system. With the new screening system, the fuzzy matching mechanism is optimized, and the efficiency of screening and review are improved. Upon discovery of major changes in customer identity or suspicious transactions, due diligence will be triggered to grasp the latest appearance and changes of customer risks.

Likewise, E.SUN Bank encourages employees to deepen their professional skills and provides 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 2022, 1,622 E.SUN Bank employees have passed the Professional Exam for Anti-Money Laundering and Countering Terrorism Financing Specialist and obtained the relevant licenses, with an addition of 343 licenses compared with 2021. Besides, the rate of AML/CFT professional licenses held by the Bank's AML/CFT supervisory officers has reached 99%. As for international licenses, 334 employees have acquired CAMS credential. The acquisition of Certified Global Sanction Specialist (CGSS) and Certified Transaction Monitoring Associate (CTMA) are also highly encouraged, with 11 and 3 employees earning the credential, respectively.

Furthermore, 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 2022, 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, emerging technologies, 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 implementing internal and external regulations. With unswerving tenacity, E.SUN Bank treats AML/CFT compliance tasks as its long-term mission, and continues promoting projects for strengthening AML/CFT, complying with international AML laws and regulations, amending the group's domestic and overseas AML policies and procedures, refining customer due diligence control measures, and constantly developing AML/CFT relevant IT systems. All for the benefit of a better 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

2022.12.31 Unit: NT\$ thousand

	Total	Time to maturity					
		0~10 Days	11~30 Days	31~90 Days	91~180 Days	181 Days to 1 Year	Over 1 Year
money inflow	2,726,192,283	317,482,179	229,500,954	207,455,209	203,531,616	190,159,795	1,578,062,530
money outflow	3,298,469,370	109,836,752	149,376,568	486,431,657	475,960,154	695,157,049	1,381,707,190
term gap	(572,277,087)	207,645,427	80,124,386	(278,976,448)	(272,428,538)	(504,997,254)	196,355,340

B. USD Maturity Term Structure Analysis

2022.12.31 Unit: USD\$ thousand

USD Maturity Term Structure Analysis						
	Total	Time to maturity				
		0~30 Days	31~90 Days	91~180 Days	181 Days to 1 Year	Over 1 Year
money inflow	57,185,714	10,895,428	15,274,868	10,254,830	6,565,450	14,195,138
money outflow	67,000,317	13,606,724	19,308,780	13,626,898	16,611,864	3,846,051
term gap	(9,814,603)	(2,711,296)	(4,033,912)	(3,372,068)	(10,046,414)	10,349,087

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 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 cessation, the LIBOR transfer response team, in 2021, E.SUN Bank has completed domestic and overseas LIBOR conversion fallback language, revised ISDA derivative contracts, modify credit and accounting management systems, treasury trading systems, and risk management systems. E.SUN Bank also adjusts the evaluation and risk model, supports the calculation of compound interest rate, and the establishment of alternative reference interest rate curves and other preparations. In 2022 the transposition response team adjusts the schedule in a timely manner based on the requirements of the competent authorities at home and abroad and the actual business operation status of E.SUN Bank, monitor the status of fallback language conversion and the LIBOR position adjustment and reports on the relevant progress to the board of directors to master the relevant LIBOR transition issues and ensure the successful progress of the overall transposition plan..

7.2.2 Margin Requirement

In response of the 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 Bank has implemented the initial margin model in September 2022. The implementation of the initial margin model will enable E.SUN Bank to reduce the exposure to potential counterparty risk and could provide more security to enter into derivative transactions.

7.2.3 Green Finance Action Plan 3.0

In 2022, the Financial Supervisory Commission (FSC) announced the Green Finance Action Plan 3.0, upgrading from the 2.0 plan initially slated to run until 2023. The new 3.0 plan contains five key points:

- A. Promoting carbon footprint verification and climate risk management among financial institutions.
- B. Developing guidelines for the recognition of sustainable economic activities.
- C. Promoting the integration of ESG and climate-related information.
- D. Strengthening professional training in sustainable finance.
- E. Collaborating to build a net-zero consensus, with the ambition of intensifying the goal of sustainable development and moving towards net-zero transformation in Taiwan.

E.Sun FHC has been endorsed by the FSC and was chosen to be a member of the "Coalition of Movers and Shakers on Sustainable Finance" and responsible for the Policy and Guidelines taskforce, providing experience and professionalism to assist the authorities in planning finance-related policies and hoping to promote sustainable development along with all financial institutions.

E.Sun FHC has long been committed to promoting sustainable finance. In 2021 the company joined the Science Based Targets initiatives (SBTi) to be the first financial institution in Asia to set a carbon reduction target based on the 1.5°C climate transition plan and became a member of the RE100. To reach our goal of achieving Net-Zero emissions by 2050, the company has declared phasing out coal-related finance by 2035. In addition to active management financed emissions, we are reducing the amount of grey financial assets and increasing green assets. Leverage finance influence to promote a sustainable society transition.

7.2.4 Accountability System

In order to implement the accountability system of senior managers, the Financial Supervisory Commission has requested the banks who apply for the "Regulations Governing Banks Conducting Financial Products and Services for High-Asset Customers" (Financial Management 2.0) should establish a responsibility map and an accountability committee to take accountability of the business.

To promote the corporate culture of ethical management in banking industry, construct a responsibility-based corporate governance structure, and strengthen the accountability of senior managers, the competent authority has reviewed further comprehensively introducing an accountability system.

The company has been approved to commence the financial management 2.0 business, and the establishment of an accountability system will continue to be implemented in accordance with the instructions of the competent authority and the supervision tendency.

7.2.5 Execution of AML/CFT

- (1) Under the rapid growth of virtual currency, competent authorities in various countries have successively announced relevant regulations. FATF also prioritizes exploring digitalization challenges in combating money laundering as well as financing of terrorism, and amended its guidance regarding Virtual Asset Service Providers (VASP) in 2021. Meanwhile, Taiwan has included virtual currency platforms and transaction services in scope of "Money Laundering Control Act". The Financial Supervisory Commission R.O.C. (Taiwan) has amended the policy principles of financial institutions' acceptance on virtual currency platforms as customers in 2021, and in 2022, implemented regulations on acquiring institutions of credit cards. E.SUN Bank and its subsidiaries have formulated its policy and principle of on-boarding customer acceptance regarding virtual currency business. Also, it is unacceptable to establish business relationship and conduct transactions of legal customers whose main business involves virtual currency, nor is it acceptable for VASPs to become merchants in credit card business. E.SUN will continuously pay attention to the trend of domestic as well as international supervisory and

regulations, and adjust internal controls as well as monitor typologies timely to ensure up-to-date AML/CFT mechanism.

- (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 we strive to create a better environment for preventing money laundering and combating terrorism.

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 2022, it won the "Best Bank in Taiwan" FinanceAsia and Asiamoney Magazines . 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. As the result, E.SUN Bank was ranked in the top 25% in the Treating Customers Fairly assessment, which is conducted by the Financial Supervisory Commission(FSC).

In view of the international emphasis on the protection of the rights and interests of financial consumers, except for the relevant policies and strategies the board of directors develops, E.SUN Bank has set up the group of treating customer fairly for the purpose of protecting the rights and interests of financial consumers. The group also regularly schedules the meeting to keep track of the condition of all business. And, to effectively plan and implement the principle of treating customer fairly, the group has developed "E.SUN Bank Plan and implement principle of treating customer fairly" as a main rule to comply with.

E.SUN Bank has incorporated the establishment and implementation of the principle of treating customer fairly into its Internal Audit and Internal Control System and training courses.

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 2022, E.SUN planned to collaborate with professional institutions to hold board of director courses and customer service educational training for employees which focus on consumer protection and financial friendliness. With the assistance of outside auditor, we are able to review the overall service implementation and customer satisfaction.E.SUN continuously improve customer service and 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.

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 30 offices in 10 countries and regions offering services for Taiwanese and local customers through the integration of overseas branches.

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 2022, 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 otherwise changed hands, and mitigation measures:

Up till the end of 2022, 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:

According to "Information Security Standards for Financial Institutions", when a bank's system goes online or goes through a change that might significantly impact the original operations, the Information Security Management Division must participate in the preparation work before deployment, and the Chief Information Security Officer (CISO) must play a role in security policy promotion and resource coordination. In 2022, the Bank had established relevant review mechanisms for core businesses (deposits, lending, and remittance), first-class systems and systems that store customer information; when it comes to system conversion, architecture modification, or system upgrade, the Information Security Management Division will participate in architecture review, pre-deployment review, risk assessment, and deployment resource coordination so to ensure that our information service can operate smoothly.

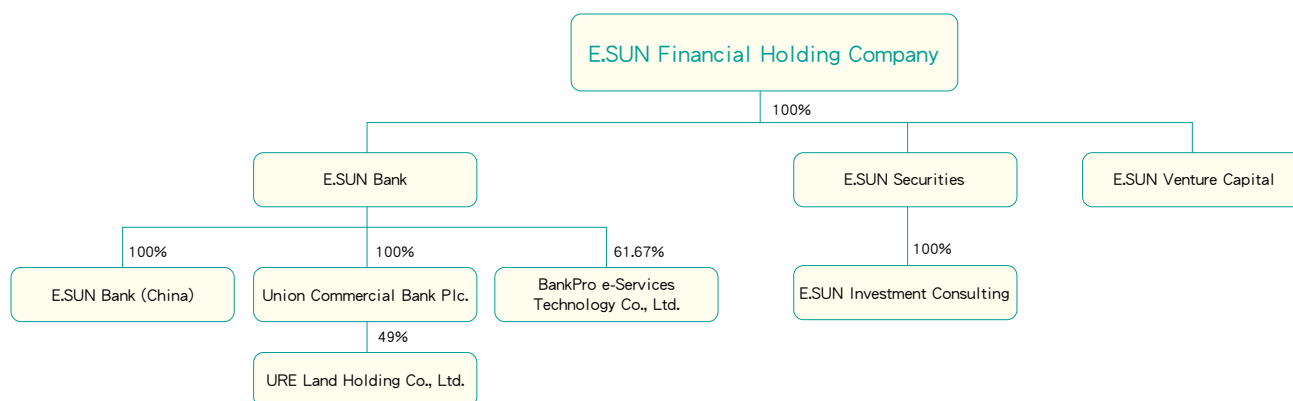
8.Special Disclosure



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, 2022 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	142,751,000	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	4,500,000	Investment
E.SUN Securities Investment Consulting Co., Ltd.	2003.03.11	2F.-2, 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.	2000.10.17	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, 5109 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, 2022

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	10,363,700,000 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 and Mao-Chin Chen

8.1.3 Other Important Transaction:

The Company charged NT\$ 182 thousand dollar for the co-used info system with E.SUN FHC.

8.1.4 Guarantee for Affiliated Companies: None.

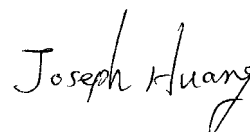
8.2 Declaration of Consolidated Financial Statements of Affiliated Enterprises

Declaration

February 20, 2023

On behalf of E.SUN Commercial Bank, Ltd., we hereby declare that the company's 2022 Affiliation Report (Period from Jan.1, 2022 to Dec. 31, 2022) 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, 2022 and 2021 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, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting 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

February 20, 2023

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, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Company's consolidated financial statements for the year ended December 31, 2022 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, 2022, the net amount of discounts and loans of the Company represented approximately 56% 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, 2022 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, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of 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, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen-Hsiu Yang and Kuan-Hao Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2023

Notice to Readers

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

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2022		2021	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 75,948,832	2	\$ 85,011,381	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4, 7 and 39)	152,916,314	5	125,370,528	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 39)	355,947,222	10	406,120,795	13
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 39 and 42)	345,819,992	10	331,946,892	10
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10, 39 and 42)	401,405,743	12	308,219,235	10
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 11)	7,881,831	-	-	-
RECEIVABLES, NET (Notes 4, 12 and 38)	115,768,162	3	108,589,280	4
CURRENT TAX ASSETS (Notes 4, 35 and 38)	15,423	-	238,479	-
DISCOUNTS AND LOANS, NET (Notes 4, 13, 38 and 39)	1,934,791,917	56	1,768,641,241	55
OTHER FINANCIAL ASSETS, NET (Notes 4 and 15)	2,442,798	-	6,508,506	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 16)	34,067,033	1	33,265,727	1
RIGHT-OF-USE ASSETS, NET (Notes 4 and 17)	7,005,143	-	6,772,103	-
INVESTMENT PROPERTIES, NET (Notes 4 and 18)	2,071,205	-	2,096,113	-
INTANGIBLE ASSETS, NET (Notes 4 and 19)	6,076,961	-	6,134,220	-
DEFERRED TAX ASSETS (Notes 4 and 35)	3,380,119	-	2,294,370	-
OTHER ASSETS, NET (Notes 4, 17, 20, 29 and 38)	<u>12,485,250</u>	<u>1</u>	<u>4,908,271</u>	<u>-</u>
TOTAL	<u>\$ 3,458,023,945</u>	<u>100</u>	<u>\$ 3,196,117,141</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Note 21)	\$ 72,514,434	2	\$ 83,481,158	3
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 22)	-	-	14,021,010	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 26)	89,569,651	3	61,199,462	2
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 9, 10 and 23)	18,495,295	-	16,648,639	1
PAYABLES (Notes 24 and 38)	30,054,581	1	23,557,174	1
CURRENT TAX LIABILITIES (Notes 4, 35 and 38)	1,691,586	-	1,692,108	-
DEPOSITS AND REMITTANCES (Notes 25 and 38)	2,904,381,354	84	2,698,070,807	84
BANK DEBENTURES (Note 26)	37,850,000	1	34,270,000	1
OTHER FINANCIAL LIABILITIES (Notes 18, 27 and 38)	101,041,886	3	65,225,761	2
PROVISIONS (Notes 4, 28 and 29)	1,104,994	-	1,081,140	-
LEASE LIABILITIES (Notes 4 and 17)	4,169,899	-	3,841,071	-
DEFERRED TAX LIABILITIES (Notes 4 and 35)	1,882,213	-	1,332,936	-
OTHER LIABILITIES (Notes 30 and 38)	<u>3,723,044</u>	<u>-</u>	<u>3,579,589</u>	<u>-</u>
Total liabilities	<u>3,266,478,937</u>	<u>94</u>	<u>3,008,000,855</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital stock				
Common stock	<u>103,637,000</u>	<u>3</u>	<u>98,937,000</u>	<u>3</u>
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	26,973,959	1	26,382,800	1
From treasury stock transactions	483	-	483	-
Others	<u>437,709</u>	<u>-</u>	<u>595,513</u>	<u>-</u>
Total capital surplus	<u>27,412,151</u>	<u>1</u>	<u>26,978,796</u>	<u>1</u>
Retained earnings				
Legal reserve	49,846,034	2	44,398,657	1
Special reserve	1,133,012	-	302,853	-
Unappropriated earnings	<u>14,442,990</u>	<u>-</u>	<u>18,160,055</u>	<u>1</u>
Total retained earnings	<u>65,422,036</u>	<u>2</u>	<u>62,861,565</u>	<u>2</u>
Other equity	<u>(5,101,537)</u>	<u>-</u>	<u>(830,159)</u>	<u>-</u>
Total equity attributable to owners of the Bank	191,369,650	6	187,947,202	6
NON-CONTROLLING INTERESTS	<u>175,358</u>	<u>-</u>	<u>169,084</u>	<u>-</u>
Total equity	<u>191,545,008</u>	<u>6</u>	<u>188,116,286</u>	<u>6</u>
TOTAL	<u>\$ 3,458,023,945</u>	<u>100</u>	<u>\$ 3,196,117,141</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>		<u>Percentage Increase (Decrease)</u>
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>%</u>
INTEREST REVENUE (Notes 4, 31 and 38)	\$ 53,400,605	102	\$ 35,011,380	67	53
INTEREST EXPENSE (Notes 4, 31 and 38)	<u>(24,162,089)</u>	<u>(46)</u>	<u>(9,420,166)</u>	<u>(18)</u>	156
NET INTEREST	<u>29,238,516</u>	<u>56</u>	<u>25,591,214</u>	<u>49</u>	14
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee income, net (Notes 4, 32 and 38)	17,134,773	33	18,289,146	35	(6)
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4 and 33)	3,248,326	6	6,225,618	12	(48)
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 9)	1,428,563	3	1,605,336	3	(11)
Foreign exchange gains, net (Note 4)	887,456	2	816,260	1	9
Impairment losses on assets (Note 4)	(26,889)	-	(42,900)	-	(37)
Other noninterest gains, net (Notes 4 and 38)	<u>199,271</u>	<u>-</u>	<u>272,661</u>	<u>-</u>	(27)
Total net revenues and gains other than interest	<u>22,871,500</u>	<u>44</u>	<u>27,166,121</u>	<u>51</u>	(16)
TOTAL NET REVENUES	<u>52,110,016</u>	<u>100</u>	<u>52,757,335</u>	<u>100</u>	(1)
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Notes 4 and 13)	<u>(2,080,656)</u>	<u>(4)</u>	<u>(2,134,325)</u>	<u>(4)</u>	(3)
OPERATING EXPENSES (Notes 4, 16, 17, 18, 19, 29, 34 and 38)					
Employee benefits	(13,178,601)	(25)	(13,436,662)	(25)	(2)
Depreciation and amortization	(3,630,626)	(7)	(3,455,589)	(7)	5
General and administrative	<u>(14,355,386)</u>	<u>(28)</u>	<u>(13,042,305)</u>	<u>(25)</u>	10
Total operating expenses	<u>(31,164,613)</u>	<u>(60)</u>	<u>(29,934,556)</u>	<u>(57)</u>	4

(Continued)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	<u>2022</u>		<u>2021</u>		<u>Percentage Increase (Decrease)</u>
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>%</u>
INCOME BEFORE INCOME TAX	\$ 18,864,747	36	\$ 20,688,454	39	(9)
INCOME TAX EXPENSE (Notes 4 and 35)	<u>(4,031,787)</u>	<u>(7)</u>	<u>(3,101,634)</u>	<u>(6)</u>	30
NET INCOME FOR THE YEAR	<u>14,832,960</u>	<u>29</u>	<u>17,586,820</u>	<u>33</u>	(16)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss (Notes 4, 29 and 35):					
Remeasurement of defined benefit plans	131,339	-	268,459	1	(51)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(2,950,153)	(6)	1,467,917	3	(301)
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	6,445,728	13	(357)	-	1,805,626
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>66,565</u>	<u>-</u>	<u>21,078</u>	<u>-</u>	216
Items that will not be reclassified subsequently to profit or loss, net of income tax	<u>3,693,479</u>	<u>7</u>	<u>1,757,097</u>	<u>4</u>	110
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	2,815,914	5	(765,705)	(2)	468
Unrealized losses on investments in debt instruments at fair value through other comprehensive income	(11,981,968)	(23)	(2,049,009)	(4)	485

(Continued)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>		<u>Percentage Increase (Decrease)</u>
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>%</u>
Income tax relating to items that may be reclassified subsequently to profit or loss	\$ 827,235	2	\$ 347,567	1	138
Items that may be reclassified subsequently to profit or loss, net of income tax	(8,338,819)	(16)	(2,467,147)	(5)	238
Other comprehensive loss for the year, net of income tax	(4,645,340)	(9)	(710,050)	(1)	554
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 10,187,620	20	\$ 16,876,770	32	(40)
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 14,809,136	29	\$ 17,558,577	33	(16)
Non-controlling interests	23,824	-	28,243	-	(16)
	\$ 14,832,960	29	\$ 17,586,820	33	(16)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 10,162,026	20	\$ 16,848,463	32	(40)
Non-controlling interests	25,594	-	28,307	-	(10)
	\$ 10,187,620	20	\$ 16,876,770	32	(40)
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 36)					
Basic	\$ 1.43		\$ 1.69		

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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank										
							Other Equity		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)		
	Capital Stock (Note 37)			Retained Earnings (Notes 4, 9, 35 and 37)			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 35)	Non-controlling Interests (Notes 4 and 37)	Total Equity	
	Shares (In Thousands)	Common Stock	Capital Surplus (Notes 4 and 37)	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2021	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	-	-	-	4,644,946	-	(4,644,946)	-	-	-	-	-
Legal reserve	-	-	-	-	-	(7,142,426)	-	-	-	-	(7,142,426)
Cash dividends	369,600	3,696,000	-	-	-	(3,696,000)	-	-	-	-	-
Stock dividends	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2021	-	-	-	-	-	17,558,577	-	(331,198)	-	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
Appropriation of 2021 earnings	-	-	-	5,447,377	-	(5,447,377)	-	-	-	-	-
Legal reserve	-	-	-	-	-	(830,159)	-	-	-	-	-
Special reserve	-	-	-	-	830,159	(7,172,933)	-	-	-	-	(7,172,933)
Cash dividends	-	-	-	-	-	(4,700,000)	-	-	-	-	-
Stock dividends	470,000	4,700,000	-	-	-	-	-	-	-	-	-
Share-based payment arrangements involving ESFHC's common stock	-	-	433,355	-	-	-	-	-	-	-	433,355
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(19,320)	(19,320)
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(504,987)	-	504,987	-	-	-
Net income for the year ended December 31, 2022	-	-	-	-	-	14,809,136	-	-	-	23,824	14,832,960
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	129,255	2,252,324	(13,474,417)	6,445,728	1,770	(4,645,340)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	14,938,391	2,252,324	(13,474,417)	6,445,728	25,594	10,187,620
BALANCE AT DECEMBER 31, 2022	10,363,700	\$ 103,637,000	\$ 27,412,151	\$ 49,846,034	\$ 1,133,012	\$ 14,442,990	\$ (414,660)	\$ (10,481,178)	\$ 5,794,301	\$ 175,358	\$ 191,545,008

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 18,864,747	\$ 20,688,454
Adjustments for:		
Depreciation expenses	2,929,534	2,763,254
Amortization expenses	701,092	692,335
Expected credit losses/bad-debt expenses	2,112,057	2,144,603
Gains on financial assets and liabilities at fair value through profit or loss	(3,248,326)	(6,225,618)
Interest expense	24,162,089	9,420,166
Interest revenue	(53,400,605)	(35,011,380)
Dividend income	(1,367,824)	(925,615)
Provision for losses on guarantees	(20,149)	32,837
Salary expenses on share-based payments	433,355	583,882
Gains on disposal of properties and equipment	(5,013)	(22,306)
Gains on disposal of investments	(60,739)	(679,721)
Others	(6,231)	(4,137)
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	(15,370,086)	2,060,398
Financial assets at fair value through profit or loss	125,499,608	301,448,500
Financial assets at fair value through other comprehensive income	(17,930,058)	(73,809,491)
Investments in debt instruments at amortized cost	(90,997,141)	(291,929,995)
Receivables	(3,039,539)	(5,650,088)
Discounts and loans	(168,556,221)	(150,145,033)
Other financial assets	4,065,718	(2,282,303)
Other assets	(163,896)	(247,348)
Deposits from the Central Bank and other banks	(10,966,724)	28,512,172
Financial liabilities at fair value through profit or loss	(39,325,777)	(3,094,117)
Securities sold under repurchase agreements	1,846,656	5,343,391
Payables	2,811,613	677,140
Deposits and remittances	206,310,547	204,976,769
Other financial liabilities	27,975,258	4,238,088
Provision for employee benefits	-	(285,377)
Other liabilities	129,628	230,511
Cash generated from operations	13,383,573	13,499,971
Interest received	52,175,862	39,251,114
Dividends received	1,394,493	960,205
Interest paid	(21,469,107)	(10,730,467)
Income tax paid	(3,475,749)	(2,184,094)
Net cash generated from operating activities	42,009,072	40,796,729
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	(2,680,276)	(4,204,236)
Proceeds from disposal of properties and equipment	36,298	72,524
Increase in refundable deposits	(7,281,673)	-

(Continued)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2022	2021
Decrease in refundable deposits	\$ -	\$ 1,497,775
Payments for intangible assets	(295,665)	(377,849)
Payments for right-of-use assets	<u>(102)</u>	<u>(1,529,564)</u>
Net cash used in investing activities	<u>(10,221,418)</u>	<u>(4,541,350)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	2,432,393	-
Decrease in short-term borrowings	-	(294,591)
Increase in due to the Central Bank and other banks	-	5,976,670
Decrease in due to the Central Bank and other banks	(14,021,010)	-
Proceeds from issue of bank debentures	13,400,000	1,600,000
Repayments of bank debentures	(9,820,000)	(1,300,000)
Repayments of long-term borrowings	(11,495)	-
Increase in guarantee deposits received	5,249,193	-
Decrease in guarantee deposits received	-	(3,261,894)
Repayments of the principal portion of lease liabilities	(1,069,948)	(1,071,081)
Cash dividends paid	(7,172,933)	(7,142,426)
Cash dividends paid to non-controlling interests	<u>(19,320)</u>	<u>-</u>
Net cash used in financing activities	<u>(11,033,120)</u>	<u>(5,493,322)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(9,759,552)</u>	<u>3,701,609</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,994,982	34,463,666
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>104,486,305</u>	<u>70,022,639</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 115,481,287</u>	<u>\$ 104,486,305</u>

(Continued)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	December 31	
	2022	2021
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, 2022 AND 2021		
Cash and cash equivalents in the consolidated balance sheets	\$ 75,948,832	\$ 85,011,381
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”	31,650,624	19,474,924
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>7,881,831</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>\$ 115,481,287</u>	<u>\$ 104,486,305</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, 2022 AND 2021 (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, 2022, 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, 2022 and 2021, the average number of employees of the Company (ESBC, UCB and BankPro excluded) were 8,424 and 8,697, respectively. For the years ended December 31, 2022 and 2021, the average number of employees of ESBC, UCB and BankPro were 943 and 957, 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 February 20, 2023, approved and authorized the consolidated financial statements for issue.

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

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

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.

- b. Not yet applied new IFRSs endorsed by the FSC for application starting from 2023

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

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

The Company assessed that 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
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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 included in the initially recognized amounts of the financial assets or financial liabilities.

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 42.

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, and its carrying amounts are calculated based on weighted average by share types and calculated separately by repurchase category. 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.

l. 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. Intangible assets with indefinite useful lives are recognized as the cost deduct the accumulated impairment losses.

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 on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

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 the 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	
	2022	2021
Cash on hand	\$ 21,309,710	\$ 17,691,684
Checks for clearing	8,558,300	7,259,513
Due from banks	45,841,307	59,931,352
Cash in transit	<u>275,192</u>	<u>146,713</u>
	75,984,509	85,029,262
Less: Allowance for possible losses	<u>(35,677)</u>	<u>(17,881)</u>
	<u>\$ 75,948,832</u>	<u>\$ 85,011,381</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2022 and 2021 are shown in the consolidated statements of cash flows.

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

	December 31	
	2022	2021
Deposit reserves - account A	\$ 36,803,658	\$ 29,641,472
Deposit reserves - account B	63,704,247	56,784,785
Reserves for deposits - foreign currency deposits	777,317	733,759
Due from the Central Bank - other	21,298,772	16,141,834
Deposit in the Central Bank - deposits of government agencies	5,458	7,217
Call loans to banks	<u>30,360,654</u>	<u>22,107,264</u>
	152,950,106	125,416,331
Less: Allowance for possible losses	<u>(33,792)</u>	<u>(45,803)</u>
	<u>\$ 152,916,314</u>	<u>\$ 125,370,528</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 39 for information relating to deposit reserves pledged as security.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>		
Negotiable certificates of deposit	\$ 76,508,885	\$ 150,682,911
Commercial paper	94,737,469	102,968,285
Treasury bills	1,933,379	16,974,413
Corporate bonds	63,547,802	69,377,840
Bank debentures	48,509,761	49,211,752
Government bonds	-	49,413
Overseas bonds	8,477,240	-
Listed stocks	517,682	1,405,137
Currency swap contracts	33,337,361	6,795,858
Interest rate swap contracts	24,699,752	6,854,657
Currency option contracts	1,884,884	862,308
Forward contracts	721,165	191,105
Futures exchange margins	86,071	56,963
Non-deliverable forward contracts	829,893	436,564
Metal commodity swap contracts	-	3,246
Cross-currency swap contracts	155,242	250,343
Credit default swap contracts	636	-
	<u>\$ 355,947,222</u>	<u>\$ 406,120,795</u>
<u>Held-for-trading financial liabilities</u>		
Currency swap contracts	\$ 25,884,719	\$ 8,704,446
Interest rate swap contracts	22,058,694	3,343,434
Currency option contracts	2,579,681	1,012,080
Forward contracts	530,768	237,722
Non-deliverable forward contracts	296,913	332,445
Cross-currency swap contracts	330,854	118,998
Credit default swap contracts	22,468	-
Metal commodity swap contracts	1,044	622
Interest rate option contracts	59,421	-
	<u>51,764,562</u>	<u>13,749,747</u>
<u>Financial liabilities designated as at fair value through profit or loss</u>		
Bank debentures (Note 26)	<u>37,805,089</u>	<u>47,449,715</u>
	<u>\$ 89,569,651</u>	<u>\$ 61,199,462</u>

Refer to Note 39 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, 2022 and 2021 were as follows:

	December 31	
	2022	2021
Currency swap contracts	\$ 1,626,401,629	\$ 1,726,383,860
Interest rate swap contracts	883,116,053	556,286,337
Currency option contracts	276,153,216	203,125,623
Interest rate option contracts	14,000,000	-
Forward contracts	38,615,247	28,730,324
Non-deliverable forward contracts	26,896,489	70,101,658
Cross-currency swap contracts	14,622,702	25,804,441
Metal commodity swap contracts	13,613	74,842
Credit default swap contracts	3,177,860	-

The open positions of futures transactions of the Company as of December 31, 2022 and 2021 were as follows:

December 31, 2022					
Items	Products	Open Position		Contract Amount or Premium Paid (Charged)	Fair Value
		Buy/Sell	Number of Contracts		
Futures contracts	Commodity futures	Buy	7	\$ 20,228	\$ 20,239
	Commodity futures	Sell	9	19,175	20,675
	Interest rate futures	Sell	13	49,158	53,426
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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

	December 31	
	2022	2021
Investments in equity instruments at FVTOCI	\$ 13,208,413	\$ 20,009,657
Investments in debt instruments at FVTOCI	<u>332,611,579</u>	<u>311,937,235</u>
	<u>\$ 345,819,992</u>	<u>\$ 331,946,892</u>

a. Investments in equity instruments at FVTOCI

	December 31	
	2022	2021
Listed shares	\$ 12,074,935	\$ 18,879,990
Unlisted shares	<u>1,133,478</u>	<u>1,129,667</u>
	<u>\$ 13,208,413</u>	<u>\$ 20,009,657</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 2022 and 2021, the Company sold shares of stocks for \$12,556,290 thousand and \$8,787,184 thousand, respectively, for the return on investment positions and risk management. The related other equity - unrealized losses of \$504,987 thousand and unrealized gains of \$331,198 thousand on financial assets at FVTOCI were transferred to retained earnings, respectively.

Dividend income of \$1,367,824 thousand and \$925,615 thousand were recognized in profit or loss for the years ended December 31, 2022 and 2021, respectively. The dividends related to investments held at the end of the reporting period were \$865,874 thousand and \$647,647 thousand, respectively.

b. Investments in debt instruments at FVTOCI

	December 31	
	2022	2021
Bank debentures	\$ 165,856,290	\$ 146,330,146
Government bonds	53,132,650	59,836,806
Corporate bonds	103,810,275	98,257,668
Overseas bonds	9,483,988	7,225,017
Negotiable certificates of deposit	307,871	278,728
Discounted note	<u>20,505</u>	<u>8,870</u>
	<u>\$ 332,611,579</u>	<u>\$ 311,937,235</u>

As of December 31, 2022 and 2021, the investments in debt instruments at FVTOCI, which amounted to \$19,335,552 thousand and \$17,043,122 thousand, respectively, had been sold under repurchase agreements.

Refer to Note 42 for information relating to their credit risk management and impairment.

Refer to Note 39 for information relating to investments in debt instruments at FVTOCI pledged as security.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2022	2021
Overseas bonds	\$ 33,694,068	\$ 12,518,061
Bank debentures	46,605,479	29,132,322
Corporate bonds	14,951,609	10,459,485
Negotiable certificates of deposit	286,077,350	256,124,601
Government bonds	19,929,604	-
Securitization products	178,794	-
	<u>401,436,904</u>	<u>308,234,469</u>
Less: Allowance for impairment loss	<u>(31,161)</u>	<u>(15,234)</u>
	<u><u>\$ 401,405,743</u></u>	<u><u>\$ 308,219,235</u></u>

As of December 31, 2022 and 2021, the investments in debt instruments at amortized cost, which amounted to \$946,453 thousand and \$911,582 thousand, respectively, had been sold under repurchase agreements.

Refer to Note 42 for information relating to their credit risk management and impairment.

Refer to Note 39 for information relating to investments in debt instruments at amortized cost pledged as security.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$7,881,831 thousand under resell agreements as of December 31, 2022, would subsequently be sold for \$7,899,935 thousand.

12. RECEIVABLES, NET

	December 31	
	2022	2021
Receivables on credit cards	\$ 93,047,186	\$ 83,514,302
Accounts receivable factored without recourse	10,412,770	12,904,407
Accrued interest	8,728,662	4,744,638
Accounts receivable	1,971,176	1,861,853
Acceptances	1,381,774	1,342,125
Receivables on digital stimulus vouchers redemption	-	4,159,925
Others	<u>2,117,388</u>	<u>2,132,932</u>
	<u>117,658,956</u>	<u>110,660,182</u>
Less: Allowance for possible losses	<u>(1,890,794)</u>	<u>(2,070,902)</u>
	<u><u>\$ 115,768,162</u></u>	<u><u>\$ 108,589,280</u></u>

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

For the year ended December 31, 2022

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, 2022	\$ 51,463	\$ 6,430	\$ 346,356	\$ 404,249	\$ 1,666,653	\$ 2,070,902
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(129)	330	(201)	-	-	-
Credit-impaired financial assets	(435)	(3,557)	3,992	-	-	-
12-month ECL	5,898	(1,755)	(4,143)	-	-	-
Derecognition of financial assets in the reporting period	(3,155)	(714)	(19,349)	(23,218)	-	(23,218)
New financial assets purchased or originated	9,475	7,668	27,467	44,610	-	44,610
Difference of impairment loss under regulations	-	-	-	-	(380,644)	(380,644)
Write-offs	-	-	(480,934)	(480,934)	-	(480,934)
Recovery of written-off receivables	-	-	443,452	443,452	-	443,452
Change in model or risk parameters	59,319	30,231	109,843	199,393	-	199,393
Change in exchange rates or others	74	4	(98)	(20)	17,253	17,233
Balance at December 31, 2022	<u>\$ 122,510</u>	<u>\$ 38,637</u>	<u>\$ 426,385</u>	<u>\$ 587,532</u>	<u>\$ 1,303,262</u>	<u>\$ 1,890,794</u>

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	(20)	(1)	(140)	(161)	(41,011)	(41,172)
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>

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

For the year ended December 31, 2022

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2022	\$ 107,920,525	\$ 133,734	\$ 2,605,923	\$ 110,660,182
Transfers to				
Lifetime ECL	(185,514)	186,261	(747)	-
Credit-impaired financial assets	(656,614)	(70,471)	727,085	-
12-month ECL	56,100	(37,685)	(18,415)	-
Derecognition of financial assets in the reporting period	(10,790,533)	(9,466)	(455,059)	(11,255,058)
New financial assets purchased or originated	18,402,827	89,046	206,585	18,698,458
Write-offs	-	-	(480,934)	(480,934)
Change in exchange rates or others	<u>35,876</u>	<u>74</u>	<u>358</u>	<u>36,308</u>
Balance at December 31, 2022	<u>\$ 114,782,667</u>	<u>\$ 291,493</u>	<u>\$ 2,584,796</u>	<u>\$ 117,658,956</u>

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>

13. DISCOUNTS AND LOANS, NET

	December 31	
	2022	2021
Loans		
Short-term	\$ 298,077,932	\$ 309,127,045
Medium-term	520,695,187	436,923,515
Long-term	1,135,959,195	1,040,601,661
Overdue loans	2,594,751	2,189,227
Bills negotiated and discounts	<u>1,940,308</u>	<u>1,857,307</u>
	1,959,267,373	1,790,698,755
Less: Allowance for possible losses	(24,457,810)	(22,123,971)
Adjustment of premium or discount	<u>(17,646)</u>	<u>66,457</u>
	<u>\$ 1,934,791,917</u>	<u>\$ 1,768,641,241</u>

Refer to Note 39 for information relating to discounts and loans pledged as security.

As of December 31, 2022 and 2021, the loan and credit balances of the Bank, for which the accrual of interest revenues was discontinued, amounted to \$2,575,008 thousand and \$2,134,217 thousand, respectively. The unrecognized interest revenues on these loans and credits of the Bank were \$46,789 thousand and \$34,691 thousand for the years ended December 31, 2022 and 2021, respectively.

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

For the year ended December 31, 2022

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, 2022	\$ 1,107,559	\$ 1,159,549	\$ 2,685,341	\$ 4,952,449	\$ 17,171,522	\$ 22,123,971
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(4,370)	25,568	(21,198)	-	-	-
Credit-impaired financial assets	(23,936)	(79,931)	103,867	-	-	-
12-month ECL	82,490	(43,804)	(38,686)	-	-	-
Derecognition of financial assets in the reporting period	(455,272)	(50,352)	(248,764)	(754,388)	-	(754,388)
New financial assets purchased or originated	720,906	330,487	325,837	1,377,230	-	1,377,230
Difference of impairment loss under regulations	-	-	-	-	799,836	799,836
Write-offs	-	-	(805,955)	(805,955)	-	(805,955)
Recovery of written-off credits	-	-	631,249	631,249	-	631,249
Change in model or risk parameters	137,784	165,214	498,606	801,604	-	801,604
Change in exchange rates or others	<u>29,737</u>	<u>653</u>	<u>672</u>	<u>31,062</u>	<u>253,201</u>	<u>284,263</u>
Balance at December 31, 2022	<u>\$ 1,594,898</u>	<u>\$ 1,507,384</u>	<u>\$ 3,130,969</u>	<u>\$ 6,233,251</u>	<u>\$ 18,224,559</u>	<u>\$ 24,457,810</u>

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>

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

For the year ended December 31, 2022

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2022	\$ 1,776,479,581	\$ 6,530,761	\$ 7,688,413	\$ 1,790,698,755
Transfers to				
Lifetime ECL	(1,814,698)	2,077,312	(262,614)	-
Credit-impaired financial assets	(3,388,667)	(345,198)	3,733,865	-
12-month ECL	729,036	(294,661)	(434,375)	-
Derecognition of financial assets in the reporting period	(630,663,892)	(1,333,185)	(1,862,160)	(633,859,237)
New financial assets purchased or originated	799,120,216	1,222,068	621,948	800,964,232
Write-offs	-	-	(805,955)	(805,955)
Change in exchange rates or others	<u>2,255,353</u>	<u>10,864</u>	<u>3,361</u>	<u>2,269,578</u>
Balance at December 31, 2022	<u>\$ 1,942,716,929</u>	<u>\$ 7,867,961</u>	<u>\$ 8,682,483</u>	<u>\$ 1,959,267,373</u>

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>

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

	For the Year Ended December 31	
	2022	2021
Provision (reversal of provision) for possible losses on due from banks	\$ 15,637	\$ (215)
Reversal of provision for possible losses on call loans to other banks	(15,722)	(50,954)
Provision (reversal of provision) for possible losses on receivables	(159,859)	316,146
Provision for possible losses on discounts and loans	2,224,282	1,773,330
Provision (reversal of provision) for possible losses on remittance	(10)	10
Provision (reversal of provision) for possible losses on guarantees	(20,149)	32,837
Provision for possible losses on financing commitments	<u>36,477</u>	<u>63,171</u>
	<u>\$ 2,080,656</u>	<u>\$ 2,134,325</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, 2022 and 2021, the Bank was in compliance with the FSC's provision requirement for both types of credit assets.

14. UNCONSOLIDATED STRUCTURED ENTITIES

- a. The Bank holds the following unconsolidated structured entities. The fund is from the Bank and an external third-party.

Type of Structured Entity	Characteristic and Purpose	Equity Owned by the Bank
Assets securitization products and asset-based loan	Investment in assets securitization product and asset-based loan to gain profit	Investment in asset-backed securities issued by unconsolidated structured entities and principal of loans

- b. As of December 31, 2022, the carrying amounts of the unconsolidated structured entities recognized by the Bank were as below:

	December 31, 2022
<u>Assets securitization products and asset-based loan</u>	
Investments in debt instruments at amortized cost	\$ 177,156
Discounts and loans	<u>780,184</u>
	<u>\$ 957,340</u>

The maximum exposure to possible loss is the carrying amount of the assets held.

15. OTHER FINANCIAL ASSETS, NET

	December 31	
	2022	2021
Due from banks	\$ 2,442,798	\$ 6,508,499
Other	<u>-</u>	<u>7</u>
	<u>\$ 2,442,798</u>	<u>\$ 6,508,506</u>

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

16. PROPERTIES AND EQUIPMENT, NET

	December 31	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 14,382,742	\$ 14,369,786
Buildings	12,836,705	12,908,487
Computers	2,643,425	2,830,988
Transportation equipment	441,207	401,417
Miscellaneous equipment	1,495,037	1,364,674
Prepayments for properties and equipment	<u>2,267,917</u>	<u>1,390,375</u>
	<u>\$ 34,067,033</u>	<u>\$ 33,265,727</u>

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Prepayments	Total
<u>Cost</u>							
Balance, January 1, 2022	\$ 14,369,786	\$ 18,614,172	\$ 6,749,894	\$ 968,679	\$ 3,904,066	\$ 1,390,375	\$ 45,996,972
Addition	-	301,731	490,274	94,599	234,819	1,558,162	2,679,585
Disposal	(14,027)	(889,675)	(197,263)	(77,098)	(418,388)	-	(1,596,451)
Net exchange difference	32,104	96,391	19,915	4,978	64,494	1,082	218,964
Reclassification and others	<u>(5,121)</u>	<u>216,706</u>	<u>97,849</u>	<u>25,968</u>	<u>103,569</u>	<u>(681,702)</u>	<u>(242,731)</u>
Balance, December 31, 2022	<u>\$ 14,382,742</u>	<u>\$ 18,339,325</u>	<u>\$ 7,160,669</u>	<u>\$ 1,017,126</u>	<u>\$ 3,888,560</u>	<u>\$ 2,267,917</u>	<u>\$ 47,056,339</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	<u>-</u>	<u>1,693,514</u>	<u>158,820</u>	<u>1,195</u>	<u>20,373</u>	<u>(3,757,235)</u>	<u>(1,883,333)</u>
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>

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Total
Accumulated depreciation and impairment						
Balance, January 1, 2022	\$ -	\$ (5,705,685)	\$ (3,918,906)	\$ (567,262)	\$ (2,539,392)	\$ (12,731,245)
Disposal	-	881,390	197,151	76,862	409,763	1,565,166
Depreciation expenses	-	(661,794)	(781,363)	(82,042)	(225,119)	(1,750,318)
Net exchange difference	-	(18,364)	(14,126)	(3,477)	(38,775)	(74,742)
Reclassification and others	-	1,833	-	-	-	1,833
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ (5,502,620)</u>	<u>\$ (4,517,244)</u>	<u>\$ (575,919)</u>	<u>\$ (2,393,523)</u>	<u>\$ (12,989,306)</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>

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 the 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 17.

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

17. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Land and superficies royalties	\$ 3,772,244	\$ 3,825,350
Buildings	3,221,222	2,931,534
Office equipment	6,412	10,166
Transportation equipment	<u>5,265</u>	<u>5,053</u>
	<u>\$ 7,005,143</u>	<u>\$ 6,772,103</u>

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 1,368,201</u>	<u>\$ 3,476,121</u>
Depreciation charge for right-of-use assets		
Land and superficies royalties	\$ 79,995	\$ 41,796
Buildings	1,036,788	1,029,327
Office equipment	4,473	4,189
Transportation equipment	<u>4,073</u>	<u>4,941</u>
	<u>\$ 1,125,329</u>	<u>\$ 1,080,253</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 18. 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, 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
Carrying amounts	<u>\$ 4,169,899</u>	<u>\$ 3,841,071</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1.09%	1.09%
Buildings	0.37%-7.50%	0.37%-7.50%
Office equipment	0.70%-2.98%	0.37%-2.98%
Transportation equipment	0.73%-2.98%	0.35%-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, 2022 and 2021, refundable deposits on these leases totaled \$760,596 thousand and \$751,389 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 18.

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ 35,003	\$ 37,680
Expenses relating to low-value asset leases	\$ 405	\$ 313
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 5,087	\$ 63
Total cash outflow for leases	\$ (1,110,443)	\$ (1,109,137)

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.

18. INVESTMENT PROPERTIES, NET

	December 31	
	2022	2021
Land	\$ 386,161	\$ 381,040
Buildings	1,637,822	1,666,804
Right-of-use assets	47,222	48,269
	<u>\$ 2,071,205</u>	<u>\$ 2,096,113</u>

	Land	Buildings	Right-of-use Assets	Total
<u>Cost</u>				
Balance, January 1, 2022	\$ 381,065	\$ 1,956,422	\$ 48,788	\$ 2,386,275
Net exchange difference	-	23,707	-	23,707
Reclassification	5,121	5,188	-	10,309
Balance, December 31, 2022	<u>\$ 386,186</u>	<u>\$ 1,985,317</u>	<u>\$ 48,788</u>	<u>\$ 2,420,291</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>

(Continued)

	Land	Buildings	Right-of-use Assets	Total
<u>Accumulated depreciation and impairment</u>				
Balance, January 1, 2022	\$ (25)	\$ (289,618)	\$ (519)	\$ (290,162)
Depreciation expenses	-	(52,840)	(1,047)	(53,887)
Net exchange difference	-	(3,204)	-	(3,204)
Reclassification	<u>-</u>	<u>(1,833)</u>	<u>-</u>	<u>(1,833)</u>
Balance, December 31, 2022	<u>\$ (25)</u>	<u>\$ (347,495)</u>	<u>\$ (1,566)</u>	<u>\$ (349,086)</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> (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, 2022 and 2021, the fair values of investment properties were \$3,098,075 thousand and \$3,348,327 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>	
	2022	2021
Rental income from investment properties	\$ 53,036	\$ 45,058
Direct operating expenses of investment properties that generate rental income	(56,020)	(53,470)
Direct operating expenses of investment properties that do not generate rental income	<u>(554)</u>	<u>(554)</u>
	<u>\$ (3,538)</u>	<u>\$ (8,966)</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, 2022 and 2021, refundable deposits on these leases totaled \$16,354 thousand and \$16,051 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	
	2022	2021
Year 1	\$ 58,018	\$ 61,334
Year 2	52,396	51,981
Year 3	15,823	46,404
Year 4	6,732	10,189
Year 5	<u>2,819</u>	<u>1,184</u>
	<u>\$ 135,788</u>	<u>\$ 171,092</u>

19. INTANGIBLE ASSETS, NET

	December 31	
	2022	2021
Goodwill	\$ 4,487,419	\$ 4,426,526
Computer software	1,051,907	1,207,580
Banking licenses	490,109	441,695
Core deposits	13,733	16,445
Developed technology	21,891	27,364
Customer relationship	<u>11,902</u>	<u>14,610</u>
	<u>\$ 6,076,961</u>	<u>\$ 6,134,220</u>

	Goodwill	Computer Software	Banking Licenses	Core Deposits	Developed Technology	Customer Relationship	Total
Balance, January 1, 2022	\$ 4,426,526	\$ 1,207,580	\$ 441,695	\$ 16,445	\$ 27,364	\$ 14,610	\$ 6,134,220
Separate acquisition	-	298,595	-	-	-	-	298,595
Amortization expenses	-	(690,199)	-	(2,712)	(5,473)	(2,708)	(701,092)
Reclassification	-	232,422	-	-	-	-	232,422
Net exchange difference	<u>60,893</u>	<u>3,509</u>	<u>48,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,816</u>
Balance, December 31, 2022	<u>\$ 4,487,419</u>	<u>\$ 1,051,907</u>	<u>\$ 490,109</u>	<u>\$ 13,733</u>	<u>\$ 21,891</u>	<u>\$ 11,902</u>	<u>\$ 6,076,961</u>
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>

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.

20. OTHER ASSETS, NET

	December 31	
	2022	2021
Refundable deposits, net	\$ 11,361,640	\$ 4,079,967
Prepaid expenses	482,071	452,360
Defined benefit assets (Note 29)	631,185	365,495
Others	<u>10,354</u>	<u>10,449</u>
	<u>\$ 12,485,250</u>	<u>\$ 4,908,271</u>

21. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2022	2021
Call loans from banks	\$ 43,812,095	\$ 78,059,351
Deposits from Chunghwa Post Co., Ltd.	22,276,985	2,276,985
Call loans from the Central Bank	3,379,640	1,384,450
Banks overdrafts	1,217,016	213,519
Deposits from banks	1,801,904	1,520,217
Deposits from the Central Bank	<u>26,794</u>	<u>26,636</u>
	<u>\$ 72,514,434</u>	<u>\$ 83,481,158</u>

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2022	2021
Due to the Central Bank	<u>\$ -</u>	<u>\$ 14,021,010</u>

23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$18,495,295 thousand and \$16,648,639 thousand under repurchase agreements as of December 31, 2022 and 2021, respectively, would subsequently be purchased for \$18,555,769 thousand and \$16,686,012 thousand, respectively.

24. PAYABLES

	December 31	
	2022	2021
Checks for clearing	\$ 8,558,300	\$ 7,259,513
Accrued interest	5,621,639	1,943,109
Accounts payable	755,966	1,410,356
Accrued expenses	4,414,817	4,940,805
Factored accounts payable	3,211,212	1,590,393
Acceptances	1,410,606	1,356,990
Payable on credit cards	938,983	877,542
Collections payable	836,516	683,530
Tax payable	474,685	342,090
Others	<u>3,831,857</u>	<u>3,152,846</u>
	<u>\$ 30,054,581</u>	<u>\$ 23,557,174</u>

25. DEPOSITS AND REMITTANCES

	December 31	
	2022	2021
Deposits		
Checking	\$ 19,663,408	\$ 18,652,239
Demand	748,403,824	803,556,709
Savings - demand	715,721,562	700,429,954
Time	1,007,132,818	830,967,461
Negotiable certificates of deposit	9,398,169	28,801,536
Savings - time	386,458,484	300,717,348
Treasury deposits	15,918,036	13,225,790
Remittances	<u>1,685,053</u>	<u>1,719,770</u>
	<u>\$ 2,904,381,354</u>	<u>\$ 2,698,070,807</u>

26. BANK DEBENTURES

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

	December 31	
	2022	2021
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
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
		(Continued)

	December 31	
	2022	2021
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	2,200,000
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).	4,500,000	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).	3,650,000	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
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).	1,600,000	1,600,000
Bonds issued on March 18, 2022; interest rate at 0.71%; interest payable annually; principal repayable on maturity (5 years after the issue date).	1,100,000	-
Two types of subordinated bonds issued on June 15, 2022; interest rate at (a) 1.90% 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).	2,700,000	-
		(Continued)

	December 31	
	2022	2021
Bonds issued on July 27, 2022; interest rate at 1.60%; interest payable annually; principal repayable on maturity (3 years after the issue date).	\$ 7,300,000	\$ -
Subordinated bonds issued on December 27, 2022; interest rate at 2.30%; interest payable annually; principal repayable on maturity.	<u>2,300,000</u>	<u>-</u>
	<u>\$ 37,850,000</u>	<u>\$ 34,270,000</u> (Concluded)

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

	December 31	
	2022	2021
Unsecured USD-denominated subordinated bonds issued on May 27, 2015	\$ 2,983,976	\$ 3,260,716
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on May 27, 2015	1,553,813	2,267,118
Unsecured USD-denominated subordinated bonds issued on October 28, 2015	2,173,492	2,419,752
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on October 28, 2015	805,369	1,193,531
Unsecured USD-denominated subordinated bonds issued on January 22, 2016	8,330,092	9,194,851
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on January 22, 2016	5,360,604	7,186,673
Unsecured USD-denominated subordinated bonds issued on June 6, 2016	2,656,420	3,283,492
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on June 6, 2016	2,145,343	2,943,007
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on December 29, 2016	2,062,697	2,808,747
Unsecured USD-denominated bonds issued on May 19, 2017	1,598,987	2,019,482
Unsecured USD-denominated bonds issued on November 21, 2017	3,482,836	4,459,863
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on February 12, 2018	<u>4,651,460</u>	<u>6,412,483</u>
	<u>\$ 37,805,089</u>	<u>\$ 47,449,715</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 sustainable business development and the government's green finance policy, on September 20, 2022, the FSC approved the issuance of unsecured bank debentures amounting to NT\$30 billion (or foreign currency equivalent) with no more than 40 years to maturity and can be issued in installments.

To strengthen operating capital and capital structure, on November 11, 2022, the Bank's board of directors approved the issuance of unsecured foreign currency bank debentures and offshore structured products amounting to US\$50,000 thousand (or foreign currency equivalent) with no more than 30 years of maturity and can be issued in installments within 10 years. On January 19, 2023, the FSC approved the issuance of US\$50,000 thousand (or foreign currency equivalent) of unsecured foreign currency bank debentures and the Bank's application for offshore structured products is subject to approval by the FSC.

As of the date the consolidated financial statements were authorized for issue, bank debentures amounting to NT\$30 billion and US\$50,000 thousand (or foreign currency equivalent) has not yet been issued.

27. OTHER FINANCIAL LIABILITIES

	December 31	
	2022	2021
Principal of structured products	\$ 90,349,763	\$ 62,374,505
Guarantee deposits received	7,191,632	1,942,439
Long-term borrowings	359,910	335,037
Short-term borrowings	<u>3,140,581</u>	<u>573,780</u>
	<u>\$ 101,041,886</u>	<u>\$ 65,225,761</u>

28. PROVISIONS

	December 31	
	2022	2021
Provision for losses on financing commitment	\$ 611,342	\$ 568,384
Provision for losses on guarantees	331,511	349,586
Others	<u>162,141</u>	<u>163,170</u>
	<u>\$ 1,104,994</u>	<u>\$ 1,081,140</u>

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

For the year ended December 31, 2022

	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, 2022	\$ 95,148	\$ 99,444	\$ 4,171	\$ 198,763	\$ 719,207	\$ 917,970
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(57)	57	-	-	-	-
Credit-impaired financial instruments	-	(1)	1	-	-	-
12-month ECL	2,078	(796)	(1,282)	-	-	-
Derecognition of financial instruments in the reporting period	(33,393)	(8,462)	(74)	(41,929)	-	(41,929)
New financial instruments purchased or originated	33,027	255	186	33,468	-	33,468
Difference of impairment loss under regulations	-	-	-	-	53,469	53,469
Change in model or risk parameters	13,836	(42,742)	226	(28,680)	-	(28,680)
Change in exchange rates or others	68	-	-	68	8,487	8,555
Balance at December 31, 2022	<u>\$ 110,707</u>	<u>\$ 47,755</u>	<u>\$ 3,228</u>	<u>\$ 161,690</u>	<u>\$ 781,163</u>	<u>\$ 942,853</u>

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	(19)	-	-	(19)	(2,406)	(2,425)
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>

29. 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 \$400,203 thousand and \$384,903 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2022 and 2021, 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	
	2022	2021
Present value of defined benefit obligation	\$ 2,033,690	\$ 2,267,442
Fair value of plan assets	<u>(2,664,875)</u>	<u>(2,632,937)</u>
Provision surplus	<u>\$ (631,185)</u>	<u>\$ (365,495)</u>
Net defined benefit asset (part of other assets)	<u>\$ 631,185</u>	<u>\$ 365,495</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, 2021	<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>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Total
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	(23,452)	-	(23,452)
Recognized in other comprehensive income	(33,966)	(234,493)	(268,459)
Contributions from the employer	-	(404,061)	(404,061)
Benefits paid	(53,589)	53,589	-
Balance at December 31, 2021	<u>2,267,442</u>	<u>(2,632,937)</u>	<u>(365,495)</u>
Service cost			
Current service cost	16,315	-	16,315
Net interest expense (income)	13,429	(15,742)	(2,313)
Recognized in profit or loss	<u>29,744</u>	<u>(15,742)</u>	<u>14,002</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	7,995	7,995
Actuarial gain - charges in population assumptions	(1)	-	(1)
Actuarial gain - changes in financial assumptions	(223,916)	-	(223,916)
Actuarial loss - experience adjustments	84,583	-	84,583
Recognized in other comprehensive income	(139,334)	7,995	(131,339)
Contributions from the employer	-	(148,353)	(148,353)
Benefits paid	(124,162)	124,162	-
Balance at December 31, 2022	<u>\$ 2,033,690</u>	<u>\$ (2,664,875)</u>	<u>\$ (631,185)</u> (Concluded)

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	
	2022	2021
Discount rate	1.25%-1.55%	0.60%-0.70%
Expected rates of return on plan assets	1.55%	0.60%
Expected rates of future salary increase	3.00%	3.00%

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

	December 31	
	2022	2021
Discount rate(s)		
0.25% increase	<u>\$ (54,068)</u>	<u>\$ (65,094)</u>
0.25% decrease	<u>\$ 56,064</u>	<u>\$ 67,671</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 53,852</u>	<u>\$ 64,448</u>
0.25% decrease	<u>\$ (52,248)</u>	<u>\$ (62,393)</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, 2022 and 2021, the expected contributions to the plan for the next year were \$144,917 thousand and \$153,174 thousand, respectively; the average durations of the defined benefit obligation were 7 to 10.9 years and 8 to 11.79 years, respectively.

30. OTHER LIABILITIES

	December 31	
	2022	2021
Advance receipts	\$ 3,034,614	\$ 2,916,570
Deferred revenue	677,997	649,316
Others	<u>10,433</u>	<u>13,703</u>
	<u>\$ 3,723,044</u>	<u>\$ 3,579,589</u>

31. NET INTEREST

	For the Year Ended December 31	
	2022	2021
Interest revenue		
From discounts and loans	\$ 39,425,977	\$ 27,945,898
From investments	9,898,680	4,565,842
From revolving interests of credit cards	1,947,228	1,932,041
From due from banks and call loans to other banks	1,627,333	425,764
Others	<u>501,387</u>	<u>141,835</u>
	<u>53,400,605</u>	<u>35,011,380</u>
Interest expense		
From deposits	(20,821,815)	(7,866,496)
From due to the Central Bank and other banks	(1,180,160)	(431,999)
From issuing bank debentures	(537,982)	(506,156)
From lease liabilities	(40,719)	(39,357)
Others	<u>(1,581,413)</u>	<u>(576,158)</u>
	<u>(24,162,089)</u>	<u>(9,420,166)</u>
	<u>\$ 29,238,516</u>	<u>\$ 25,591,214</u>

32. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2022	2021
Service fee income		
From credit cards	\$ 9,153,534	\$ 8,450,314
From trust business	4,371,689	7,069,346
From insurance	3,426,058	2,525,265
From loans	1,956,932	1,649,500
Others	<u>2,094,054</u>	<u>2,424,537</u>
	<u>21,002,267</u>	<u>22,118,962</u>
Service charge		
From agency	(1,983,696)	(1,781,493)
From credit cards	(627,462)	(795,646)
From cross-bank transactions	(328,767)	(312,131)
From computer processing	(275,349)	(276,025)
Others	<u>(652,220)</u>	<u>(664,521)</u>
	<u>(3,867,494)</u>	<u>(3,829,816)</u>
	<u>\$ 17,134,773</u>	<u>\$ 18,289,146</u>

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

For the Year Ended December 31, 2022					
	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	\$ 28,534	\$ 2,426,635	\$ 23,820,620	\$ 51,532,077	\$ 77,807,866
Held-for-trading financial liabilities	-	-	(18,038,947)	(63,643,397)	(81,682,344)
Financial liabilities designated as at fair value through profit or loss	-	(2,279,114)	-	9,401,918	7,122,804
	<u>\$ 28,534</u>	<u>\$ 147,521</u>	<u>\$ 5,781,673</u>	<u>\$ (2,709,402)</u>	<u>\$ 3,248,326</u>

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>

34. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

For the Year Ended December 31		
	2022	2021
Employee benefits		
Salaries	\$ 11,153,427	\$ 11,390,035
Insurance	813,346	801,334
Excessive interest from preferential rates	26,744	196,197
Post-employment benefits	414,205	407,601
Others	770,879	641,495
Depreciation expenses	2,929,534	2,763,254
Amortization expenses	701,092	692,335

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, 2022 and 2021, the employees' compensation were \$565,121 thousand and \$636,352 thousand, respectively; and the remuneration of directors were \$72,000 thousand and \$89,000 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, 2021 and 2020 that have been approved by the board of directors on 2022 and March 11, 2021, respectively, were as follows:

	For the Year Ended December 31			
	Amounts Approved		Amounts Recognized	
	2021	2020	2021	2020
Employees' compensation - cash	\$ 636,352	\$ 553,275	\$ 636,352	\$ 563,955
Remuneration of directors - cash	68,000	60,000	89,000	95,000

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, 2021 and 2020, respectively, were resulted from a change in the accounting estimate. The differences were recognized in profit or loss for 2022 and 2021, respectively.

The employees' compensation to employees and the remuneration of directors for 2022, which were approved by the board of directors on February 20, 2023, were as follows:

	2022
Employees' compensation - cash	\$ 565,121
Remuneration of directors - cash	54,000

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>).

35. 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	
	2022	2021
Current tax		
Current year	\$ 3,759,012	\$ 3,358,155
Additional income tax on unappropriated earnings	1,446	679
Prior year's adjustments	(63,367)	(23,871)
	<u>3,697,091</u>	<u>3,334,963</u>
Deferred tax		
Current year	<u>334,696</u>	<u>(233,329)</u>
Income tax expense recognized in profit or loss	<u>\$ 4,031,787</u>	<u>\$ 3,101,634</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before tax from continuing operations	\$ 18,864,747	\$ 20,688,454
Income tax expense calculated at the statutory rate (20%)	\$ 3,772,949	\$ 4,137,691
Nondeductible expenses in determining taxable income	(12,471)	31,486
Tax-exempt income	(22,483)	(1,306,516)
Additional income tax on unappropriated earnings	1,446	679
Land value increment tax	-	(150)
Unrecognized deductible temporary differences	218,063	191,870
Effect of different tax rate of overseas branches operating in other jurisdictions	137,650	70,445
Adjustments for prior year's income tax	(63,367)	(23,871)
Income tax expense recognized in profit or loss	\$ 4,031,787	\$ 3,101,634

b. Income tax expense recognized directly in equity

	For the Year Ended December 31	
	2022	2021
Current tax		
Disposals of investment in equity instruments at fair value through other comprehensive income	\$ (33,170)	\$ (26,351)
Deferred tax		
Disposals of investment in equity instruments at fair value through other comprehensive income	33,170	26,351
Income tax expense recognized in equity	\$ -	\$ -

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<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	\$ (67,388)	\$ (21,200)
Remeasurement of defined benefit plans	823	122
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	563,081	(153,116)
Fair value changes of financial assets in debt instruments at fair value through other comprehensive income	(1,390,316)	(194,451)
Income tax benefit recognized in other comprehensive income	\$ (893,800)	\$ (368,645)

d. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Consolidated tax return receivables	\$ -	\$ 157,875
Prepaid taxes	<u>15,423</u>	<u>80,604</u>
	<u>\$ 15,423</u>	<u>\$ 238,479</u>
Current tax liabilities		
Consolidated tax return payables	\$ 1,247,468	\$ 1,255,368
Income tax payable	<u>444,118</u>	<u>436,740</u>
	<u>\$ 1,691,586</u>	<u>\$ 1,692,108</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, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized in Equity	Exchange Difference	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Financial instruments at fair value						
through profit or loss	\$ 1,151,545	\$ 237,031	\$ -	\$ -	\$ -	\$ 1,388,576
Financial instruments at fair value						
through other comprehensive income	45,574	1,728	1,400,237	(33,170)	(20)	1,414,349
Allowance for possible losses	151,503	19,686	-	-	4,038	175,227
Payable for annual leave	116,873	10,244	-	-	-	127,117
Other liabilities	44,961	11,743	-	-	-	56,704
Exchange differences on foreign						
operations	667,942	-	(563,081)	-	-	104,861
Payable for long-term compensation of						
employees	40,916	(13,079)	-	-	-	27,837
Government grant revenues	19,030	(612)	-	-	255	18,673
Unearned revenues	21,095	(4,053)	-	-	5,271	22,313
Others	<u>34,931</u>	<u>8,291</u>	<u>(823)</u>	<u>-</u>	<u>2,063</u>	<u>44,462</u>
	<u>\$ 2,294,370</u>	<u>\$ 270,979</u>	<u>\$ 836,333</u>	<u>\$ (33,170)</u>	<u>\$ 11,607</u>	<u>\$ 3,380,119</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Financial instruments at fair value						
through profit or loss	\$ 494,565	\$ 447,429	\$ -	\$ -	\$ (32)	\$ 941,962
Financial instruments at fair value						
through other comprehensive income	59,810	-	(57,467)	-	943	3,286
Intangible assets	603,148	-	-	-	-	603,148
Unrealized foreign exchange gains	111,162	151,926	-	-	190	263,278
Others	<u>64,251</u>	<u>6,320</u>	<u>-</u>	<u>-</u>	<u>(32)</u>	<u>70,539</u>
	<u>\$ 1,332,936</u>	<u>\$ 605,675</u>	<u>\$ (57,467)</u>	<u>\$ -</u>	<u>\$ 1,069</u>	<u>\$ 1,882,213</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized in Equity	Exchange Difference	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	18,854	16,528	(122)	-	(329)	34,931
	<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	73,283	(8,980)	-	-	(52)	64,251
	<u>\$ 1,412,062</u>	<u>\$ 64,757</u>	<u>\$ (143,726)</u>	<u>\$ -</u>	<u>\$ (157)</u>	<u>\$ 1,332,936</u>

f. Unrecognized deferred tax assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Deductible temporary difference	<u>\$ 5,165,902</u>	<u>\$ 4,875,002</u>

g. The Bank's income tax returns through 2017 had been assessed by the tax authorities.

36. 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, 2022</u>			
Basic earnings per share			
Net income	<u>\$ 14,809,136</u>	<u>10,363,700</u>	<u>\$ 1.43</u>
<u>For the year ended December 31, 2021</u>			
Basic earnings per share			
Net income	<u>\$ 17,558,577</u>	<u>10,363,700</u>	<u>\$ 1.69</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

	For the Year Ended December 31, 2021	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	\$ <u>1.77</u>	\$ <u>1.69</u>

37. EQUITY

a. Capital stock

Common stock

	December 31	
	2022	2021
Authorized number of shares (in thousands)	<u>10,363,700</u>	<u>9,893,700</u>
Authorized capital	<u>\$ 103,637,000</u>	<u>\$ 98,937,000</u>
Number of shares issued (in thousands)	<u>10,363,700</u>	<u>9,893,700</u>
Common stock issued	<u>\$ 103,637,000</u>	<u>\$ 98,937,000</u>
Common stock issued		
Public offering	\$ 54,000,123	\$ 51,551,185
Private placement	<u>49,636,877</u>	<u>47,385,815</u>
	<u>\$ 103,637,000</u>	<u>\$ 98,937,000</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 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 Ministry of Economic Affairs (MOEA).

The stockholders resolved to use the 2022 unappropriated earnings of \$4,700,000 thousand as stock dividends consisting of 4,700,000 thousand shares on April 22, 2022, and thereby resolved to increase authorized capital to \$103,637,000 thousand. This issuance was approved by the Ministry of Economic Affairs (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 \$437,710 thousand and \$595,513 thousand for the years ended December 31, 2022 and 2021, 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 2021 and 2020 approved by the ESFHC's board of directors to the Bank's employees was \$591,159 thousand and \$490,773 thousand under both salary expenses and capital surplus, respectively. The differences between the approved amounts of employees' compensation recognized in the consolidated financial statements resulted from a change in the accounting estimate was adjusted in profit or loss for the years ended December 31, 2022 and 2021, 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

	December 31	
	2022	2021
Reclassification of the trading loss reserve and default loss reserve	\$ 83,866	\$ 83,866
The debit balance of other equity	830,159	-
Fintech development employee transfer or placement expenditure	<u>218,987</u>	<u>218,987</u>
	<u>\$ 1,133,012</u>	<u>\$ 302,853</u>

Under FSC guidelines, the Bank reclassified the trading loss reserve 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 Rule No. 1090150022 issued by the FSC and the directive titled "Questions and Answers for Special Reserve," the Bank should appropriate to or reverse from its special reserve certain specified amounts. If a contra equity account is reversed, the reversed portion of reserve could be distributed as dividends.

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. The special reserve 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.

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 2021 and 2020 that were approved in the stockholders' meetings on April 22, 2022 and April 23, 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 5,447,377	\$ 4,644,946		
Special reserve	830,159	-		
Cash dividends	7,172,933	7,142,426	\$0.73	\$0.75
Stock dividends	4,700,000	3,696,000	0.48	0.39

The appropriation of earnings for 2022 had been proposed by the Bank's board of directors on February 20, 2023. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 4,330,021	
Special reserve	4,271,378	
Stock dividends	5,835,000	\$0.56

The appropriation of earnings for 2022 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	
	2022	2021
Balance, January 1	\$ 169,084	\$ 140,777
Cash dividends distributed by subsidiary	(19,320)	-
Attributable to non-controlling interests:		
Net income	23,824	28,243
Exchange differences on the translation of financial statements of foreign operations	509	(123)
Remeasurement of defined benefit plans	<u>1,261</u>	<u>187</u>
Balance, December 31	<u>\$ 175,358</u>	<u>\$ 169,084</u>

38. 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, 2022</u>				
Sister companies	\$ 40,000	\$ -	\$ 2	
Key management	355,415	297,663	4,377	
Others	<u>3,755,122</u>	<u>3,290,850</u>	<u>44,060</u>	
	<u>\$ 4,150,537</u>	<u>\$ 3,588,513</u>	<u>\$ 48,439</u>	1.66-2.35 (Continued)

	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 (Concluded)

2) Deposits

	Highest Balance (Note)	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended <u>December 31, 2022</u>				
ESFHC	\$ 9,296,614	\$ 457,256	\$ 3,653	
Sister companies	10,089,525	2,958,733	11,148	
Key management	949,707	764,121	1,398	
Others	<u>2,652,576</u>	<u>1,581,858</u>	<u>9,926</u>	
	<u>\$ 22,988,422</u>	<u>\$ 5,761,968</u>	<u>\$ 26,125</u>	0-5.10
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

Note: The sum of the respective highest balances of each account for the years ended December 31, 2022 and 2021.

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	
	2022	2021
ESFHC	\$ 30	\$ 30
Sister companies	<u>856</u>	<u>1,122</u>
	<u>\$ 886</u>	<u>\$ 1,152</u>

Future lease payment receivables were as follows:

	December 31	
	2022	2021
ESFHC	\$ 12,292	\$ 18,571
Sister companies	<u>31,427</u>	<u>18,747</u>
	<u>\$ 43,719</u>	<u>\$ 37,318</u>

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

	For the Year Ended December 31	
	2022	2021
ESFHC	\$ 5,980	\$ 5,980
Sister companies	<u>9,030</u>	<u>8,641</u>
	<u>\$ 15,010</u>	<u>\$ 14,621</u>

	December 31	
	2022	2021
4) Interest receivable (part of receivables)		
Key management	\$ 259	\$ 217
Others	<u>2,584</u>	<u>1,599</u>
	<u>\$ 2,843</u>	<u>\$ 1,816</u>
5) Consolidated tax return receivables (part of current tax assets)		
ESFHC	<u>\$ -</u>	<u>\$ 157,875</u>
6) Prepaid expense (part of other assets)		
Sister companies	<u>\$ 3,020</u>	<u>\$ 3,020</u>
7) Accounts payable (part of payables)		
Sister companies	<u>\$ 630</u>	<u>\$ 351,699</u>
8) Interest payable (part of payables)		
ESFHC	\$ 49	\$ 15
Sister companies	1,197	283
Key management	261	147
Others	<u>2,136</u>	<u>1,169</u>
	<u>\$ 3,643</u>	<u>\$ 1,614</u>
9) Remuneration of directors (part of payables)		
ESFHC	<u>\$ 72,000</u>	<u>\$ 89,000</u>

	December 31	
	2022	2021
10) Consolidated tax return payables (part of current tax liabilities)		
ESFHC	<u>\$ 1,247,468</u>	<u>\$ 1,255,368</u>
11) Guarantee deposits received (part of other financial liabilities)		
ESFHC	\$ 1,562	\$ 1,562
Sister companies	<u>2,407</u>	<u>2,273</u>
	<u>\$ 3,969</u>	<u>\$ 3,835</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	
	2022	2021
12) Service fee income (part of service fee income, net)		
ESFHC	\$ -	\$ 3,050
Sister companies	<u>136</u>	<u>136</u>
	<u>\$ 136</u>	<u>\$ 3,186</u>
13) Rental income from operating assets (part of other noninterest gains, net)		
ESFHC	\$ 173	\$ 228
Sister companies	<u>2,648</u>	<u>3,490</u>
	<u>\$ 2,821</u>	<u>\$ 3,718</u>
14) Donation (part of general and administrative expenses)		
E.SUN Volunteer & Social Welfare Foundation	<u>\$ 43,650</u>	<u>\$ 37,331</u>
15) Other (part of employee benefits, general and administrative expenses)		
ESFHC	\$ 51,000	\$ 54,000
Sister companies	<u>18,120</u>	<u>14,737</u>
	<u>\$ 69,120</u>	<u>\$ 68,737</u>

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

- 16) In August 2012, E.SUN Volunteer & Social Welfare Foundation entrusted some properties to the Bank. The Bank charged \$437 thousand and \$372 thousand (part of service fee income, net) accordingly for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 are summarized as follows:

	For the Year Ended December 31	
	2022	2021
Salaries and other short-term employment benefits	\$ 286,351	\$ 237,390
Post-employment benefits	2,348	2,253
Interest arising from the employees' preferential rates in excess of normal rates	<u>109</u>	<u>584</u>
	<u>\$ 288,808</u>	<u>\$ 240,227</u>

39. PLEDGED ASSETS

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

	December 31	
	2022	2021
Financial assets at fair value through profit or loss (face value)	\$ 25,305,000	\$ 25,200,000
Investments in debt instruments at amortized cost (face value)	5,169,139	4,505,711
Investments in debt instruments at fair value through other comprehensive income (face value)	<u>8,345,679</u>	<u>3,619,098</u>
	<u>\$ 38,819,818</u>	<u>\$ 33,324,809</u>

As of December 31, 2022 and 2021, the foregoing bonds and securities, with aggregate face value of \$20,305,000 thousand and \$20,200,000 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, 2022 and 2021. 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, 2022	<u>\$ 250,800</u>	<u>\$ 227,365</u>
December 31, 2021	<u>\$ 103,000</u>	<u>\$ 97,912</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, up to \$15,000,000 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, 2022 and 2021, UCB has provided US\$2,774 thousand and US\$4,805 thousand, respectively, 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.

40. 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, 2022, 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 \$4,712,745 thousand, and the remaining unpaid amount was approximately \$2,218,493 thousand.

- b. Union Commercial Bank (UCB)

As of December 31, 2022, decoration of buildings and various purchases related to the improvements of existing premises occupied by UCB amounted to approximately \$6,645 thousand, and the remaining unpaid amount was approximately \$45 thousand.

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

As of December 31, 2022, decoration of buildings and various purchases related to the improvements of existing premises occupied by ESBC amounted to approximately \$148,795 thousand, and the remaining unpaid amount was approximately \$47,407 thousand.

41. 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			
	2022		2021	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents and other financial assets - due from banks	\$ 45,014,621	1.27	\$ 43,349,195	0.28
Call loans to banks	47,350,892	1.80	28,773,106	0.82
Due from the Central Bank	60,517,315	0.41	55,440,043	0.20
Financial assets mandatorily classified as at fair value through profit or loss - bonds	126,660,929	1.02	127,297,813	2.40
Financial assets mandatorily classified as at fair value through profit or loss - bills	213,260,609	0.53	464,453,272	0.31
Securities purchased under resell agreements	2,291,348	1.07	2,193,045	0.23
Accounts receivable factored without recourse	8,126,742	2.28	7,391,750	0.89
Discounts and loans	1,844,609,746	1.99	1,647,745,684	1.56
Receivables on credit cards	30,927,089	6.27	30,156,493	6.38
Debt instruments at fair value through other comprehensive income	317,348,190	1.75	283,467,195	1.22
Investments in debt instruments at amortized cost	344,180,396	1.11	52,266,395	1.07
<u>Interest-bearing liabilities</u>				
Deposits from the Central Bank and other banks	79,141,597	1.44	76,016,925	0.45
Due to the Central Bank and other banks	7,047,955	0.10	11,214,007	0.10
Financial liabilities at fair value through profit or loss	48,980,418	4.72	44,950,688	4.72
Securities sold under repurchase agreements	13,168,310	0.50	11,054,201	0.13
Demand deposits	762,733,498	0.24	722,903,924	0.04
Savings - demand deposits	726,262,484	0.20	680,340,748	0.07
Time deposits	899,464,091	1.44	732,113,312	0.56
Savings - time deposits	338,935,143	1.06	301,658,871	0.80
Negotiable certificates of deposit	17,256,631	0.86	26,848,997	0.28
Bank debentures	35,718,658	1.51	33,190,000	1.53
Principal of structured products	74,907,030	0.96	51,402,663	0.52
Lease liabilities	3,542,333	0.73	3,092,025	0.78

42. 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			
	2022		2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 401,405,743	\$ 395,017,074	\$ 308,219,235	\$ 308,865,486

Financial liabilities

Bank debentures	37,850,000	37,157,386	34,270,000	36,980,295
-----------------	------------	------------	------------	------------

Fair value hierarchy as of December 31, 2022

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 395,017,074	\$ 42,828,785	\$ 352,188,289	\$ -

Financial liabilities

Bank debentures	37,157,386	-	37,157,386	-
-----------------	------------	---	------------	---

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	\$ -

Financial liabilities

Bank debentures	36,980,295	-	36,980,295	-
-----------------	------------	---	------------	---

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 Refinitiv 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, 2022 and 2021, the discount rates used ranged from 1.011% to 1.750% and from 0.174% to 1.150%, respectively, for the New Taiwan dollar and from 3.454% to 5.285% and 0.135% to 1.803%, 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, 2022 and 2021, were as follows:

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ 61,715,004	\$ 86,071	\$ 61,628,933	\$ -
Equity instruments	517,682	517,682	-	-
Debt instruments	120,534,803	8,559,480	111,975,323	-
Others	173,179,733	-	173,179,733	-
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instruments	13,208,413	12,074,935	-	1,133,478
Debt instruments	332,611,579	149,175,333	183,436,246	-
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	51,764,562	-	51,764,562	-
Financial liabilities designated as at fair value through profit or loss	37,805,089	-	37,805,089	-

	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	-

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, 2022 and 2021.

d. Reconciliation of the financial instruments classified in Level 3

For the year ended December 31, 2022

	Financial Assets in Equity Instruments at Fair Value Through Other Comprehensive Income
Balance at January 1, 2022	\$ 1,129,667
Valuation recognized in other comprehensive income	1,810
Change in exchange rates	<u>2,001</u>
Balance at December 31, 2022	<u>\$ 1,133,478</u>

For the year ended December 31, 2021

	Financial Assets in Equity Instruments at Fair Value Through Other Comprehensive Income
Balance at January 1, 2021	\$ 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, 2021	<u>\$ 1,129,667</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, or referring to the appraisal report issued by an external impartial third party as the basis for the value evaluation.

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, 2022

	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	\$ 504,758	Market approach	Lack of liquidity discount	10%-20%	The higher the lack of liquidity, the lower the fair value is
	91,070	Asset approach	Lack of liquidity discount; allowance of minority interest	-%-20%; -%-10%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is
	537,650	Income approach	Lack of liquidity discount; allowance of minority interest	10%-20%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is

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

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, 2022

	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	\$ 113,348	\$ (113,348)

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)

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

	December 31	
	2022	2021
Difference between carrying amounts and the amounts due on maturity		
Fair value	\$ 37,805,089	\$ 47,449,715
Amounts due on maturity	<u>51,650,659</u>	<u>45,447,639</u>
	<u>\$ (13,845,570)</u>	<u>\$ 2,002,076</u>
		Change in Fair Values Resulting from Credit Risk Variations
Accumulated amount of change		
As of December 31, 2022		<u>\$ (5,794,301)</u>
As of December 31, 2021		<u>\$ 651,427</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 is 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, 2022

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 344,957,546	\$ 401,436,904	\$ 746,394,450
Less: Allowance for impairment loss	<u>(113,585)</u>	<u>(31,161)</u>	<u>(144,746)</u>
Amortized cost	344,843,961	<u>\$ 401,405,743</u>	746,249,704
Adjustment to fair value	<u>(12,232,382)</u>		<u>(12,232,382)</u>
	<u>\$ 332,611,579</u>		<u>\$ 734,017,322</u>

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>

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, 2022

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	-%-1.00%	\$ 746,379,987
Credit risk has increased significantly	The credit risk has increased significantly since initial recognition	Lifetime ECL (unimpaired)	6.90%	14,463

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

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost grouped by credit rating is reconciled as follows:

Allowance for Impairment Loss	Credit Rating		Total
	Performing (12-month ECL)	Risk Increase Significantly (Lifetime ECL and Not Credit- impaired)	
Balance at January 1, 2022	\$ 115,437	\$ -	\$ 115,437
New financial assets purchased	28,971	999	29,970
Derecognition	(12,597)	-	(12,597)
Change in model or risk parameters	9,516	-	9,516
Change in exchange rates or others	<u>2,420</u>	<u>-</u>	<u>2,420</u>
Balance at December 31, 2022	<u>\$ 143,747</u>	<u>\$ 999</u>	<u>\$ 144,746</u>

Allowance for Impairment Loss	Credit Rating Performing (12-month ECL)
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>

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, 2022

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	\$ 1,323,790,657	\$ 1,221,986	\$ 66,892	\$ -	\$ 1,325,079,535
Allowance for possible losses	(110,707)	(47,755)	(3,228)	-	(161,690)
Difference of impairment loss under regulations	-	-	-	(781,163)	(781,163)
	<u>\$ 1,323,679,950</u>	<u>\$ 1,174,231</u>	<u>\$ 63,664</u>	<u>\$ (781,163)</u>	<u>\$ 1,324,136,682</u>

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>

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, 2022

		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	\$ 2,494,404	\$ -	\$ -	\$ -	\$ -
Other	90,392	-	-	-	-
Discounts and loans	8,682,483	4,272,344	-	-	4,272,344

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

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			
	2022		2021	
	Amount	%	Amount	%
Natural person	\$ 966,057,987	50	\$ 897,620,361	50
Manufacturing	357,043,714	18	347,834,553	19
Finance, insurance and real estate	243,595,587	13	189,689,679	11

Credit Risk Profile by Regions	December 31			
	2022		2021	
	Amount	%	Amount	%
Domestic	\$ 1,648,022,853	85	\$ 1,558,897,685	87

Credit Risk Profile by Collaterals	December 31			
	2022		2021	
	Amount	%	Amount	%
Unsecured	\$ 500,572,589	26	\$ 451,367,628	25
Secured				
Real estate	1,261,661,428	65	1,161,610,355	65

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	
	2022	2021
Credit rating		
Strong	\$ 1,429,042,829	\$ 1,258,199,636
Medium	492,073,699	492,556,246
Weak	<u>21,600,401</u>	<u>25,723,699</u>
Carrying amount	1,942,716,929	1,776,479,581
Allowance for possible losses	<u>(1,594,898)</u>	<u>(1,107,559)</u>
	<u>\$ 1,941,122,031</u>	<u>\$ 1,775,372,022</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. The transition project considers the 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 the transition project will be implemented by the corresponding LIBOR transition response team. As of December 31, 2022, the Company is finalizing the amendments to the related systems. The Company is continuously discussing with the clients and counterparties 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 2023. In terms of investments in debt instruments, the Company is continuously negotiating with the counterparties about the contracts that have been identified.

The Company is ceasing to sell financial instruments connected to LIBOR that are not authorized by authorities but will sell those that connect to alternative benchmark interest rates, TAIFX3 or local USD rates, to make sure the rights of clients and the Company will not be negatively impacted.

The following table contains the details of non-derivative financial instruments held by the Company on December 31, 2022, 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	\$ 24,034,287
Financial assets at FVTOCI	16,013,211
Investments in debt instruments at amortized cost	2,150,522
Discounts and loans	<u>80,535,002</u>
Non-derivative financial assets affected by the interest rate benchmark reform	<u>\$ 122,733,022</u>

The following table contains details of derivative financial instruments held by the Company at December 31, 2022, 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	\$ 390,380,110	\$ 16,463,316	\$ 15,015,058
Cross-currency swaps	307,240	40,944	-

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, 2022

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	December 31, 2022
<u>By risk type</u>				
Currency	\$ 3,071,900	\$ 2,156,029	\$ 4,562,202	\$ 3,280,214
Interest	11,251,012	5,702,952	15,185,073	13,486,178
Equity	976,594	684,604	1,311,178	814,411
Risk diversification	<u>(8,318,495)</u>	-	-	<u>(9,409,144)</u>
Total risk exposure	<u>\$ 6,981,011</u>			<u>\$ 8,171,659</u>

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>

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 2022 and 2021 were 32.69% and 33.81%, 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, 2022	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	\$ 36,100,630	\$ 12,536,682	\$ 2,319,318	\$ 20,506,455	\$ 1,051,349	\$ 72,514,434
Nonderivative financial liabilities at fair value through profit or loss	-	-	-	563,970	51,086,689	51,650,659
Securities sold under repurchase agreements	7,017,134	1,686,572	893,711	3,791,737	5,166,615	18,555,769
Payables	25,355,286	1,903,153	978,906	1,202,633	99,617	29,539,595
Deposits and remittances	1,103,188,963	248,975,620	241,709,886	478,805,828	831,701,057	2,904,381,354
Bank debentures	-	-	1,500,000	-	36,350,000	37,850,000
Lease liabilities	120,510	162,118	259,028	519,949	3,406,422	4,468,027
Other items of cash outflow on maturity	69,467,603	14,526,405	520,580	4,147,740	12,379,558	101,041,886

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

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, 2022	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	\$ 53,252	\$ 154,586	\$ 67,248	\$ 30,606	\$ -	\$ 305,692
Interest derivatives	2,023	2,309	24	-	-	4,356

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

b) Derivative financial liabilities to be settled at gross amounts

December 31, 2022	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	\$ 164,583,466	\$ 321,200,960	\$ 202,826,981	\$ 154,841,611	\$ 311,766,355	\$ 1,155,219,373
Cash inflow	158,082,611	310,568,594	197,128,511	152,999,296	298,893,531	1,117,672,543
Interest derivatives						
Cash outflow	833,737	1,114,348	1,806,581	3,715,871	22,096,164	29,566,701
Cash inflow	3,877,367	156,222	144,611	132,772	7,160,284	11,471,256
Total cash outflow	165,417,203	322,315,308	204,633,562	158,557,482	333,862,519	1,184,786,074
Total cash inflow	161,959,978	310,724,816	197,273,122	153,132,068	306,053,815	1,129,143,799
Net cash outflow	\$ 3,457,225	\$ 11,590,492	\$ 7,360,440	\$ 5,425,414	\$ 27,808,704	\$ 55,642,275

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

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, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 1,190,229	\$ 989,097	\$ 3,933,361	\$ 10,788,710	\$ 40,392,202	\$ 57,293,599
Credit card commitments	3,875,042	1,481,556	5,797,131	16,760,772	461,717,325	489,631,826
Letters of credit issued and yet unused	2,989,408	4,754,014	1,011,988	1,874,069	120,811	10,750,290
Other guarantees	5,252,286	3,253,641	8,655,128	5,988,083	6,164,624	29,313,762

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

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, 2022					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Investments in debt instruments at FVTOCI - securities sold under repurchase agreements	\$ 19,335,552	\$ 17,569,699	\$ 19,335,552	\$ 17,569,699	\$ 1,765,853
Investments in debt instruments at amortized cost - securities sold under repurchase agreements	946,453	925,596	964,224	925,596	38,628

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 - securities sold under repurchase agreements	911,582	869,940	929,579	869,940	59,639

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, 2022

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	\$ 61,715,004	\$ -	\$ 61,715,004	\$ (35,552,553)	\$ (7,849,094)	\$ 18,313,357
Resell agreements	<u>7,892,518</u>	<u>-</u>	<u>7,892,518</u>	<u>(7,892,518)</u>	<u>-</u>	<u>-</u>
	<u>\$ 69,607,522</u>	<u>\$ -</u>	<u>\$ 69,607,522</u>	<u>\$ (43,445,071)</u>	<u>\$ (7,849,094)</u>	<u>\$ 18,313,357</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	\$ 51,764,562	\$ -	\$ 51,764,562	\$ (35,552,553)	\$ (9,847,389)	\$ 6,364,620
Repurchase agreements	<u>18,535,596</u>	<u>-</u>	<u>18,535,596</u>	<u>(18,535,596)</u>	<u>-</u>	<u>-</u>
	<u>\$ 70,300,158</u>	<u>\$ -</u>	<u>\$ 70,300,158</u>	<u>\$ (54,088,149)</u>	<u>\$ (9,847,389)</u>	<u>\$ 6,364,620</u>

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	<u>49,467</u>	<u>-</u>	<u>49,467</u>	<u>(49,467)</u>	<u>-</u>	<u>-</u>
	<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	<u>475,482</u>	<u>-</u>	<u>475,482</u>	<u>(49,467)</u>	<u>-</u>	<u>426,015</u>
	<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>

43. 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, %)

Items			Year	December 31, 2022	
				Standalone	Consolidated
Eligible capital	Common equity		\$	179,150,743	\$ 177,847,945
	Other Tier 1 capital			27,972,199	27,972,199
	Tier 2 capital			47,782,928	48,437,242
	Eligible capital			254,905,870	254,257,386
Risk-weighted assets	Credit risk	Standardized approach		1,574,982,859	1,627,327,924
		Internal ratings-based approach		-	-
		Securitization		2,214,444	2,214,444
	Operational risk	Basic indicator approach		-	-
		Standardized approach/alternative standardized approach		121,515,048	126,897,558
		Advanced measurement approach		-	-
	Market risk	Standardized approach		79,983,088	84,941,150
		Internal model approach		-	-
	Risk-weighted assets				1,778,695,439
Capital adequacy ratio (%)				14.33	13.81
Ratio of common equity to risk-weighted assets (%)				10.07	9.66
Ratio of Tier 1 capital to risk-weighted assets (%)				11.64	11.18
Leverage ratio (%)				5.86	5.69

Items			Year	December 31, 2021		
				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

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.

44. 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, 2022			December 31, 2021		
	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	\$ 10,296,581	5.38	Group A Manufacture of other electronic parts and components not elsewhere classified	\$ 13,372,939	7.12
2	Group B Real estate development	7,995,400	4.18	Group D Other activities auxiliary to financial service activities not elsewhere classified	9,743,425	5.18
3	Group C Manufacture of computers	7,253,938	3.79	Group B Real estate development	7,405,626	3.94
4	Group D Other activities auxiliary to financial service activities not elsewhere classified	7,129,762	3.73	Group G Activities of head offices	6,731,996	3.58
5	Group E Manufacture of computers	7,014,283	3.67	Group K Wholesale of computers, computer peripheral equipment and software	6,271,694	3.34
6	Group F Real estate activities for sale and rental with own or leased property	6,926,973	3.62	Group L Electricity supply	6,122,645	3.26
7	Group G Activities of head offices	6,712,415	3.51	Group C Manufacture of computers	5,749,770	3.06
8	Group H Manufacture of computers	6,373,779	3.33	Group M Manufacture of electronic passive devices	5,667,575	3.02
9	Group I Manufacture of integrated circuits	6,351,758	3.32	Group N Retail sale of computers, computer peripheral equipment and software	5,619,141	2.99
10	Group J Financial leasing	5,658,649	2.96	Group O Wired telecommunications activities	5,387,450	2.87

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, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,951,218,767	\$ 89,346,333	\$ 67,828,253	\$ 146,549,718	\$ 2,254,943,071
Interest rate-sensitive liabilities	1,616,976,852	49,446,176	103,568,222	116,807,570	1,886,798,820
Interest rate sensitivity gap	334,241,915	39,900,157	(35,739,969)	29,742,148	368,144,251
Net worth					176,296,030
Ratio of interest rate-sensitive assets to liabilities					119.51
Ratio of interest rate sensitivity gap to net worth					208.82

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

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, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 17,382,486	\$ 409,195	\$ 507,857	\$ 3,169,214	\$ 21,468,752
Interest rate-sensitive liabilities	25,374,945	3,296,903	4,114,641	1,451,788	34,238,277
Interest rate sensitivity gap	(7,992,459)	(2,887,708)	(3,606,784)	1,717,426	(12,769,525)
Net worth					99,048
Ratio of interest rate-sensitive assets to liabilities					62.70
Ratio of interest rate sensitivity gap to net worth					(12,892.26)

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)

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, 2022	December 31, 2021
Return on total assets	Before income tax	0.57	0.68
	After income tax	0.45	0.58
Return on equity	Before income tax	9.79	11.21
	After income tax	7.81	9.61
Net income ratio		29.50	34.43

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, 2022

	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	\$ 2,726,192,283	\$ 317,482,179	\$ 229,500,954	\$ 207,455,209	\$ 203,531,616	\$ 190,159,795	\$ 1,578,062,530
Main capital outflow on maturity	3,298,469,370	109,836,752	149,376,568	486,431,657	475,960,154	695,157,049	1,381,707,190
Gap	(572,277,087)	207,645,427	80,124,386	(278,976,448)	(272,428,538)	(504,997,254)	196,355,340

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

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, 2022

	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	\$ 57,185,714	\$ 10,895,428	\$ 15,274,868	\$ 10,254,830	\$ 6,565,450	\$ 14,195,138
Main capital outflow on maturity	67,000,317	13,606,724	19,308,780	13,626,898	16,611,864	3,846,051
Gap	(9,814,603)	(2,711,296)	(4,033,912)	(3,372,068)	(10,046,414)	10,349,087

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

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, 2022

	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	\$ 12,812,061	\$ 3,637,169	\$ 2,228,383	\$ 1,196,458	\$ 866,649	\$ 4,883,402
Main capital outflow on maturity	13,487,386	4,244,741	4,248,157	2,066,312	2,283,391	644,785
Gap	(675,325)	(607,572)	(2,019,774)	(869,854)	(1,416,742)	4,238,617

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

45. 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, 2022 and 2021

Trust Assets	2022	2021	Trust Liabilities	2022	2021
Cash in banks	\$ 9,431,296	\$ 5,399,931	Accounts payable		
Investments	311,318,781	293,835,419	on administrative		
Receivables	276	275	expense	\$ 4	\$ 4
Real estate	7,144,272	4,864,484	Accounts payable		
Securities under			on securities		
custody	<u>712,069,347</u>	<u>619,710,798</u>	under custody	712,069,347	619,710,798
			Trust capital		
			Cash	316,148,363	294,987,173
			Securities	5,583,576	4,482,833
			Real estate	7,262,073	4,542,789
			Reserves and		
			accumulated		
			deficit	960,828	(15,128,998)
			Net income (loss)	<u>(2,060,219)</u>	<u>15,216,308</u>
Total assets	<u>\$1,039,963,972</u>	<u>\$ 923,810,907</u>	Total liabilities	<u>\$1,039,963,972</u>	<u>\$ 923,810,907</u>

Note: Investments of the OBU are included in total trust-related assets. As of December 31, 2022 and 2021, the amounts of the OBU's investments were \$25,468,930 thousand and \$24,857,118 thousand, respectively.

Trust Property List December 31, 2022 and 2021

	2022	2021
Cash in banks	\$ 9,421,860	\$ 5,395,438
Cash in other banks	9,436	4,493
Stocks	22,764,400	13,605,755
Mutual funds	232,504,986	237,275,855
Bonds	49,032,754	23,056,184
Structured products	6,886,924	19,890,149
Beneficial certificates pending settlement	129,717	7,476
Receivables	276	275
Real estate	7,144,272	4,864,484
Securities under custody	<u>712,069,347</u>	<u>619,710,798</u>
	<u>\$ 1,039,963,972</u>	<u>\$ 923,810,907</u>

Statements of Income on Trust Accounts
For the Years Ended December 31, 2022 and 2021

	2022	2021
<u>Revenues</u>		
Interest	\$ 27,746	\$ 10,866
Cash dividend	11,916,870	11,723,137
Realized capital gain - common stocks	1,270	7,938
Property gain	2,494,245	8,206,688
Realized capital gain - bonds	2,834,393	2,713,134
Realized capital gain - mutual funds	306,362	923,827
Other revenues	11,550	2,133
Revenues from beneficial certificates	54,880	42,302
Revenues from rent for stocks	-	49
Total revenues	<u>17,647,316</u>	<u>23,630,074</u>
<u>Expenses</u>		
Management fees	379,960	682,178
Supervisor fees	5	-
Service fees	2,264	1,122
Property loss	19,051,756	7,583,668
Income tax	849	603
Tax expenditures	11,011	11,371
Other expenses	20,662	28,954
Realized capital loss - common stocks	84	52
Realized capital loss - mutual funds	221,921	71,879
Unrealized capital loss - common stocks	19,023	33,939
Total expenses	<u>19,707,535</u>	<u>8,413,766</u>
Net income (loss)	<u>\$ (2,060,219)</u>	<u>\$ 15,216,308</u>

b. Nature of trust business operations under the Trust Enterprise Act: Note 1.

46. ALLOCATION OF REVENUE, COST AND EXPENSE THAT RESULTED FROM THE SHARING OF RESOURCES BETWEEN E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

	Bank	E.SUN Securities	Total	Allocation Method
For the year ended <u>December 31, 2022</u>				
Others	\$ 288	\$ 276	\$ 564	Utilities - 50% each Building maintenance fee - based on space actually occupied
For the year ended <u>December 31, 2021</u>				
Others	\$ 299	\$ 324	\$ 623	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):

	<u>For the Year Ended December 31</u>	
	2022	2021
Revenue	\$ 3,880	\$ 4,604
Expense	\$ 158,089	\$ 138,326

47. CASH FLOW INFORMATION

Changes in Liabilities Arising From Financing Activities

For the year ended December 31, 2022

	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	\$ 14,021,010	\$ (14,021,010)	\$ -	\$ -	\$ -	\$ -
Short-term borrowings	573,780	2,432,393	-	-	134,408	3,140,581
Bank debentures	34,270,000	3,580,000	-	-	-	37,850,000
Long-term borrowings	335,037	(11,495)	-	-	36,368	359,910
Financial liabilities designated as at fair value through profit or loss-bank debentures	47,449,715	-	-	(15,847,645)	6,203,019	37,805,089
Guarantee deposits received	1,942,439	5,249,193	-	-	-	7,191,632
Lease liabilities	3,841,071	(1,069,948)	1,368,097	-	30,679	4,169,899
	<u>\$ 102,433,052</u>	<u>\$ (3,840,867)</u>	<u>\$ 1,368,097</u>	<u>\$ (15,847,645)</u>	<u>\$ 6,404,474</u>	<u>\$ 90,517,111</u>

For the year ended December 31, 2021

				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	\$ 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>

48. 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 42 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 period-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).

49. 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, 2022				
	Corporate Banking Unit	Individual Banking Unit	Overseas Branches and Subsidiaries	Others	Total
Net interest revenues (expenses)	<u>\$ 18,440</u>	<u>\$ 22,830</u>	<u>\$ 7,508</u>	<u>\$(19,539)</u>	<u>\$ 29,239</u>
Total net revenues (expenses)	\$ 20,992	\$ 37,628	\$ 8,232	\$(14,742)	\$ 52,110
Bad-debt expenses and provision for losses on commitments and guarantees	(590)	(845)	(286)	(359)	(2,080)
Operating expenses	<u>(5,057)</u>	<u>(21,347)</u>	<u>(2,823)</u>	<u>(1,938)</u>	<u>(31,165)</u>
Income (loss) before income tax	<u>\$ 15,345</u>	<u>\$ 15,436</u>	<u>\$ 5,123</u>	<u>\$(17,039)</u>	<u>\$ 18,865</u>

	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>

TABLE 1

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES
DECEMBER 31, 2022 AND 2021

Entities included in the consolidated financial statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)		Note
				December 31, 2022	December 31, 2021	
E.SUN Commercial Bank, Ltd. Union Commercial Bank PLC.	E.SUN Bank (China), Ltd. Union Commercial Bank PLC. BankPro E-Service Technology Co., Ltd	China Cambodia Taipei	Banking Banking Information software	100.00 100.00 61.67	100.00 100.00 61.67	
	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, 2022	December 31, 2021	
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.

TABLE 2

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

Loans

December 31, 2022

Type	Account Volume or Name	Highest Balance for the Year Ended December 31, 2022 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	108	\$ 36,056	\$ 21,122	\$ 21,122	\$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	435	3,214,693	2,536,485	2,536,485	-	Land and buildings	None
Other loans	Others	1,443,023	1,030,906	1,030,906	-	Land, buildings and plant	None

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

Note: The sum of the respective highest balances of each account for the years ended December 31, 2022 and 2021.

TABLE 3**E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES****INFORMATION ON FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES WITH SIGNIFICANT EFFECT
DECEMBER 31, 2022 AND 2021
(In Thousands)**

	December 31					
	2022			2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 24,446,839	30.7240	\$ 751,104,681	\$ 21,380,903	27.6890	\$ 592,015,823
CNY	24,748,728	4.4076	109,082,494	24,287,793	4.3497	105,644,613
AUD	6,552,826	20.8330	136,515,024	5,583,714	20.0990	112,227,068
Non-monetary items						
USD	1,116,306	30.7240	34,297,386	283,991	27.6890	7,863,427
CNY	78,701	4.4076	346,883	118,403	4.3497	515,018
AUD	976	20.8330	20,333	1,866	20.0990	37,505
<u>Financial liabilities</u>						
Monetary items						
USD	\$ 38,164,566	30.7240	\$ 1,172,568,126	\$ 36,791,140	27.6890	\$ 1,018,709,875
CNY	23,148,601	4.4076	102,029,774	25,204,268	4.3497	109,631,005
AUD	3,007,740	20.8330	62,660,247	2,963,613	20.0990	59,565,658
Non-monetary items						
USD	821,086	30.7240	25,227,046	186,255	27.6890	5,157,215
CNY	106,458	4.4076	469,224	41,375	4.3497	179,969
AUD	8,431	20.8330	175,643	422	20.0990	8,482

TABLE 4

E.SUN COMMERCIAL BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, %)

Period		December 31, 2022					December 31, 2021				
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	\$ 989,892	\$ 470,140,548	0.21	\$ 5,401,859	545.70	\$ 1,048,194	\$ 431,358,368	0.24	\$ 4,917,890	469.18
	Unsecured	813,207	466,303,686	0.17	5,521,184	678.94	599,974	414,472,104	0.14	4,834,825	805.84
Consumer banking	Residential mortgage (Note 4)	284,936	529,737,002	0.05	7,792,646	2,734.88	289,183	490,971,422	0.06	7,164,836	2,477.61
	Cash card	-	693	-	12	-	206	905	22.76	220	106.80
	Small-scale credit loans (Note 5)	857,823	131,060,791	0.65	1,658,356	193.32	531,990	137,669,562	0.39	1,632,397	306.85
	Secured	180,421	302,447,048	0.06	3,123,121	1,731.02	249,105	264,897,964	0.09	2,730,503	1,096.13
Loan	Other (Note 6)	-	2,746,278	-	30,089	-	214	2,862,131	0.01	30,928	14,452.34
	Unsecured	3,126,279	1,902,436,046	0.16	23,527,267	752.56	2,718,866	1,742,232,456	0.16	21,311,599	783.84
		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		112,922	92,438,671	0.12	855,952	758.00	78,017	83,118,497	0.09	1,102,670	1,413.37
Accounts receivable factored without recourse (Note 7)		-	10,000,667	-	171,809	-	-	12,539,839	-	162,536	-
Amounts of executed contracts on negotiated debits not reported as nonperforming loans (Note 8)		3.923				5.405					
Amounts of executed contracts on negotiated debits not reported as nonperforming receivables (Note 8)		14.154				19.172					
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)		1.236,514				1,178,631					
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)		1,572,591				1,660,823					

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."

Note 2: 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 3: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loans balance.

Note 4: Ratio of nonperforming receivables: Nonperforming receivables ÷ Outstanding receivables balance.

Note 5: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Note 6: Coverage ratio of receivables: Allowance for possible losses for receivables ÷ Nonperforming receivables.

Note 7: 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 8: 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 9: Other consumers' banking loans refer to secured or unsecured loans that exclude residential mortgage, cash cards, credit cards and small-scale credit loans.

Note 10: 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 11: 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 12: 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).

TABLE 5

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, 2022
(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			
E.SUN Commercial Bank, Ltd.	Construction of new building for the operation in Kaohsiung Qingpu branch in Taoyuan Xiaokuaishi branch in Taoyuan	2018.11.09	\$ 745,300	\$650,544 has been paid as of December 31, 2022	Chun Yuan Construction Co., Ltd.	-	-	-	-	\$	Tender	For the operation of the branch of E.SUN Bank	None
		2019.11.28	(Note)				-	-	-				
		2022.08.19	500,000	\$100,000 has been paid as of December 31, 2022			-	-	-		Appraisal report	For the operation of the branch of E.SUN Bank	None
		2022.09.15	308,000	\$61,600 has been paid as of December 31, 2022			-	-	-		Appraisal report	For the operation of the branch of E.SUN Bank	None

Note: The initial transaction amount was \$707,000 thousand and additional amount of \$38,300 thousand.

TABLE 6

E.SUN COMMERCIAL BANK, LTD.

THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(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)	Shares (Thousands)	Percentage of Ownership	
E.SUN Commercial Bank, Ltd. (The Bank)	Finance - related business										
	Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81	\$ 13,968	\$ 1,120	160	-	160	0.81	
	Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	0.45	233,892	5,952	2,154	-	2,154	0.45	
	Financial Information Service Co., Ltd.	Taipei	Information service	2.28	533,091	32,657	11,876	-	11,876	2.28	
	Taiwan Asset Management Corporation	Taipei	Acquisition of delinquent loans	0.57	75,900	3,900	6,000	-	6,000	0.57	
	Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94	38,900	550	5,000	-	5,000	2.94	
	Taiwan Finance Corp.	Taipei	Bills financing	0.41	20,437	1,060	2,120	-	2,120	0.41	
	All Win Fintech Company Limited	Taipei	Electronic payment	17.89	99,280	-	13,600	-	13,600	17.89	
	Sunny Asset Management Co.	Taipei	Acquisition of delinquent loans	4.35	4,560	398	261	-	261	4.35	
	Taiwan Mobile Payment Co.	Taipei	Information service	3.00	10,782	-	1,800	-	1,800	3.00	
	BankPro E-Service Technology Co., Ltd.	Taipei	E-commerce application service	61.67	339,201	37,980	11,533	-	11,533	64.07	Note 3
	Union Commercial Bank PLC.	Phnom Penh Cambodia	Commercial banking	100.00	5,139,631	484,376	80	-	80	100.00	Note 3
	E.SUN Bank (China), Ltd.	Shenzhen, China	Commercial banking	100.00	9,530,154	306,749	-	-	-	100.00	Note 3
	EasyCard Corporation	Taipei	Electronic payment	1.93	13,490	-	1,349	-	1,349	1.93	
Non-finance - related business	Taiwan Incubator Small & Medium Enterprises Development Co., Ltd.	Taipei	Small and medium enterprise incubation	3.44	17,486	1,213	2,425	-	2,425	3.44	
	EASYPARD Investment Holding Co., Ltd.	Taipei	Investment	4.82	50,499	494	3,208	-	3,208	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, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					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	\$ 306,749	\$ 9,530,154	\$ -

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
\$9,758,742 (Note 1)	\$9,758,742 (Note 1)	\$114,927,004

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 the larger of 60% of the Bank's net assets value or 60% of the Company's consolidated net asset 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, 2022

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counterparty	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
				Financial Statement Account	Amounts	Trading Terms	
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Due from the Central Bank and call loans to other banks	\$ 8,274,660	Note 4	0.24
1	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Deposits from the Central Bank and other banks	8,274,660	Note 4	0.24
0	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Discounts and loans	4,823,668	Note 4	0.14
2	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Other financial liabilities	4,823,668	Note 4	0.14
1	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Due from the Central Bank and call loans to other banks	553,032	Note 4	0.02
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Deposits from the Central Bank and other banks	553,032	Note 4	0.02
2	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Cash and cash equivalents	493,030	Note 4	0.01
0	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Deposits from the Central Bank and other banks	493,030	Note 4	0.01
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Interest revenue	164,090	Note 4	0.31
1	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Interest expense	164,090	Note 4	0.31
0	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Interest revenue	119,635	Note 4	0.23
2	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Interest expense	119,635	Note 4	0.23

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.

(Continued)

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.

(Concluded)



Thanks for your long-term support

We are devoted to sustainable development
for a beautiful and better society.



DJSI

Listed in DJSI
since 2014



MSCI

MSCI ESG
Rating AAA

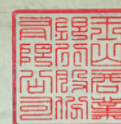


Best Bank

《Asiamoney》《Finance Asia》
《Forbes》《The Asset》



E·SUN COMMERCIAL BANK, LTD.



Joseph Huang
Chairman





Service Network of E.SUN Commercial Bank, Ltd.

Branch	Phone	Branch	Phone	Branch	Phone
Business Department	+886 2 2719 1313	Xinzhuan Branch	+886 2 2202 1313	Douliu Branch	+886 5 532 1313
Customer Services Division	+886 2 2175 1313	North Xinzhuan Branch	+886 2 2997 1313	East Chiayi Branch	+886 5 216 1313
International Banking Department	+886 2 2175 1313	Xinshu Branch	+886 2 2203 1313	Chiayi Branch	+886 5 223 1313
Trust Department	+886 2 2562 1313	Xindian Branch	+886 2 2916 1313	Puzi Branch	+886 5 379 1313
Insurance Agency Department	+886 2 2562 1313	Beixin Branch	+886 2 8911 1313	Xinying Branch	+886 6 656 8813
Nanjing East Road Branch	+886 2 2760 1313	Shulin Branch	+886 2 8675 1313	Jiali Branch	+886 6 721 1313
Zhonglun Branch	+886 2 2731 1313	Huilong Branch	+886 2 2689 1313	Rende Branch	+886 6 270 6613
Xinyi Branch	+886 2 8789 1313	Sanxia Branch	+886 2 8970 6613	Yanhang Branch	+886 6 253 1313
Nan Shan Plaza Branch	+886 2 2722 8913	Xizhi Branch	+886 2 2647 6613	Yongkang Branch	+886 6 201 1313
Keelung Road Branch	+886 2 2378 1313	Tucheng Branch	+886 2 2274 1313	South Yongkang Branch	+886 6 313 1313
Songshan Branch	+886 2 3765 1313	South Tucheng Branch	+886 2 2267 1313	East Tainan Branch	+886 6 289 1313
NTU Branch	+886 2 2368 1313	Luzhou Branch	+886 2 2848 1313	Jinhua Branch	+886 6 291 1313
Dunnan Branch	+886 2 2754 1313	Jixian Branch	+886 2 8283 1313	Annan Branch	+886 6 357 1313
Heping Branch	+886 2 2362 1313	Wugu Branch	+886 2 2290 1313	Tainan Branch	+886 6 241 1313
Daan Branch	+886 2 2755 1313	Xinzhuangfuduxin Branch	+886 2 2297 1313	Zuoying Branch	+886 7 348 8813
Zhongxiao Branch	+886 2 8772 1313	East Linkou Branch	+886 2 2606 9813	Nanzi Branch	+886 7 364 1313
Dongmen Branch	+886 2 2321 1313	Taoyuan Branch	+886 3 332 1313	North Kaohsiung Branch	+886 7 350 1313
Renai Branch	+886 2 2708 1313	Zhonglutequ Branch	+886 3 337 1313	Dachang Branch	+886 7 341 1313
Fuxing Branch	+886 2 2771 1313	Taoying Branch	+886 3 375 1313	Chengqing Branch	+886 7 386 1313
Minsheng Branch	+886 2 2509 1313	Yiwen Branch	+886 3 357 1313	Qixian Branch	+886 7 235 1313
Xinsheng Branch	+886 2 2740 1313	Zhongli Branch	+886 3 427 1313	Kaohsiung Branch	+886 7 336 1313
Changchun Branch	+886 2 2546 1313	Zhongyuan Branch	+886 3 428 1313	Lingya Branch	+886 7 716 1313
Zhongshan Branch	+886 2 2537 1313	Yangmei Branch	+886 3 488 1313	Qianzhen Branch	+886 7 761 1313
Chengdong Branch	+886 2 2504 1313	Nankan Branch	+886 3 352 1313	Xiaogang Branch	+886 7 807 1313
Minguan Branch	+886 2 2568 1313	Linkou Branch	+886 3 396 1313	Fengshan Branch	+886 7 743 1313
Taipei Branch	+886 2 2507 1313	Bade Branch	+886 3 367 1313	Linyuan Branch	+886 7 643 1313
Chengzhong Branch	+886 2 2389 1313	Lixin Branch	+886 3 492 1313	Houzhuan Branch	+886 7 702 1313
Guting Branch	+886 2 2364 1313	Hsinchu Branch	+886 3 523 1313	Gangshan Branch	+886 7 621 1313
Jiancheng Branch	+886 2 2556 1313	Zhuke Branch	+886 3 564 1313	Pingtung Branch	+886 8 733 1313
Muzha Branch	+886 2 2936 1313	Guanghua Branch	+886 3 533 1313	Donggang Branch	+886 8 835 1313
Nangang Branch	+886 2 2789 1313	Zhubei Branch	+886 3 554 1313	Keelung Branch	+886 2 2427 1313
Neihu Branch	+886 2 2659 1313	Liuji Branch	+886 3 658 9013	Luodong Branch	+886 3 957 1313
Chenggong Branch	+886 2 2791 8813	Xinfeng Branch	+886 3 557 1313	Hualien Branch	+886 3 831 1313
Donghu Branch	+886 2 2632 1313	Zhunian Branch	+886 3 746 1313	Taitung Branch	+886 89 36 1313
Xinhu Branch	+886 2 8791 6613	Toufen Branch	+886 3 768 3313	Penghu Branch	+886 6 927 1313
Shilin Branch	+886 2 2834 1313	Houlong Branch	+886 3 773 1313	Los Angeles Branch	+1 626 810 2400
Tianmu Branch	+886 2 2835 1313	Wuri Branch	+886 4 2260 8813	Hong Kong Branch	+852 3405 6168
Beitou Branch	+886 2 2895 1313	Wuquan Branch	+886 4 2377 1313	Singapore Branch	+65 6533 1313
Credit Card and Payment Division	+886 2 2182 1313	Taichung Branch	+886 4 2254 1313	Dong Nai Branch	+84 251 3671313
Sanhe Branch	+886 2 2280 1313	Taichung Metropolitan Branch	+886 4 2327 1313	Yangon Branch	+95 1 9345186 190
Sanchong Branch	+886 2 2984 1313	Xitun Branch	+886 4 2461 1313	Sydney Branch	+61 2 9295 1399
Erchong Branch	+886 2 2278 1313	Zhonggong Branch	+886 4 2350 8913	Brisbane Branch	+61 7 3033 8813
East Sanchong Branch	+886 2 2971 1313	Nantun Branch	+886 4 2380 1313	Tokyo Branch	+81 3 6213 1301
Banqiao Branch	+886 2 8257 1313	Dadun Branch	+886 4 2320 1313	Hanoi Representative Office	+84 24 35551313
Puqian Branch	+886 2 2963 1313	Beitun Branch	+886 4 2241 6813	Ho Chi Minh Representative Office	+84 28 3551 1313
Banshin Branch	+886 2 8952 1313	Wenxin Branch	+886 4 2291 1313	Bangkok Representative Office	+66 2 286 1313
Xinbantequ Branch	+886 2 2954 1313	Fengyuan Branch	+886 4 2512 1313	E.SUN Bank (China) Co., Ltd.	+86 755 8898 1313
Guangfu Branch	+886 2 2957 1313	Shalu Branch	+886 4 2662 1813	Shenzhen Branch	+86 755 8360 1313
Zhonghe Branch	+886 2 2222 1313	Daya Branch	+886 4 2568 1313	Guangzhou Branch	+86 20 6199 1313
Liancheng Branch	+886 2 8228 1313	Taiping Branch	+886 4 2270 8813	Dongguan Branch	+86 769 2868 1313
Nanshijiao Branch	+886 2 2942 8813	Dali Branch	+886 4 2418 1313	Dongguan Changan Sub-branch	+86 769 2330 8813
Taihe Branch	+886 2 2242 1313	Changhua Branch	+886 4 728 1313	Union Commercial Bank Plc.	+855 2391 1313
Yongan Branch	+886 2 8921 1313	Yuanlin Branch	+886 4 836 1313		
Shuanghe Branch	+886 2 2923 1313	Caotun Branch	+886 4 9238 1313		



E.SUN BANK

No. 117, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 10546, Taiwan
TEL : +886-2-2175-1313 FAX : +886-2-2719-9313
<https://www.esunbank.com.tw>